

Chestnut Inns Limited
Financial Statements
31 March 2018



Chestnut Inns Limited

Financial Statements

Year ended 31 March 2018

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Chestnut Inns Limited

Officers and Professional Advisers

The board of directors

Mr P Turner
Mr D Minchin

Company secretary

Mr P Turner

Registered office

The Forge
Lower Higham
Higham
Suffolk
IP28 6NL

Auditor

Walters Hawson Limited
Chartered accountants & statutory auditor
Chartered Accountants and Business Advisors
Norham House
Mountenoy Road
Rotherham
South Yorkshire
S60 2AJ

Chestnut Inns Limited

Strategic Report

Year ended 31 March 2018

Business Review

Chestnut Inns Limited acts as a holding company for Packhorse Inn (Moulton) Limited, Rupert Brooke (Grantchester) Ltd, The Northgate (Bury St. Edmunds) Limited, The Eight Bells (Saffron Walden) Limited, The Blackbirds Inn (Woodditton) Limited and The Black Lion (Long Melford) Limited.

The group purchased two new premises being The Blackbirds Inn and the Black Lion and the first year results are included. During March 2018 the Blackbirds suffered major destruction to the premises caused by a fire. Our insurers have accepted liability in respect of rebuild costs and further costs regarding loss of earnings. The final settlement is still being negotiated. An interim payment of £150,000 was received in the year.

During January 2018 a leasehold business called The White Horse ceased operating under the company called White Horse Easton Limited now renamed to The Eight Bells (Saffron Walden) Limited. Loans from the company to the White Horse Easton Limited of £198,706 have been provided against in Chestnut Inns Limited company accounts and this has contributed to the loss for the year.

In previous years no depreciation had been provided on land and buildings as depreciation was considered negligible. During the current year, in light of increasing investment in land and buildings the directors reassessed the position and decided to depreciate land and buildings over 25 years. This has led to an increase in the depreciation charge for the period of £293,217.

The group is in the early stages of its development. It is intended to increase the number of sites significantly over the next few years. In view of this an internal infrastructure has been put in place to facilitate future growth. This has led to a loss for the period after tax of £711,121 (2017: £515,780). Performance is expected to improve for the future years given the cessation of the White Horse business and the additional income streams from the Black Lion and the Blackbirds Inn, and the acquisitions made after the year end (see below).

The Group has been largely funded by share capital and at 31 March 2018 had net assets of £5,759,532.

Key risks and uncertainties.

Business Risk

The business results for the group are dependent upon general market conditions and the performance of each of the operational sites.

Each individual site offers top quality food and accommodation in pleasant surroundings, aimed at the more discerning customer. This enables better profit margins to be maintained. New sites are selected to meet these criteria.

The company is committed to ensuring all staff are trained to a high standard in the fundamental areas of customer service, food hygiene and health and safety, to ensure a top quality customer experience is delivered.

The directors monitor the performance of each site on a weekly basis.

Finance Risk

The company to date has been largely financed by equity, which minimises the exposure to fluctuations in interest rates.

Chestnut Inns Limited

Strategic Report *(continued)*

Year ended 31 March 2018

Key Performance Indicators

The turnover for the period was £4,140,238 (2017: £2,898,710). The group continues to grow their sales line (sales up 43% year on year) which is encouraging.

The loss excluding depreciation, interest, bank charges, legal costs, non-recurring costs from the White Horse and non-recurring repair costs for the period was £22,841 (2017: £253,932)

Future Developments

The strategy is to identify properties that are located in areas which are aligned with the Group's strategy and which through limited capital expenditure have under-traded. The Company will then invest capital to bring these sites up to the Chestnut Group's standard and character, which combined with the Company's operating systems will dramatically improve trading figures.

The Company is looking at several sites, focusing on East Anglia - with a particular focus on the areas surrounding Cambridge, Bury St Edmunds, and the coastal areas in East Suffolk.

