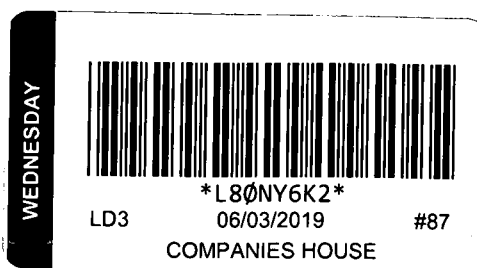


Company Registration No. 06842440 (England and Wales)

POLPO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
1 APRIL 2018



POLPO LIMITED

COMPANY INFORMATION

Directors	R Beatty R Norman
Company number	06842440
Registered office	23 Golden Square London W1F 9JP
Auditor	RSM UK Audit LLP <i>Chartered Accountants</i> 25 Farringdon Street London EC4A 4AB United Kingdom

POLPO LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 1 APRIL 2018

The directors present the strategic report for the period ended 1 April 2018.

REVIEW OF BUSINESS

Turnover in the year ended 1st April 2018 was £13.56m, down £693k or 5% on the prior year due to the closure of Bristol, Exeter and Ape & Bird as well as declining like for like sales. Gross profit percentage fell to 35% from 42% the year before due to the impact of increases in National Living Wage and raw ingredient prices that could not be passed on to customers. An unsustainable increase in overheads together with one-off impairment losses of £648k on sites either closed or earmarked for closure post year end plus an onerous lease charge of £125k led to a loss for the year of £1.3 million (2017: £1.92 million). Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation including exceptional impairment charges and onerous lease provisions) was negative £318k compared to positive £1,479k in the prior year.

EVENTS SINCE THE PERIOD END

Since taking over as Managing Director on 29 October 2018, Richard Beatty instigated a comprehensive review of overhead contracts and procedures and significant savings have been made in terms of head office salaries and other non-essential head office costs. Total savings to date are expected to exceed £1 million on an annual basis.

Whilst these steps have returned the business to ongoing profitability, it did not have sufficient funds to meet historic obligations to HMRC. The directors were fully committed to neutralising this liability in the coming months and meeting the liabilities of other creditors but HMRC refused to accept a further rescheduling of the debt. In February 2019, following an abortive attempt to recapitalise the business, the directors determined that the best option available to the Company was to pursue a Creditors Voluntary Arrangement ("CVA").

The principal objectives of the CVA are to rationalise creditor obligations, improve the balance sheet and assist in a return to profitability, thereby restoring the long term viability of the business. Specifically, this will be achieved by compromising certain non-critical creditors including the substantial historic VAT liability due to HMRC and exiting two loss making central London sites. If a CVA is approved by the Company's creditors, the directors consider that the Company will avoid entering into administration or liquidation. The directors are hopeful that the requisite majority vote will be achieved in the meeting of creditors scheduled for 08 March 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

Alongside the risks associated with the outcome of the CVA, the key ongoing 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. The introduction of the National Living Wage and subsequent increases to this and the National Minimum Wage has also impacted costs. Raw ingredient price inflation driven by the devaluation of the pound is a continuing risk to margins but careful menu re-engineering has mitigated the impact of this. To counter these cost pressures, the head office overheads have been restructured. Sales remain challenging for many operators in the sector but Polpo now has a clear strategy to combat this.

FUTURE DEVELOPMENT

Polpo is fundamentally a people business. The previous senior management team spent little time engaging with staff and customers which led to a deterioration in service standards. The re-involvement the high profile founders has re-engaged Polpo's historic customer base and has led to an improvement in staff morale. This was evidenced in the improved sales in the critical December trading period. The headwinds felt in the sector are now being actively addressed via a renewed strategy. Head office costs have been cut and the focus will now move to labour productivity. Assuming the CVA is successful, the directors believe that they have put the foundations put in place to ensure the future viability of the business.

