

Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31st March 2017
for
POLPO LIMITED



POLPO LIMITED

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for the year ended 31st March 2017

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POLPO LIMITED

Company Information
for the year ended 31st March 2017

DIRECTORS:

R Beatty
R Norman

SECRETARY:

R Beatty

REGISTERED OFFICE:

23 Golden Square
London
W1F 9JP

REGISTERED NUMBER:

06842440 (England and Wales)

POLPO LIMITED

Group Strategic Report **for the year ended 31st March 2017**

The directors present their strategic report for the year ended 31st March 2017.

REVIEW OF BUSINESS

A new site was opened in Bristol in August. New sites in Exeter and Bristol Cargo2 were also identified and work started on these sites at the end of FY17. The two Harvey Nichols sites in Leeds and London were closed in summer 2016 after a review of their performance.

Turnover in the year ended 31st March 2017 was £14.26m, up £860k (+6%) on the prior year due to the new openings. Gross profit was £5.9m, 42% of sales in line with prior year.

Having reviewed the performance of the sites within the estate, an impairment charge of £1.24m was made. After the year end, we've successfully exited Bristol and Ape and Bird at a combined premium of £1.085m and have closed Exeter. In addition, exiting the Harvey Nichols sites resulted in assets being written off at an accounting loss of £500k and an onerous lease charge of £1.2m being recognised.

As a result of the above, the loss for the year was £2,056k (2016: £1,044k profit) although adjusted EBITDA before these exceptional costs grew to £1.5m (2016: £1.3m).

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks facing the business are similar to the headwinds felt by other operators in the sector. Business rates have recently been re-evaluated, and with a portfolio located largely in London this has increased costs significantly. Living wage was introduced in April 2017 and has also impacted costs. Raw ingredient price increases are a risk but via careful menu re-engineering the impact of this has been mitigated. Sales are challenging for many operators in the sector at the moment and Polpo have a clear strategy to combat this, along with the cost pressures previously mentioned.

STRATEGY AND FUTURE DEVELOPMENT

The headwinds felt in the sector have been addressed by Polpo via a re-focus on the company strategy. Roll-out has been paused and a review of all business processes and systems has been undertaken to ensure the correct foundations are in place to enable a successful roll-out programme in the future. Spend per head and margin are currently strong due to a focus on menu re-engineering to manage input cost price increases and drive spend per head, rather than focusing on discounting. The customer journey has been made a lot simpler, for example simpler food and cocktail menus which has helped customers understand the Polpo proposition more easily. Events have also become a core focus for the group, which has helped drive both covers and spend per head. A review of the supplier base has helped reduce indirect costs and improve margin without sacrificing quality. Employee retention has also been an important KPI for the group, especially in the wake of Brexit and this metric has been improved from 70% to 40% via a focus on reward and recognition across both front and back of house.

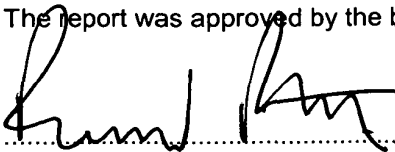
Focus will now move to labour productivity, with the group bringing in Fourth hospitality in February 2018 to give the sites the ability to give the teams the tools to manage labour more productively. The new Polpo website will also launch in January and a clear marketing strategy is now in place, which will focus on customer loyalty and targeted communication.

FY18 is expected to be a transformation year for the company, with important foundations put in place to ensure its ongoing future success.

KEY PERFORMANCE INDICATORS

The directors consider the key indications of the performance of the group to be turnover, gross profit percentage and adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and one-off exceptional costs).

The report was approved by the board on 22 December 2017 and signed on its behalf.



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R Beatty - Director

POLPO LIMITED

Report of the Directors **for the year ended 31st March 2017**

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the group is the operations of licensed restaurants and bars.

RESULTS AND DIVIDENDS

The results for the year are shown on page 7. Interim dividends totalling £1,476.78 per share were paid on the Ordinary £1.00 shares during the year. No dividends were paid on the Ordinary B £1.00 shares.

The total distribution of dividends for the year ended 31st March 2017 will be £280,588.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2016 to the date of this report.

R Beatty
R Norman

EMPLOYEE INVOLVEMENT

The group's policy is to consult and discuss with employees at all levels on issues likely to affect employee interests. We have regular internal communications to ensure that, as far as possible, our employees are kept up to date on matters that concern them.