Post year the Company has acquired new businesses being:
Agellus Hotels Ltd for £7.5M which operates two hotels being the Ship Inn and the Westleton Crown.
The Weeping Willow Bar and Restaurant freehold property and business for £1.1M. The Eight Bells Saffron Walden bar and restaurant leasehold tenancy.

Following the post year recent acquisitions and improving its operating margin on the existing sites, the Group will look to increase its operating leverage through the acquisition of further sites.

Results

The results for the period are shown in the attached profit and loss report.

This report was approved by the board of directors on 4/4/2019 and signed on behalf of the board by:

Mr P Turner

Director



Registered office:
The Forge
Lower Higham
Higham
Suffolk
IP28 6NL

Chestnut Inns Limited

Directors' Report

Year ended 31 March 2018

The directors present their report and the financial statements of the group for the year ended 31 March 2018.

Directors

The directors who served the company during the year were as follows:

Mr P Turner
Mr D Minchin

Dividends

The directors do not recommend the payment of a dividend.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 the company and 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 judgments 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 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

Chestnut Inns Limited

Directors' Report *(continued)*

Year ended 31 March 2018

This report was approved by the board of directors on4/4/2019.... and signed on behalf of the board by:

Mr P Turner

Director

A handwritten signature in black ink, appearing to read 'P Turner', followed by a long horizontal flourish.

Registered office:
The Forge
Lower Higham
Higham
Suffolk
IP28 6NL

Chestnut Inns Limited

Independent Auditor's Report to the Members of Chestnut Inns Limited

Year ended 31 March 2018

Opinion

We have audited the financial statements of Chestnut Inns Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, 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 of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Chestnut Inns Limited

Independent Auditor's Report to the Members of Chestnut Inns Limited (continued)

Year ended 31 March 2018

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- 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
- 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 material misstatements in the strategic report or 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.

Chestnut Inns Limited

Independent Auditor's Report to the Members of Chestnut Inns Limited (continued)

Year ended 31 March 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chestnut Inns Limited

Independent Auditor's Report to the Members of Chestnut Inns Limited *(continued)*

Year ended 31 March 2018

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Mr David Ian Walters (Senior Statutory Auditor)

For and on behalf of
Walters Hawson Limited
Chartered accountants & statutory auditor
Norham House
Mountenoy Road
Rotherham
South Yorkshire
S60 2AJ

Chestnut Inns Limited

Consolidated Statement of Comprehensive Income

Year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	4,140,238	2,898,710
Cost of sales		<u>1,304,945</u>	<u>1,033,713</u>
Gross profit		2,835,293	1,864,997
Administrative expenses		<u>3,494,809</u>	<u>2,347,463</u>
Operating loss	5	(659,516)	(482,466)
Interest receivable	9	–	5
Interest payable	10	<u>51,605</u>	<u>33,319</u>
Loss before taxation		(711,121)	(515,780)
Taxation on ordinary activities	11	<u>–</u>	<u>–</u>
Loss for the financial year and total comprehensive income		<u>(711,121)</u>	<u>(515,780)</u>

All the activities of the group are from continuing operations.

The notes on pages 16 to 26 form part of these financial statements.

Chestnut Inns Limited

Consolidated Statement of Financial Position

31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	7,276,330	6,335,676
Current assets			
Stocks	14	72,348	69,394
Debtors	15	122,372	223,757
Cash at bank and in hand		620,650	1,774,746
		815,370	2,067,897
Creditors: amounts falling due within one year	16	847,764	783,124
Net current (liabilities)/assets		(32,394)	1,284,773
Total assets less current liabilities		7,243,936	7,620,449
Creditors: amounts falling due after more than one year	17	1,484,404	1,139,795
Net assets		5,759,532	6,480,654
Capital and reserves			
Called up share capital	21	5,611,321	5,621,321
Share premium account	22	1,701,593	1,701,593
Profit and loss account	22	(1,553,382)	(842,260)
Shareholders funds		5,759,532	6,480,654

These financial statements were approved by the board of directors and authorised for issue on 4/4/2019, and are signed on behalf of the board by:

Mr P Turner
Managing Director



Mr D Minchin
Finance Director



Company registration number: 07948117

The notes on pages 16 to 26 form part of these financial statements.