POLPO LIMITED

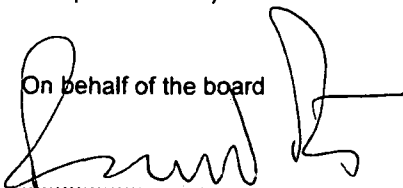
STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

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).

On behalf of the board



R Beatty
Director

Date:

5/3/19

POLPO LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 1 APRIL 2018

The directors present their annual report and financial statements for the period ended 1 April 2018. The comparative is for year ended 31 March 2017.

Principal activities

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

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

R Beatty
R Norman

Results and dividends

The results for the period are set out on page 8.

£1,107.58 interim dividends were paid on the Ordinary £1.00 shares during the year (2017: totalling £1,476.78 per share). No dividends were paid on the Ordinary B £1.00 shares (2017: nil).

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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.

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The Group incurred a loss of £1,280,863 for the period ended 01 April 2018 and had net liabilities and net current liabilities of £2,214,358 and £3,374,331 respectively at the period end.

In order to assess the going concern assumption, the directors have considered trading and cash flow projections for a period of at least 12 months from the date of approval of these financial statements, alongside the risks inherent in the business, notably liquidity, trading performance and the likely outcome of a Company Voluntary Arrangement ("CVA") process.

POLPO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

In February 2019, the directors launched a CVA process. To become effective, the CVA requires a majority vote in excess of 75% in value of the CVA creditors. The directors are hopeful that such a majority will be achieved in the meeting of creditors scheduled for 08 March 2019. Alongside the CVA, management have carried out a comprehensive review of overhead contracts and procedures and significant savings are expected to be driven from this review. As at the date of this report, trading conditions continue to be challenging as management restructure the cost base of the business, reposition the brand and drive menu innovation to ensure the customer base remains loyal and attract new customers to the Polpo brand.

Detailed trading and cash flow projections for a period of at least 12 months from the date of signing these financial statements, which assume the successful approval of the CVA and cost savings from the above review, indicate that there is sufficient working capital to enable the Group to meet its contractual liabilities as they fall due during the period through to at least 12 months from the date of approval of these financial statements.

The work the directors have done since late October 2018 has re-engaged the historic customer base and has led to an improvement in staff morale. Cost savings and improvements in efficiency mean that the Group has returned to viability and profitability. The business is responding and so are its staff and customers. However, as with any business placing reliance on future forecasts, the directors acknowledge that there can be no certainty that these forecasted sales and the identified cost savings will be achieved given the challenges the business has faced over the last 2 years and the more general macro-economic uncertainties affecting discretionary consumer spend. In addition, there is no certainty that creditors will approve the CVA. When combined, these matters give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would arise if the Group were unable to continue as a going concern.

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.

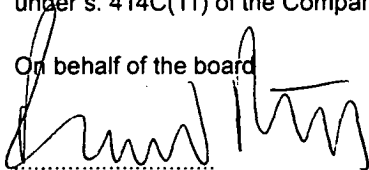
Liquidity risk

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.

Matters of strategic importance

Information is not shown within the directors' report as it is instead within the strategic report on Pages 1 - 2 under s. 414C(11) of the Companies Act 2006.

On behalf of the board



R Beatty
Director

Date:

5/3/19

POLPO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 1 APRIL 2018

The directors are responsible for preparing the Strategic Report and the Directors' Report 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLPO LIMITED

Opinion

We have audited the financial statements of Polpo Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 1 April 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 1 April 2018 and of the group's loss for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss after tax of £1,280,863 in the period as a result of difficult trading conditions and had net liabilities and net current liabilities of £2,214,358 and £3,374,331 respectively at the period end. A Company Voluntary Arrangement ("CVA") was launched in February 2019 which is subject to creditor approval. In addition, trading conditions continue to be challenging as management restructure the cost base of the business. As such, there is a risk that creditors will not approve the CVA and that forecast sales and/or identified cost savings will not be achieved.