DISABLED PERSONS

The group will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group funds its operations through the use of bank loans, working capital and cash generated from day-to-day operations. The group does not use derivative financial instruments.

The main risk arising from the group's financial instruments is liquidity risk. The directors review and agree policies for managing this risk, as summarised below.

LIQUIDITY RISK

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital and utilisation of existing loan facilities.

POLPO LIMITED

Report of the Directors
for the year ended 31st March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

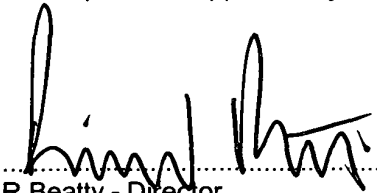
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, RSM UK Audit LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report was approved by the board on 22 December 2017 and signed on its behalf.



R Beatty - Director

Report of the Independent Auditors to the Members of
Polpo Limited

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 7 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

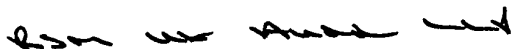
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Report of the Independent Auditors to the Members of
Polpo Limited

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



PAUL NEWMAN (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 06/03/2018

POLPO LIMITED

Consolidated Statement of Comprehensive Income
for the year ended 31st March 2017

	Notes	2017 £	2016 £
TURNOVER		14,255,958	13,392,318
Cost of sales		<u>(8,266,111)</u>	<u>(7,729,656)</u>
GROSS PROFIT		5,989,847	5,662,662
Administrative expenses		<u>(7,937,589)</u>	<u>(4,563,960)</u>
OPERATING (LOSS)/PROFIT	4	(1,947,742)	1,098,702
OPERATING (LOSS)/PROFIT		(1,947,742)	1,098,702
Depreciation and impairment charge		1,714,154	317,806
Amortisation		27,461	28,539
Onerous lease charge		1,213,333	-
Loss / (gain) on disposal of fixed assets		<u>499,210</u>	<u>(121,436)</u>
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")		1,506,416	1,323,611
Interest receivable and similar income		1,493	1,411
Interest payable and similar expenses	5	<u>(109,769)</u>	<u>(56,234)</u>
(LOSS)/PROFIT BEFORE TAXATION		(2,056,018)	1,043,879
Tax on (loss)/profit	6	<u>139,562</u>	<u>(212,422)</u>
TOTAL (LOSS)/PROFIT AND COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(1,916,456)</u>	<u>831,457</u>
(Loss)/profit attributable to:			
Owners of the parent		<u>(1,916,456)</u>	<u>831,457</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>(1,916,456)</u>	<u>831,457</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

POLPO LIMITED (REGISTERED NUMBER: 06842440)

Consolidated Balance Sheet
31st March 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	9	-	27,461
Tangible assets	10	<u>2,865,540</u>	<u>4,152,806</u>
		2,865,540	4,180,267
CURRENT ASSETS			
Stocks	12	112,298	94,201
Debtors	13	1,199,691	1,413,053
Cash at bank and in hand		<u>889,031</u>	<u>1,002,124</u>
		2,201,020	2,509,378
CREDITORS			
Amounts falling due within one year	14	<u>(4,208,067)</u>	<u>(3,460,821)</u>
NET CURRENT LIABILITIES		<u>(2,007,047)</u>	<u>(951,443)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		858,493	3,228,824
CREDITORS			
Amounts falling due after more than one year	15	(1,342,209)	(1,375,934)
PROVISIONS FOR LIABILITIES	18	<u>(179,339)</u>	<u>(318,901)</u>
NET (LIABILITIES)/ASSETS		<u>(663,055)</u>	<u>1,533,989</u>
CAPITAL AND RESERVES			
Called up share capital	19	200	200
Retained earnings	20	<u>(663,255)</u>	<u>1,533,789</u>
SHAREHOLDERS' (DEFICIT)/FUNDS		<u>(663,055)</u>	<u>1,533,989</u>

The financial statements on pages 7 to 29 were approved by the Board of Directors on 22 December 2017 and were signed on its behalf by:


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R Beatty - Director

POLPO LIMITED (REGISTERED NUMBER: 06842440)