Chestnut Inns Limited

Company Statement of Financial Position

31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	7,210,022	6,254,681
Investments	13	<u>12</u>	<u>8</u>
		7,210,034	6,254,689
Current assets			
Debtors	15	29,850	289,036
Cash at bank and in hand		<u>544,752</u>	<u>1,700,964</u>
		574,602	1,990,000
Creditors: amounts falling due within one year	16	<u>1,284,644</u>	<u>900,000</u>
Net current (liabilities)/assets		<u>(710,042)</u>	<u>1,090,000</u>
Total assets less current liabilities		6,499,992	7,344,689
Creditors: amounts falling due after more than one year	17	<u>1,484,404</u>	<u>1,139,795</u>
Net assets		<u>5,015,588</u>	<u>6,204,894</u>
Capital and reserves			
Called up share capital	21	5,611,321	5,621,321
Share premium account	22	1,701,593	1,701,593
Profit and loss account	22	<u>(2,297,326)</u>	<u>(1,118,020)</u>
Shareholders funds		<u>5,015,588</u>	<u>6,204,894</u>

The loss for the financial year of the parent company was £1,179,306 (2017: £600,844).

These financial statements were approved by the board of directors and authorised for issue on 4/4/2019, and are signed on behalf of the board by:

Mr P Turner
Managing Director



Mr D Minchin
Finance Director



Company registration number: 07948117

The notes on pages 16 to 26 form part of these financial statements.

Chestnut Inns Limited

Consolidated Statement of Changes in Equity

Year ended 31 March 2018

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 April 2016 (as previously reported)		3,112,000	376,175	(302,480)	3,185,695
Prior period adjustments	20	—	—	(24,000)	(24,000)
At 1 April 2016 (restated)		<u>3,112,000</u>	<u>376,175</u>	<u>(326,480)</u>	<u>3,161,695</u>
Loss for the year		—	—	(515,780)	(515,780)
Total comprehensive income for the year		—	—	(515,780)	(515,780)
Issue of shares		<u>2,509,321</u>	<u>1,325,418</u>	—	<u>3,834,739</u>
Total investments by and distributions to owners		<u>2,509,321</u>	<u>1,325,418</u>	—	<u>3,834,739</u>
At 31 March 2017 (as previously reported)		5,621,321	1,701,593	(836,261)	6,486,653
Prior period adjustments	20	—	—	(6,000)	(6,000)
At 31 March 2017 (restated)		<u>5,621,321</u>	<u>1,701,593</u>	<u>(842,261)</u>	<u>6,480,653</u>
Loss for the year		—	—	(711,121)	(711,121)
Total comprehensive income for the year		—	—	(711,121)	(711,121)
Cancellation of subscribed capital		<u>(10,000)</u>	—	—	<u>(10,000)</u>
Total investments by and distributions to owners		<u>(10,000)</u>	—	—	<u>(10,000)</u>
At 31 March 2018		<u>5,611,321</u>	<u>1,701,593</u>	<u>(1,553,382)</u>	<u>5,759,532</u>

The notes on pages 16 to 26 form part of these financial statements.

Chestnut Inns Limited

Company Statement of Changes in Equity

Year ended 31 March 2018

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 April 2016 (as previously reported)		3,112,000	376,175	(493,176)	2,994,999
Prior period adjustments	20	—	—	(24,000)	(24,000)
At 1 April 2016 (restated)		<u>3,112,000</u>	<u>376,175</u>	<u>(517,176)</u>	<u>2,970,999</u>
Loss for the year		—	—	(600,844)	(600,844)
Total comprehensive income for the year		—	—	(600,844)	(600,844)
Issue of shares		2,509,321	1,325,418	—	3,834,739
Total investments by and distributions to owners		2,509,321	1,325,418	—	3,834,739
At 31 March 2017 (as previously reported)		5,621,321	1,701,593	(1,112,020)	6,210,894
Prior period adjustments	20	—	—	(6,000)	(6,000)
At 31 March 2017 (restated)		<u>5,621,321</u>	<u>1,701,593</u>	<u>(1,118,020)</u>	<u>6,204,894</u>
Loss for the year		—	—	(1,179,306)	(1,179,306)
Total comprehensive income for the year		—	—	(1,179,306)	(1,179,306)
Cancellation of subscribed capital		(10,000)	—	—	(10,000)
Total investments by and distributions to owners		(10,000)	—	—	(10,000)
At 31 March 2018		<u>5,611,321</u>	<u>1,701,593</u>	<u>(2,297,326)</u>	<u>5,015,588</u>