These conditions, along with the other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or parent company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLPO LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

05/01/2019

POLPO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 APRIL 2018

		Period ended 1 April 2018 £	Year ended 31 March 2017 £
	Notes		
Turnover		13,563,381	14,255,958
Cost of sales		(8,810,423)	(8,266,111)
Gross profit		4,752,958	5,989,847
Administrative expenses		(5,909,331)	(6,724,256)
Onerous lease charge		(125,000)	(1,213,333)
Operating loss	4	(1,281,373)	(1,947,742)
Interest receivable and similar income	8	678	1,493
Interest payable and similar expenses	9	(65,740)	(109,769)
Loss before taxation		(1,346,435)	(2,056,018)
Tax on loss	10	65,572	139,562
Loss for the financial period		(1,280,863)	(1,916,456)

Loss for the financial period is all attributable to the owners of the parent company.

Total comprehensive income for the period is all attributable to the owners of the parent company.

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

POLPO LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 1 APRIL 2018**

	Notes	1 April 2018 £	£	31 March 2017 £	£
Fixed assets					
Tangible assets	13		1,464,790		2,865,540
Current assets					
Stocks	16	79,907		112,298	
Debtors	17	786,860		1,199,691	
Cash at bank and in hand		122,394		889,031	
		<u>989,161</u>		<u>2,201,020</u>	
Creditors: amounts falling due within one year	18	<u>(4,363,492)</u>		<u>(4,208,067)</u>	
Net current liabilities			<u>(3,374,331)</u>		<u>(2,007,047)</u>
Total assets less current liabilities			<u>(1,909,541)</u>		<u>858,493</u>
Creditors: amounts falling due after more than one year	19		(191,050)		(1,342,209)
Provisions for liabilities	22		<u>(113,767)</u>		<u>(179,339)</u>
Net liabilities			<u>(2,214,358)</u>		<u>(663,055)</u>
Capital and reserves					
Called up share capital	24		190		200
Capital redemption reserve			10		-
Profit and loss reserves			<u>(2,214,558)</u>		<u>(663,255)</u>
Total equity			<u>(2,214,358)</u>		<u>(663,055)</u>

The financial statements were approved by the board of directors and authorised for issue on 05/03/19 and are signed on its behalf by:

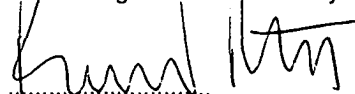

R Beatty
Director

POLPO LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 1 APRIL 2018**

	Notes	1 April 2018 £	£	31 March 2017 £	£
Fixed assets					
Tangible assets	13	1,464,790		2,865,540	
Investments	14	100		100	
		<u>1,464,890</u>		<u>2,865,640</u>	
Current assets					
Stocks	16	79,907		92,125	
Debtors	17	783,361		1,190,333	
Cash at bank and in hand		115,909		827,214	
		<u>979,177</u>		<u>2,109,672</u>	
Creditors: amounts falling due within one year	18	<u>(3,092,244)</u>		<u>(3,049,478)</u>	
Net current liabilities			<u>(2,113,067)</u>		<u>(939,806)</u>
Total assets less current liabilities			<u>(648,177)</u>		<u>1,925,834</u>
Creditors: amounts falling due after more than one year	19		(191,050)		(1,342,209)
Provisions for liabilities	22		<u>(113,767)</u>		<u>(179,339)</u>
Net (liabilities)/assets			<u><u>(952,994)</u></u>		<u><u>404,286</u></u>
Capital and reserves					
Called up share capital	24		190		200
Capital redemption reserve			10		-
Profit and loss reserves			<u>(953,194)</u>		<u>404,086</u>
Total equity			<u><u>(952,994)</u></u>		<u><u>404,286</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £1,086,840 (2017 - £199,411 loss).