Company Balance Sheet
31st March 2017

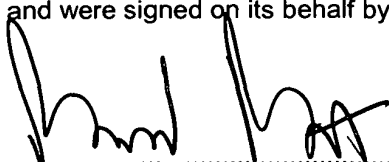
	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	9	-	27,461
Tangible assets	10	2,865,540	3,550,215
Investments	11	<u>100</u>	<u>100</u>
		2,865,640	3,577,776
CURRENT ASSETS			
Stocks	12	92,125	65,049
Debtors	13	1,190,333	1,296,460
Cash at bank and in hand		<u>827,214</u>	<u>895,739</u>
		2,109,672	2,257,248
CREDITORS			
Amounts falling due within one year	14	<u>(3,049,478)</u>	<u>(3,255,904)</u>
NET CURRENT LIABILITIES		<u>(939,806)</u>	<u>(998,656)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,925,834	2,579,120
CREDITORS			
Amounts falling due after more than one year	15	(1,342,209)	(1,375,934)
PROVISIONS FOR LIABILITIES	18	<u>(179,339)</u>	<u>(318,901)</u>
NET ASSETS		<u>404,286</u>	<u>884,285</u>
CAPITAL AND RESERVES			
Called up share capital	19	200	200
Retained earnings	20	<u>404,086</u>	<u>884,085</u>
SHAREHOLDERS' FUNDS		<u>404,286</u>	<u>884,285</u>

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

Company's (loss)/profit for the financial year

	<u>(199,411)</u>	<u>181,753</u>
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The financial statements on pages 7 to 29 were approved by the Board of Directors on 22 December 2017 and were signed on its behalf by:



R Beatty - Director

POLPO LIMITED

Consolidated Statement of Changes in Equity
for the year ended 31st March 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st April 2015	200	1,132,920	1,133,120
CHANGES IN EQUITY			
Dividends	-	(430,588)	(430,588)
Total comprehensive income	-	<u>831,457</u>	<u>831,457</u>
Balance at 31st March 2016	<u>200</u>	<u>1,533,789</u>	<u>1,533,989</u>
CHANGES IN EQUITY			
Dividends	-	(280,588)	(280,588)
Total comprehensive loss	-	<u>(1,916,456)</u>	<u>(1,916,456)</u>
Balance at 31st March 2017	<u>200</u>	<u>(663,255)</u>	<u>(663,055)</u>

POLPO LIMITED

Company Statement of Changes in Equity
for the year ended 31st March 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st April 2015	200	1,132,920	1,133,120
CHANGES IN EQUITY			
Dividends	-	(430,588)	(430,588)
Total comprehensive income	<u>-</u>	<u>181,753</u>	<u>181,753</u>
Balance at 31st March 2016	<u>200</u>	<u>884,085</u>	<u>884,285</u>
CHANGES IN EQUITY			
Dividends	-	(280,588)	(280,588)
Total comprehensive loss	<u>-</u>	<u>(199,411)</u>	<u>(199,411)</u>
Balance at 31st March 2017	<u>200</u>	<u>404,086</u>	<u>404,286</u>

POLPO LIMITED

Consolidated Cash Flow Statement
for the year ended 31st March 2017

	Notes	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	1	1,438,809	1,751,369
Interest paid		(109,769)	(56,234)
Tax paid		(147,126)	(260,740)
Net cash from operating activities		<u>1,181,914</u>	<u>1,434,395</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(1,038,918)	(1,499,637)
Sale of tangible fixed assets		112,820	300,000
Interest received		<u>1,493</u>	<u>1,411</u>
Net cash used in investing activities		<u>(924,605)</u>	<u>(1,198,226)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans in year		166,000	1,069,000
Loan repayments in year		(198,140)	(723,642)
Amount introduced by directors		-	112,578
Amount withdrawn by directors		(57,674)	-
Equity dividends paid		<u>(280,588)</u>	<u>(430,588)</u>
Net cash (used in)/from financing activities		<u>(370,402)</u>	<u>27,348</u>
(Decrease)/increase in cash and cash equivalents		<u>(113,093)</u>	<u>263,517</u>
Cash and cash equivalents at beginning of year		<u>1,002,124</u>	<u>738,607</u>
Cash and cash equivalents at end of year		<u><u>889,031</u></u>	<u><u>1,002,124</u></u>