The notes on pages 16 to 26 form part of these financial statements.

Chestnut Inns Limited
Consolidated Statement of Cash Flows
Year ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(711,121)	(515,780)
<i>Adjustments for:</i>		
Depreciation of tangible assets	359,587	76,443
Impairment of tangible assets	21,957	–
Interest receivable	–	(5)
Interest payable	51,605	33,319
Accrued (income)/expenses	(26,176)	31,515
Other operating cash flow adjustment	–	(24,000)
<i>Changes in:</i>		
Stocks	(2,954)	(32,860)
Trade and other debtors	85,020	(62,832)
Trade and other creditors	24,897	359,739
Cash generated from operations	(197,185)	(134,461)
Interest paid	(51,605)	(33,319)
Interest received	–	5
Net cash used in operating activities	<u>(248,790)</u>	<u>(167,775)</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,322,925)	(2,497,963)
Proceeds from sale of tangible assets	726	–
Net cash used in investing activities	<u>(1,322,199)</u>	<u>(2,497,963)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	3,834,739
Payments of share issue costs	(10,000)	–
Proceeds from borrowings	426,893	479,967
Net cash from financing activities	<u>416,893</u>	<u>4,314,706</u>
Net (decrease)/increase in cash and cash equivalents	(1,154,096)	1,648,968
Cash and cash equivalents at beginning of year	1,774,746	125,778
Cash and cash equivalents at end of year	<u>620,650</u>	<u>1,774,746</u>

The notes on pages 16 to 26 form part of these financial statements.

Chestnut Inns Limited
Notes to the Financial Statements
Year ended 31 March 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Forge, Lower Higham, Higham, Suffolk, IP28 6NL.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The group made a loss for the year of £711,121 (2017: £515,780) At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Chestnut Inns Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

3. Accounting policies *(continued)*

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold Property	- 25 Years Straight Line
Short Leasehold Property	- 5 Years Straight Line
Plant and Machinery	- 25% reducing balance
Fixtures and Fittings	- 25% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate.

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

3. Accounting policies *(continued)*

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Sale of goods	<u>4,140,238</u>	<u>2,898,710</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets	359,586	76,443
Impairment of tangible assets recognised in: Administrative expenses	21,957	—

6. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	<u>19,250</u>	<u>—</u>

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

7. Particulars of employees

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018 No.	2017 No.
Production staff	<u>135</u>	<u>111</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018 £	2017 £
Wages and salaries	2,064,739	1,487,400
Social security costs	147,852	120,077
Other pension costs	<u>5,331</u>	<u>—</u>
	<u>2,217,922</u>	<u>1,607,477</u>

The company has granted share options to selected employees under an Enterprise Management Incentive scheme. The exercise value of the options is £90,000 in respect of 78,000 class A Ordinary Shares of £1 each. There has been no exercise of an option during the year.

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018 £	2017 £
Remuneration	<u>75,206</u>	<u>80,249</u>

The company has granted share options to the directors under an Enterprise Management Incentive Scheme. The exercise value of the options is £75,000 in respect of 70,000 class A Ordinary Shares of £1 each. There has been no exercise of an option during the year.