The financial statements were approved by the board of directors and authorised for issue on 05/03/19 and are signed on its behalf by:



R Beatty
Director

POLPO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 APRIL 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2016		200	-	1,533,789	1,533,989
Year ended 31 March 2017:					
Loss and total comprehensive income for the year		-	-	(1,916,456)	(1,916,456)
Dividends	11	-	-	(280,588)	(280,588)
Balance at 31 March 2017		200	-	(663,255)	(663,055)
Period ended 1 April 2018:					
Loss and total comprehensive income for the period		-	-	(1,280,863)	(1,280,863)
Dividends	11	-	-	(210,440)	(210,440)
Redemption of shares	24	(10)	10	(60,000)	(60,000)
Balance at 1 April 2018		190	10	(2,214,558)	(2,214,358)

POLPO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 APRIL 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2016		200	-	884,085	884,285
Year ended 31 March 2017:					
Loss and total comprehensive income for the year		-	-	(199,411)	(199,411)
Dividends	11	-	-	(280,588)	(280,588)
Balance at 31 March 2017		200	-	404,086	404,286
Period ended 1 April 2018:					
Loss and total comprehensive income for the period		-	-	(1,086,840)	(1,086,840)
Dividends	11	-	-	(210,440)	(210,440)
Redemption of shares	24	(10)	10	(60,000)	(60,000)
Balance at 1 April 2018		190	10	(953,194)	(952,994)

POLPO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 1 APRIL 2018

	Notes	Period ended 1 April 2018 £	£	Year ended 31 March 2017 £	£
Cash flows from operating activities					
Cash generated from operations	26	246,962		1,438,809	
Interest paid		(65,740)		(109,769)	
Income taxes paid		-		(147,126)	
Net cash inflow from operating activities		181,222		1,181,914	
Investing activities					
Purchase of tangible fixed assets		(821,473)		(1,038,918)	
Proceeds on disposal of tangible fixed assets		1,383,651		112,820	
Interest received		678		1,493	
Net cash generated from/(used in) investing activities		562,856		(924,605)	
Financing activities					
Redemption of shares		(60,000)		-	
Proceeds of new bank loans		-		166,000	
Repayment of bank loans		(1,240,275)		(198,140)	
Amount withdrawn by directors		-		(57,674)	
Dividends paid to equity shareholders		(210,440)		(280,588)	
Net cash used in financing activities		(1,510,715)		(370,402)	
Net decrease in cash and cash equivalents		(766,637)		(113,093)	
Cash and cash equivalents at beginning of period		889,031		1,002,124	
Cash and cash equivalents at end of period		122,394		889,031	

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 1 APRIL 2018

1 Accounting policies

Company information

Polpo Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 23 Golden Square, London, W1F 9JP.

The group consists of Polpo Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- 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.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Polpo Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 1 April 2018. 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.

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.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

1 Accounting policies (Continued)

Going concern

The Group incurred a loss of £1,280,863 for the period ended 01 April 2018 and had net liabilities and net current liabilities of £2,214,358 and £3,374,331 respectively at the period end.

In order to assess the going concern assumption, the directors have considered trading and cash flow projections for a period of at least 12 months from the date of approval of these financial statements, alongside the risks inherent in the business, notably liquidity, trading performance and the likely outcome of a Company Voluntary Arrangement ("CVA") process.

In February 2019, the directors launched a CVA process. To become effective, the CVA requires a majority vote in excess of 75% in value of the CVA creditors. The directors are hopeful that such a majority will be achieved in the meeting of creditors scheduled for 08 March 2019. Alongside the CVA, management have carried out a comprehensive review of overhead contracts and procedures and significant savings are expected to be driven from this review. As at the date of this report, trading conditions continue to be challenging as management restructure the cost base of the business, reposition the brand and drive menu innovation to ensure the customer base remains loyal and attract new customers to the Polpo brand.

Detailed trading and cash flow projections for a period of at least 12 months from the date of signing these financial statements, which assume the successful approval of the CVA and cost savings from the above review, indicate that there is sufficient working capital to enable the Group to meet its contractual liabilities as they fall due during the period through to at least 12 months from the date of approval of these financial statements.