POLPO LIMITED

Notes to the Consolidated Cash Flow Statement
for the year ended 31st March 2017

1. **RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2017	2016
	£	£
(Loss)/profit before taxation	(2,056,018)	1,043,879
Depreciation and amortisation charges	499,823	346,346
Loss/(profit) on disposal of fixed assets	499,210	(121,436)
Impairment loss on fixed assets	1,241,792	-
Finance costs	109,769	56,234
Finance income	(1,493)	(1,411)
	<u>293,083</u>	<u>1,323,612</u>
Increase in stocks	(18,097)	(44,359)
Decrease/(increase) in trade and other debtors	213,362	(647,260)
Increase in trade and other creditors	<u>950,461</u>	<u>1,119,376</u>
Cash generated from operations	<u><u>1,438,809</u></u>	<u><u>1,751,369</u></u>

POLPO LIMITED

Notes to the Consolidated Financial Statements **for the year ended 31st March 2017**

1. STATUTORY INFORMATION

Polpo Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The group consists of Polpo Limited and its subsidiary. The registered office of all subsidiaries is the same as that of the company.

The principal activities of the group is the operation of licensed restaurants and bars.

ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention. Monetary amounts in these financial statements are stated in pounds sterling, the functional and presentational currency of the Group.

Reduced disclosures

In accordance with FRS 102, as the Group prepares consolidated financial statements in which the Company is included, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Aubaine Limited and all of its subsidiary undertakings for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its estimated economic life. Provision is made for any impairment. All financial statements are made up to 31 March 2017.

All intra group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

POLPO LIMITED

Notes to the Consolidated Financial Statements **for the year ended 31st March 2017**

ACCOUNTING POLICIES - continued

Turnover

Turnover represents restaurant sales registered at point of sale through electronic tills, excluding any discretionary service charge and value added tax.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Going concern

The financial statements have been prepared on the going concern basis notwithstanding the loss for the year of £1,916,456 and net current liabilities of £2,007,047.

The directors have prepared and considered detailed trading forecasts and cash flow projections for the period through to 31 December 2018 which indicate that the group will be profitable at an operating level and cash generative. As with any business placing reliance on future forecasts, the directors acknowledge that there can be no certainty that these will be achieved. The current economic environment creates uncertainty over discretionary consumer spend but having considered these risks, the directors have a reasonable expectation that the group will achieve the forecasted performance and has adequate financial resources and support to continue in operational existence for the foreseeable future.

On the basis of the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2012, is being amortised evenly over its estimated useful life of 5 years being the period over which the directors consider the benefit of the value being derived.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided at the following annual rates in order to write off the cost of each asset over its estimated useful life.

Short leasehold premises and improvements	- over the lease period
Plant and machinery	- 10% straight line
Fixtures and fittings	- 10% straight line
Computer equipment	- 33% straight line

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts being the higher of fair value less costs to sell and value –in-use, are recognised as impairment losses in the profit and loss account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversal of impairment losses are recognised in the profit and loss account. On reversal of an impairment loss, the depreciation is adjusted to allocate the asset's revised carrying amount over its remaining useful life.

Investments

Investments in subsidiary undertakings are recognised at cost net of any provisions for diminution.

POLPO LIMITED

Notes to the Consolidated Financial Statements **for the year ended 31st March 2017**

ACCOUNTING POLICIES – continued

Stocks

Stocks are valued at the lower of cost and net realisable value on a first-in, first-out basis, after making due allowance for obsolete and slow moving items.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has been reversed. Any excess of the carrying amount of stock over its estimated selling price is recognised as an impairment loss in the profit and loss account. Reversals of impairment losses are also recognised in the profit and loss account.

Operating lease rentals

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Rent free periods and other similar incentives are recognised on a straight line basis in the profit and loss account over the lease term.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Pre-opening costs

Property rentals and other related staff costs and overheads incurred prior to new restaurant and pub openings and during the refurbishment/rebranding of existing sites are written off to the profit and loss account as incurred.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted. Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted / by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

POLPO LIMITED

Notes to the Consolidated Financial Statements **for the year ended 31st March 2017**

ACCOUNTING POLICIES - continued

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets

Trade, group and other debtors

Trade, group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has

transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

POLPO LIMITED

Notes to the Consolidated Financial Statements **for the year ended 31st March 2017**

ACCOUNTING POLICIES - continued

Impairment of tangible fixed assets

The Group formally determines whether its tangible fixed assets are impaired by considering indicators of impairment annually. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value in use, are recognised as impairment losses.