9. Interest receivable

	2018 £	2017 £
Interest on cash and cash equivalents	<u>—</u>	<u>5</u>

10. Interest payable

	2018 £	2017 £
Interest on banks loans and overdrafts	46,787	33,319
Other interest payable and similar charges	<u>4,818</u>	<u>—</u>
	<u>51,605</u>	<u>33,319</u>

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

11. Taxation on ordinary activities

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is the standard rate of corporation tax in the UK of 19% (2017: 20%).

	2018 £	2017 £
Loss on ordinary activities before taxation	(711,121)	(515,780)
Loss on ordinary activities by rate of tax	(135,113)	(103,157)
Effect of expenses not deductible for tax purposes	85,180	16,923
Effect of capital allowances and depreciation	(15,096)	(32,480)
Utilisation of tax losses	(14,988)	(1,089)
Unused tax losses	80,017	119,803
Tax on loss	—	—

The group has tax losses of £1,104,433 available to offset against future income. No deferred tax asset has been recognised in the accounts.

12. Tangible assets

Group	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 April 2017	6,062,879	102,689	370,464	6,536,032
Additions	1,241,357	3,186	78,382	1,322,925
Disposals	—	—	(726)	(726)
At 31 March 2018	7,304,236	105,875	448,120	7,858,231
Depreciation				
At 1 April 2017	—	64,599	135,757	200,356
Charge for the year	293,217	9,522	56,848	359,587
Impairment losses	—	—	21,958	21,958
At 31 March 2018	293,217	74,121	214,563	581,901
Carrying amount				
At 31 March 2018	7,011,019	31,754	233,557	7,276,330
At 31 March 2017	6,062,879	38,090	234,707	6,335,676

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

12. Tangible assets *(continued)*

Company	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 April 2017	6,062,879	102,689	275,369	6,440,937
Additions	1,241,357	3,186	52,621	1,297,164
At 31 March 2018	7,304,236	105,875	327,990	7,738,101
Depreciation				
At 1 April 2017	–	64,599	121,657	186,256
Charge for the year	293,217	9,522	39,084	341,823
At 31 March 2018	293,217	74,121	160,741	528,079
Carrying amount				
At 31 March 2018	7,011,019	31,754	167,249	7,210,022
At 31 March 2017	6,062,879	38,090	153,712	6,254,681

Within the tangible assets carrying amount there are assets to the value of £712,899 for the Blackbirds Inn which were destroyed in a fire. The insurers have accepted liability, therefore there is no impairment of these assets. The insurers have made an interim payment as disclosed in note 16 and 24 of these accounts.

13. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 April 2017	8
Additions	4
At 31 March 2018	12
Impairment	
At 1 April 2017 and 31 March 2018	–
Carrying amount	
At 31 March 2018	12
At 31 March 2017	8

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

13. Investments *(continued)*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
The Packhorse Inn (Moulton) Limited	Ordinary	100
The Rupert Brooke (Grantchester) Limited	Ordinary	100
The Northgate (Bury St. Edmunds) Limited	Ordinary	100
The Blackbirds (Woodditton) Limited	Ordinary	100
The Black Lion (Long Melford) Limited	Ordinary	100
The Eight Bells (Saffron Walden) Limited	Ordinary	100

14. Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Liquor and Food	<u>72,348</u>	<u>69,394</u>	<u>—</u>	<u>—</u>

15. Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts owed by group undertakings	—	—	11,667	131,385
Prepayments and accrued income	113,139	37,809	—	—
Other debtors	<u>9,233</u>	<u>185,948</u>	<u>18,183</u>	<u>157,651</u>
	<u>122,372</u>	<u>223,757</u>	<u>29,850</u>	<u>289,036</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	82,284	—	82,284	—
Trade creditors	354,389	428,935	47,071	126,275
Amounts owed to group undertakings	—	—	975,963	749,340
Accruals and deferred income	219,570	95,746	164,549	—
Social security and other taxes	169,866	179,444	11,708	7,906
Director loan accounts	10,742	10,742	—	—
Other creditors	<u>10,913</u>	<u>68,257</u>	<u>3,069</u>	<u>16,479</u>
	<u>847,764</u>	<u>783,124</u>	<u>1,284,644</u>	<u>900,000</u>

Within Creditors there is deferred income of £150,000. This is a payment from the company insurance provider as an interim payment towards the rebuild of the Blackbirds premises due to fire damage.