The work the directors have done since late October 2018 has re-engaged the historic customer base and has led to an improvement in staff morale. Cost savings and improvements in efficiency mean that the Group has returned to viability and profitability. The business is responding and so are its staff and customers. However, as with any business placing reliance on future forecasts, the directors acknowledge that there can be no certainty that these forecasted sales and the identified cost savings will be achieved given the challenges the business has faced over the last 2 years and the more general macro-economic uncertainties affecting discretionary consumer spend. In addition, there is no certainty that creditors will approve the CVA. When combined, these matters give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would arise if the Group were unable to continue as a going concern.

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.

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 recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

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

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

1 Accounting policies (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiary companies are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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.

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.

Pre-opening costs

Property rentals and other related staff costs and overheads incurred prior to new restaurant openings are written off to the statement of comprehensive income as incurred.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

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 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors, 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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 the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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.

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 CGUs) 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 of 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 periods prior to sublet and the value of lease incentives 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.

3 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.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

4 Operating loss

	2018 £	2017 £
Operating loss for the period is stated after charging/(crediting):		
Hire of plant and machinery	12,256	32,540
Depreciation of owned tangible fixed assets	426,870	472,362
Impairment of owned tangible fixed assets	648,438	1,241,792
(Profit)/loss on disposal of tangible fixed assets	(236,736)	499,210
Amortisation of intangible assets	-	27,461
Cost of stocks recognised as an expense	3,660,352	3,750,923
Operating lease charges	1,203,300	1,239,293
Onerous lease	125,000	1,213,333

5 Employees

The average monthly number of persons (including directors) employed during the period was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Operations and management	305	281	287	268

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	4,980,118	4,218,718	4,693,080	4,022,944
Social security costs	367,453	452,718	347,611	435,161
Pension costs	20,709	27,189	20,339	27,189
	5,368,280	4,698,625	5,061,030	4,485,294

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	40,485	55,400
Company pension contributions to defined contribution schemes	311	108
	40,796	55,508

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

6 Directors' remuneration (Continued)

All directors' remuneration was paid by the parent company.

7 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	25,000	36,828
For other services		
Taxation compliance services	7,500	7,437
All other non-audit services	5,000	-
	<u>12,500</u>	<u>7,437</u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	678	1,493

9 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	65,740	109,769

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

10 Taxation

	2018 £	2017 £
Deferred tax		
Origination and reversal of timing differences	(65,572)	(139,562)

The total tax credit for the period included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	(1,346,435)	(2,056,018)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(255,823)	(411,204)
Tax effect of expenses that are not deductible in determining taxable profit	157,005	10,251
Tax effect of income not taxable in determining taxable profit	(29,812)	-
Adjustments in respect of prior years	-	23,526
Permanent capital allowances in excess of depreciation	-	141,952
Deferred tax not recognised	12,608	95,913
Fixed asset differences	39,856	-
Adjust deferred tax to average rate	10,594	-
Taxation credit for the period	(65,572)	(139,562)

The group has trading losses of £671,077 (2017: £315,365) available to carry forward and offset against future profits of the same trade. A deferred tax asset of £114,083 (2017: £Nil) has been recognised in respect of these losses.

11 Dividends

	2018 £	2017 £
Final paid	210,440	280,588

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2018 £	2017 £
In respect of:			
Property, plant and equipment	13	648,438	1,241,792
Recognised in:			
Administrative expenses		648,438	1,241,792

The impairment losses in respect of financial assets are recognised in other gains and losses in the income statement.

13 Tangible fixed assets

Group	Short leasehold premises and improvements	Plant and equipment	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2017	2,127,959	2,124,234	991,415	197,241	5,440,849
Additions	704,770	22,514	82,023	12,166	821,473
Disposals	(995,088)	(449,740)	-	-	(1,444,828)
At 1 April 2018	1,837,641	1,697,008	1,073,438	209,407	4,817,494
Depreciation and impairment					
At 1 April 2017	843,080	1,110,909	453,562	167,758	2,575,309
Depreciation charged in the period	142,156	165,573	97,197	21,944	426,870
Impairment losses	154,574	156,905	328,386	8,573	648,438
Eliminated in respect of disposals	(110,860)	(187,053)	-	-	(297,913)
At 1 April 2018	1,028,950	1,246,334	879,145	198,275	3,352,704
Carrying amount					
At 1 April 2018	808,691	450,674	194,293	11,132	1,464,790
At 31 March 2017	1,284,879	1,013,325	537,853	29,483	2,865,540