This requires the Group to determine the lowest levels of assets which generate largely independent cash flows (cash generating units or CGU) and to estimate the value in use of those assets or CGUs. Cash generating units are deemed to be individual restaurant units.

Calculating the value in use requires the Group to make an estimate on the future cash flows of each CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows, based on the Group's weighted average cost of capital.

Onerous contract provisions

The amount provided is based on the future rental obligations, net of any expected sub-lease income. In addition, estimates have been made with respect to legal and other associated exit costs as well as an evaluation of the cost of void period prior to sublet and the value of lease incentive which may be required to be paid as part of the sublet process.

In determining any provision, the cash flows are discounted using the Group's weighted average cost of capital. Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

2. TURNOVER

Turnover represents the amounts arising from the sale of food and beverages, which fall within the group's ordinary activities, made solely within the United Kingdom.

3. EMPLOYEES AND DIRECTORS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Wages and salaries	4,218,718	4,009,077	4,022,944	3,889,146
Social security costs	452,718	441,986	435,161	434,416
Other pension costs	27,189	19,736	-	-
	<u>4,698,625</u>	<u>4,470,799</u>	<u>4,458,105</u>	<u>4,323,562</u>

The average monthly number of employees during the year was as follows:

	Group		Company	
	2017	2016	2017	2016
Operations and management	<u>281</u>	<u>333</u>	<u>268</u>	<u>305</u>

	2017	2016
	£	£
Directors' remuneration	<u>61,760</u>	<u>62,985</u>

All directors' remuneration was paid by the parent company.

4. OPERATING (LOSS)/PROFIT

The operating loss (2016 - operating profit) is stated after charging/(crediting):

	2017	2016
	£	£
Hire of plant and machinery	32,540	6,490
Other operating leases	1,239,293	1,368,882
Depreciation - owned assets	472,362	317,806
Impairment of fixed assets	1,241,792	-
Loss/(profit) on disposal of fixed assets	499,210	(121,436)
Goodwill amortisation	27,461	28,539
Stock expensed to the profit and loss	3,750,923	3,469,716
Auditors' remuneration	36,828	26,450
Auditors' remuneration for non audit work	7,437	15,000
Onerous lease	1,213,333	-
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Bank loan interest	<u>109,769</u>	<u>56,234</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

6. TAXATION

Analysis of the tax charge

The tax charge on the (loss)/profit for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	-	147,126
Deferred tax	<u>(139,562)</u>	<u>65,296</u>
Tax on (loss)/profit	<u>(139,562)</u>	<u>212,422</u>

UK corporation tax has been charged at 20% (2016 - 20%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
(Loss)/profit before tax	<u>(2,056,018)</u>	<u>1,043,879</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	(411,206)	208,776
Effects of:		
Expenses not deductible for tax purposes	10,251	-
Fixed asset timing differences	141,952	(108,334)
Adjustments to tax charge in respect of previous periods	23,526	-
Allowable charges for tax purposes	-	(295)
Deferred tax charge	-	65,296
Losses carried forward	-	10,940
Tax on capital gains	-	36,039
Deferred tax not recognised	<u>95,912</u>	<u>-</u>
Total tax charge	<u>(139,562)</u>	<u>212,422</u>

The group has trading losses of £315,365 (2016: £54,701) available to carry forward and offset future profits of the same trade. A deferred tax asset of £53,612 (2016: £9,846) has not been recognised in respect of these losses due to uncertainty over when they will be utilised.

7. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

8. DIVIDENDS

	2017 £	2016 £
Ordinary shares of £1.00 each		
Interim dividend	<u>280,588</u>	<u>430,588</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