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	<u>1,484,404</u>	<u>1,139,795</u>	<u>1,484,404</u>	<u>1,139,795</u>

The company restructured its financing in August 2018 as a result of the acquisition of new sites. This resulted in the above loans being settled and replaced by new borrowing.

Bank borrowings were secured by legal charge over group freehold property and a charge over the assets of the group.

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £5,331 (2017: £Nil).

19. Financial instruments

For financial instruments measured at fair value, the basis for determining fair value must be disclosed. When a valuation technique is used, the assumptions applied in determining fair value for each class of financial assets or financial liabilities must be disclosed. If a reliable measure of fair value is no longer available for ordinary or preference shares measured at fair value through profit or loss, this must also be disclosed.

20. Prior year adjustment

The company has restated the comparative prior year amounts per explanation below.

(a) There was an intercompany loan balance difference of £30,000. This related to overhead expenses for the years ended 31 March 2017 and prior to 1 April 2016. The amounts applicable to 31 March 2017 were £6000 and prior to 1 April 2016 were £24000.

<u>Restated company statement of financial position</u>	<u>31 March 2017</u>	<u>1 April 2016</u>
	£	£
Original shareholders funds	(1112020)	(493176)
Intercompany loan adjustment	<u>(6000)</u>	<u>(24000)</u>
Restated shareholders funds	(1118020)	(517176)

Restated profit or loss for the year ended 31 March 2017

	£
Original loss on ordinary activities before tax	(594844)
Add overhead expenses adjustment	<u>(6000)</u>
Restated loss for the financial year	(600844)

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

21. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary A Class shares of £1 each	5,611,221	5,611,221.00	5,621,221	5,621,221.00
Ordinary B Class shares of £1 each	100	100.00	100	100.00
	<u>5,611,321</u>	<u>5,611,321.00</u>	<u>5,621,321</u>	<u>5,621,321.00</u>

Share movements

	No.	£
Ordinary A Class		
At 1 April 2017	5,621,221	5,621,221
Shares cancelled	(10,000)	(10,000)
At 31 March 2018	<u>5,611,221</u>	<u>5,611,221</u>

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior year.

22. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

23. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

	2018		
	Balance brought forward	Advances/ (credits) to the directors	Balance outstanding
	£	£	£
Mr P Turner	(10,742)	—	(10,742)
	<u> </u>	<u> </u>	<u> </u>
	2017		
	Balance brought forward	Advances/ (credits) to the directors	Balance outstanding
	£	£	£
Mr P Turner	—	(10,742)	(10,742)
	<u> </u>	<u> </u>	<u> </u>

The above loan was interest free and repayable on demand.

Chestnut Inns Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

24. Subsidiary - blackbirds fire

There was a significant fire at the Blackbirds Inn in March 2018 and the property was destroyed. The insurance company have agreed to fund a complete rebuild and refurbishment plus costs towards loss of trading income. The renovation work is currently proceeding during the 2018 - 2019 year. The insurance company have made an interim payment of £150,000 in March 2018 towards the ongoing costs and further receipts will follow as the work progresses. The final settlement is still being negotiated.

25. Related party transactions

Company

During the year Chestnut Inns Limited engaged PAT Partners Ltd, to facilitate the refurbishment work on the group's newly acquired freehold properties prior to opening. Costs incurred by PAT Partners Ltd were recharged at cost plus a £1,000 per month admin fee. During the year these transactions amounted to £515,837 (2017: £1513,235). PAT Partners Limited is a company controlled by Mr P Turner, a director of the company.

Included within the creditors falling due within one year is a balance of £1200 due to PAT Partners Ltd.

During the year various interest free loans existed between the company and its subsidiaries. At the year end the company was owed £11,667 (2017 - £131,385) by other group companies, and owed £975,963 (2017 - £749,340) to other group companies.