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

13 Tangible fixed assets (Continued)

Company	Short leasehold premises and improvements	Plant and equipment	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2017	2,127,959	1,724,659	919,761	182,179	4,954,558
Additions	228,998	22,514	66,392	12,166	330,070
Disposals	(524,071)	(449,740)	-	-	(973,811)
At 1 April 2018	1,832,886	1,297,433	986,153	194,345	4,310,817
Depreciation and impairment					
At 1 April 2017	843,080	711,334	381,908	152,696	2,089,018
Depreciation charged in the period	137,401	165,573	95,542	21,944	420,460
Impairment losses	148,904	156,905	320,080	8,573	634,462
Eliminated in respect of disposals	(110,860)	(187,053)	-	-	(297,913)
At 1 April 2018	1,018,525	846,759	797,530	183,213	2,846,027
Carrying amount					
At 1 April 2018	814,361	450,674	188,623	11,132	1,464,790
At 31 March 2017	1,284,879	1,013,325	537,853	29,483	2,865,540

More information on the impairment arising in the period is given in note 12.

14 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	15	-	-	100	100
Movements in fixed asset investments					
Company					Shares in group undertakings £
Cost or valuation					
At 1 April 2017 and 1 April 2018					100
Carrying amount					
At 1 April 2018					100
At 31 March 2017					100

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

15 Subsidiaries

Details of the company's subsidiaries at 1 April 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Polpo Restaurants Limited	23 Golden Square, London W1F 9JP, United Kingdom	Licensed restaurants	Ordinary	100.00	
Spuntino Limited	6th Floor, 25 Farringdon Street, London, EC4A 4AB, United Kingdom	Dormant	Ordinary	100.00	

16 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Finished goods and goods for resale	79,907	112,298	79,907	92,125

17 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	277,273	292,672	276,584	288,547
Other debtors	17,695	8,875	14,885	3,642
Prepayments and accrued income	319,992	726,244	319,992	726,244
	614,960	1,027,791	611,461	1,018,433
Amounts falling due after more than one year:				
Other debtors	171,900	171,900	171,900	171,900
Total debtors	786,860	1,199,691	783,361	1,190,333

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

18 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	20	110,200	199,316	110,200	199,316
Trade creditors		1,338,309	1,359,898	1,299,701	1,142,929
Corporation tax payable		-	-	-	177,103
Other taxation and social security		603,386	501,797	591,616	611,055
Other creditors		173,348	268,972	194,786	258,574
Accruals and deferred income		2,138,249	1,878,084	895,941	660,501
		<u>4,363,492</u>	<u>4,208,067</u>	<u>3,092,244</u>	<u>3,049,478</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	20	<u>191,050</u>	<u>1,342,209</u>	<u>191,050</u>	<u>1,342,209</u>

20 Borrowings

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	<u>301,250</u>	<u>1,541,525</u>	<u>301,250</u>	<u>1,541,525</u>
Payable within one year	110,200	199,316	110,200	199,316
Payable after one year	<u>191,050</u>	<u>1,342,209</u>	<u>191,050</u>	<u>1,342,209</u>

The remaining bank loan is repayable in equal quarterly or monthly instalments. Interest is payable at rates between 2.95% per annum over base rate and 4.5% per annum over LIBOR.