9. INTANGIBLE FIXED ASSETS

Group

Goodwill
£

COST

At 1st April 2016
and 31st March 2017

140,000

AMORTISATION

At 1st April 2016
Amortisation for year

112,539
27,461

At 31st March 2017

140,000

NET BOOK VALUE

At 31st March 2017

-

At 31st March 2016

27,461

Company

Goodwill
£

COST

At 1st April 2016
and 31st March 2017

140,000

AMORTISATION

At 1st April 2016
Amortisation for year

112,539
27,461

At 31st March 2017

140,000

NET BOOK VALUE

At 31st March 2017

-

At 31st March 2016

27,461

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

10. TANGIBLE FIXED ASSETS

Group

	Short leasehold premises & improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
COST					
At 1 April 2016	1,770,318	2,241,108	904,033	174,352	5,089,811
Additions	357,641	511,645	132,180	37,452	1,038,918
Disposals	-	(628,519)	(44,798)	(14,563)	(687,880)
At 31 March 2017	<u>2,127,959</u>	<u>2,124,234</u>	<u>991,415</u>	<u>197,241</u>	<u>5,440,849</u>
DEPRECIATION					
At 1 April 2016	225,941	349,980	246,740	114,344	937,005
Charge for year	118,962	223,840	93,734	35,826	472,362
Disposals	-	(69,251)	(4,883)	(1,716)	(75,850)
Impairments	<u>498,177</u>	<u>606,340</u>	<u>117,971</u>	<u>19,304</u>	<u>1,241,792</u>
At 31 March 2017	<u>843,080</u>	<u>1,110,909</u>	<u>453,562</u>	<u>167,758</u>	<u>2,575,309</u>
NET BOOK VALUE					
At 31 March 2017	<u>1,284,879</u>	<u>1,013,325</u>	<u>537,853</u>	<u>29,483</u>	<u>2,865,540</u>
At 31 March 2016	<u>1,544,377</u>	<u>1,891,128</u>	<u>657,293</u>	<u>60,008</u>	<u>4,152,806</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

10. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold premises & improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
COST					
At 1 April 2016	1,770,318	1,668,681	862,404	159,789	4,461,192
Additions	357,641	61,878	57,357	22,390	499,266
Disposals	-	(5,900)	-	-	(5,900)
At 31 March 2017	<u>2,127,959</u>	<u>1,724,659</u>	<u>919,761</u>	<u>182,179</u>	<u>4,954,558</u>
DEPRECIATION					
At 1 April 2016	225,941	326,215	245,140	113,681	910,977
Charge for year	118,962	169,744	88,735	34,409	411,850
Disposals	-	(1,041)	-	-	(1,041)
Impairments	<u>498,177</u>	<u>216,416</u>	<u>48,033</u>	<u>4,606</u>	<u>767,232</u>
At 31 March 2017	<u>843,080</u>	<u>711,334</u>	<u>381,908</u>	<u>152,696</u>	<u>2,089,018</u>
NET BOOK VALUE					
At 31 March 2017	<u>1,284,879</u>	<u>1,013,325</u>	<u>537,853</u>	<u>29,483</u>	<u>2,865,540</u>
At 31 March 2016	<u>1,544,377</u>	<u>1,342,466</u>	<u>617,264</u>	<u>46,108</u>	<u>3,550,215</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

11. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1st April 2016 and 31st March 2017	<u>100</u>
NET BOOK VALUE	
At 31st March 2017	<u>100</u>
At 31st March 2016	<u>100</u>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

Polpo Restaurants Limited

Registered office: 23 Golden Square, London W1F 9JP, United Kingdom

Nature of business: Licensed restaurants

	%
Class of shares:	holding
Ordinary	100.00

12. STOCKS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials and consumables	<u>112,298</u>	<u>94,201</u>	<u>92,125</u>	<u>65,049</u>

13. DEBTORS

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	292,672	436,468	288,547	325,142
Other debtors	8,875	-	3,642	-
Prepayments and accrued income	<u>726,244</u>	<u>804,685</u>	<u>726,244</u>	<u>799,418</u>
	<u>1,027,791</u>	<u>1,241,153</u>	<u>1,018,433</u>	<u>1,124,560</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

13. DEBTORS - continued

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due after more than one year:				
Rent deposits	<u>171,900</u>	<u>171,900</u>	<u>171,900</u>	<u>171,900</u>
Aggregate amounts	<u>1,199,691</u>	<u>1,413,053</u>	<u>1,190,333</u>	<u>1,296,460</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts (see note 16)	199,316	197,731	199,316	197,731
Trade creditors	1,359,898	1,354,139	1,142,929	1,172,420
Corporation tax	-	144,268	177,103	144,268
Social security and other taxes	134,231	182,796	133,169	146,235
VAT	367,566	436,099	477,886	549,685
Other creditors	224,507	270,567	214,110	238,153
Directors' current accounts	44,464	102,138	44,464	102,138
Accruals and deferred income	<u>1,878,085</u>	<u>773,083</u>	<u>660,501</u>	<u>705,274</u>
	<u>4,208,067</u>	<u>3,460,821</u>	<u>3,049,478</u>	<u>3,255,904</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans (see note 16)	<u>1,342,209</u>	<u>1,375,934</u>	<u>1,342,209</u>	<u>1,375,934</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

16. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	199,316	197,731	199,316	197,731
Amounts falling due between one and two years:				
Bank loans - 1-2 years	200,983	199,316	200,983	199,316
Amounts falling due between two and five years:				
Bank loans - 2-5 years	1,055,963	1,034,513	1,055,963	1,034,513
Amounts falling due in more than five years:				
Bank loans – over 5 years	85,263	142,105	85,263	142,105
Total	<u>1,541,525</u>	<u>1,573,665</u>	<u>1,541,525</u>	<u>1,573,665</u>

There are a number of loans that are all repayable in equal quarterly or monthly instalments. Interest is payable at rates between 2.95% over base rate and 4.8% per annum over LIBOR.

Bank loans and overdrafts are secured by a first legal charge over the assets of the company and on property, stock and fixed assets owned by the group.

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	1,296,500	1,251,500
Between one and five years	5,121,096	4,968,096
In more than five years	<u>13,056,154</u>	<u>13,423,731</u>
	<u>19,473,750</u>	<u>19,643,327</u>

Company

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	1,211,500	1,251,500
Between one and five years	4,781,096	4,968,096
In more than five years	<u>12,056,154</u>	<u>13,423,731</u>
	<u>18,048,750</u>	<u>19,643,327</u>

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

18. PROVISIONS FOR LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred tax	<u>179,339</u>	<u>318,901</u>	<u>179,339</u>	<u>318,901</u>
Group				
				Accelerated capital allowances £
Balance at 1st April 2016				318,901
Credited to profit and loss account				<u>(139,562)</u>
Balance at 31st March 2017				<u>179,339</u>
Company				
				Accelerated capital allowances £
Balance at 1st April 2016				318,901
Credited to profit and loss account				<u>(139,562)</u>
Balance at 31st March 2017				<u>179,339</u>

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2017	2016
			£	£
190	Ordinary	£1.00	190	190
10	Ordinary B	£1.00	<u>10</u>	<u>10</u>
			<u>200</u>	<u>200</u>

20. RESERVES

Reserves of the Group and Company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

21. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31st March 2017 and 31st March 2016:

	2017 £	2016 £
R Norman		
Balance outstanding at start of year	(27,943)	35,113
Amounts advanced	6,251	-
Amounts repaid	-	(63,056)
Balance outstanding at end of year	<u>(21,692)</u>	<u>(27,943)</u>
 R Beatty		
Balance outstanding at start of year	(74,194)	(24,674)
Amounts advanced	51,422	-
Amounts repaid	-	(49,520)
Balance outstanding at end of year	<u>(22,772)</u>	<u>(74,194)</u>

22. FINANCIAL INSTRUMENTS

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets:				
Debt instruments measured at amortised cost	<u>473,447</u>	<u>608,368</u>	<u>464,089</u>	<u>497,042</u>
Financial liabilities:				
Measured at amortised cost	<u>5,004,015</u>	<u>3,971,454</u>	<u>3,559,065</u>	<u>3,553,497</u>

23. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the period the company provided financial support to The Bowlers Restaurants Limited ("TBRL"), a company in which R Beatty and R Norman (directors of the company) had a significant investment interest. Neither R Beatty nor R Norman had a controlling interest or were operationally involved in the day to day management of TBRL. At the balance sheet date TBRL owed the company £3,756 (2016: £18,782) and this amount is considered to be non-recoverable so has been fully provided for as a bad debt.

Loans were made by the directors during the year. These have been disclosed in Note 21.

POLPO LIMITED

Notes to the Consolidated Financial Statements - continued
for the year ended 31st March 2017

24. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors of the Group, who are considered to be the key management personnel, was £61k (2016: £63k).

25. ULTIMATE CONTROLLING PARTY

The ultimate controlling parties are R Beatty and R Norman, who are the directors and each own 47.5% of the issued share capital of the company.

26. POST BALANCE SHEET EVENTS

On 13 June 2017, the company purchase 10 of its Ordinary B shares. These were cancelled on the same date, reducing the total share capital from 200 to 190 Ordinary shares.

After the year end, the group exited Bristol and Ape and Bird at a combined premium of £1.085m and have closed Exeter.