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

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

21 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	466,868	473,447	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	4,554,542	5,004,015	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

22 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	227,850	179,339
Tax losses	(114,083)	-
	113,767	179,339
Company	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	227,850	179,339
Tax losses	(114,083)	-
	113,767	179,339
Movements in the period:	Group 2018 £	Company 2018 £
Liability at 1 April 2017	179,339	179,339
Credit to profit or loss	(65,572)	(65,572)
Liability at 1 April 2018	113,767	113,767

The deferred tax liability set out above is expected to reverse within approximate 5 years and relates to accelerated capital allowances.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

23 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	20,709	27,189

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
190 Ordinary shares of £1 each	190	190
Nil (2017: 10) Ordinary B shares of £1 each	-	10
	190	200

Ordinary share rights

Each of the Company's ordinary shares carries the right to one vote at general meetings of the Company and is entitled to any dividends declared, distribution rights, rights on winding up.

Each of the Company's ordinary B shares carries the right to one vote at general meetings of the Company, but is not entitled to dividends declared, distribution rights, rights on winding up.

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

Reconciliation of movements during the period:

	Number
At 1 April 2017	200
Reduction of shares	(10)
At 1 April 2018	190

25 Reserves

Profit and loss account

Cumulative profit and loss net of distributions to owners.

Capital redemption reserve

The nominal value of the shares repurchased and still held at the end of the reporting period.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

26 Cash generated from group operations

	2018 £	2017 £
Loss for the period after tax	(1,280,863)	(1,916,456)
Adjustments for:		
Taxation credited	(65,572)	(139,562)
Finance costs	65,740	109,769
Investment income	(678)	(1,493)
(Gain)/loss on disposal of tangible fixed assets	(236,736)	499,210
Amortisation and impairment of intangible assets	-	27,461
Depreciation and impairment of tangible fixed assets	1,075,308	1,714,154
Movements in working capital:		
Decrease/(increase) in stocks	32,391	(18,097)
Decrease in debtors	412,831	213,362
Increase in creditors	244,541	950,461
Cash generated from operations	246,962	1,438,809

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	1,296,500	1,296,500	1,211,500	1,211,500
Between one and five years	5,093,799	5,121,096	4,753,799	4,781,096
In over five years	11,529,224	13,056,154	10,869,224	12,056,154
	17,919,523	19,473,750	16,834,523	18,048,750

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 1 APRIL 2018

28 Events after the reporting date

Since taking over as Managing Director on 29 October 2018, Richard Beatty instigated a comprehensive review of overhead contracts and procedures and significant savings have been made in terms of head office salaries and other non-essential head office costs. Total savings to date are expected to exceed £1 million on an annual basis.

Whilst these steps have returned the business to ongoing profitability, it did not have sufficient funds to meet historic obligations to HMRC. The directors were fully committed to neutralising this liability in the coming months and meeting the liabilities of other creditors but HMRC refused to accept a further rescheduling of the debt. In February 2019, following an abortive attempt to recapitalise the business, the directors determined that the best option available to the Company was to pursue a Creditors Voluntary Arrangement ("CVA").

The principal objectives of the CVA are to rationalise creditor obligations, improve the balance sheet and assist in a return to profitability, thereby restoring the long term viability of the business. Specifically, this will be achieved by compromising certain non-critical creditors including the substantial historic VAT liability due to HMRC and exiting two loss making central London sites. If a CVA is approved by the Company's creditors, the directors consider that the Company will avoid entering into administration or liquidation. The directors are hopeful that the requisite majority vote will be achieved in the meeting of creditors scheduled for 08 March 2019.

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2018 £	2017 £
Aggregate compensation	40,796	61,000

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.

POLPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2018

30 Directors' transactions

The following advances and credits to or by directors subsisted during the years ended 31 March 2018 and 31 March 2017:

	2018 £	2017 £
R Norman		
Balance outstanding at start of year	(21,692)	(27,943)
Amounts advanced	(105,220)	(140,292)
Amounts repaid	136,481	146,543
Balance outstanding at end of year	<u>9,569</u>	<u>(21,692)</u>
	2018 £	2017 £
R Beatty		
Balance outstanding at start of year	(22,772)	(74,194)
Amounts advanced	(105,220)	(140,292)
Amounts repaid	154,405	191,714
Balance outstanding at end of year	<u>26,413</u>	<u>(22,772)</u>

31 Controlling party

There is no ultimate controlling party.