

Company Registration No. 08251749 (England and Wales)

SHORYU HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



Sobell Rhodes LLP
The Kinetic Centre
Theobald Street
Elstree
Borehamwood
WD6 4PJ

SHORYU HOLDINGS LIMITED

COMPANY INFORMATION

Directors	K Tokumine R O-T Blanco H Tokumine A Muci T Awata T Sugiyama	(Appointed 3 June 2019)
Secretary	C Loo	
Company number	08251749	
Registered office	Unit B Premier Park Road Park Royal Middlesex United Kingdom NW10 7NZ	
Auditor	Sobell Rhodes LLP The Kinetic Centre Theobald Street Elstree Borehamwood United Kingdom WD6 4PJ	

SHORYU HOLDINGS LIMITED

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SHORYU HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

During the year ended 31 December 2019 the group made a profit after tax of £537,643 (2018 - £448,504) and increased its turnover from £17,575,800 to £17,954,843.

The mature locations (Regent Street and Denman Street, Carnaby Street, Liverpool Street and Stratford) continued to perform well in 2019 with an annual growth of 3.4%, whilst the emerging sites of Covent Garden, New Oxford Street, and Shoreditch recorded 4.0% growth and the out of London locations, Manchester and Oxford City recorded 9.3% growth.

The directors are pleased to report that overall the group traded satisfactorily in 2019 in a tough economic climate increased by Brexit uncertainty.

The unprecedented level of disruption in 2020 caused by the COVID-19 pandemic brought the majority of the country's economic activity to a standstill on 23 March 2020 under the 'stay at home' order and national lockdown imposed by the government. This resulted in the temporary closure of all sites except Stratford mixed use retail site and heightened the level of uncertainty for the group's trading results for the remainder of the year. The government announced a conditional plan to lifting the lockdown in May 2020 paving the way for restaurants to reopen on 4 July 2020 under strict social distancing rules. However, further restrictions that followed including a 10pm curfew, Covid Tier System and the second and third lockdowns resulted in severe disruptions including multiple times of temporary closures and reopening since the first lockdown. At the time of approval of these financial statements all Shoryu sites were in operation.

The overall decline of year on year, like for like sales in 2020 was recorded at 62.0%.

The moderate forecast scenario for the 2021 financial year is based on the increased confidence presented by the high uptake of COVID-19 vaccination (the first dose being administered to nearly 80% of the population, 56% second dose) with the rate of people with one positive COVID-19 test result and hospital admissions remains low. The success so far (step 3) of the government's four-step roadmap to offering a route back to a more normal life assumes restaurants will remain open for the foreseeable future with short term provision local restrictions. The 2021 recovery plan shows like for like sales -85.7% in quarter 1 (actual), -47.4% in quarter 2 (forecast) rebounding to -14.0% and -6.5% in quarters 3 and 4 forecast respectively, an overall reduction of 38.0% in 2021 sales compared to the pre-pandemic (2019) level. The recovery plan has also considered the success of the dark kitchens roll-out and the launch of ramen DIY kits thereby mitigating the overall reduction to 29.4% compared to 2019 sales.

The directors have also taken into consideration factors that may slowdown the pace of Central London footfall (currently at 44% of the pre-pandemic level) recovery where most of the trading sites are located, such as recent resurgences in new Covid-19 cases, the possibility of further delays and disruptions to easing of the remaining coronavirus restrictions (stage 4 of the government's roadmap out of lockdown), subdued international travel due to restrictions, and longer than expected 'work from home if you can' government's guidance. The company will continuously adapt to the opportunities presented by the pandemic, creating more unique and engaging experiences in bricks and mortar sites as well as online platforms on the back of its success in DIY meal kits and dark kitchen roll-out programme.

The group's key financial and other performance indicators during the year were as follows:

		Unit	2019	2018
Turnover	£	17,954,843	17,575,800	
Gross Profit	£	9,935,916	9,899,321	
Gross Margin	%	55	56	
Net Profit	£	537,643	448,504	

SHORYU HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The directors recognise that within the businesses there is a number of risks which may affect the performance of the group. These risks are subject to regular review and where appropriate, processes established to minimise the level of exposure.

Whilst there are welcome signs of global economic recovery, factors such as the possible resurgence of COVID-19 cases, slow and inconsistent vaccine roll-out and the need to maintain stringent mobility restrictions in the face of more transmissible variants may constrain the pace of recovery and present downside risks that may cast further uncertainty on the forecasted recovery.

As applicable to the hospitality sector, the group will continue to be exposed to both post pandemic and Brexit economic conditions. The directors believe that the group is able to trade through a possible downturn in the economy post the crisis due to its strong customer loyalty, reputation of the brand, the strategic location of the trading outlets complemented by the option to access its products via online platforms and by regular monitoring of performance and continuous contingency planning.

COVID-19 response and contingency measures

The group has had to temporarily close (with the exception of the mixed use retail site at Westfield Stratford City) and adapt to takeaway and delivery only sites during the government imposed lockdowns and restrictions. The group forecasts incorporate mitigating action undertaken to reduce group costs. These include rent concession negotiations with landlords, deferment and/or instalment payment arrangements with asset finance providers, creditors and HMRC, accessing government job retention schemes, management team pay cuts, accessing bank finance by way of Coronavirus Business Interruption Loan (CBILS) and Recovery Loan Scheme, participating in government Eat Out To Help Out Scheme, coronavirus business support grants, and business rates relief. In addition, Shoryu launched DIY meal kits and five dark kitchens to serve its customers working from home, which have had a significant contribution towards mitigating losses.

Market conditions

With the expansion and consolidation of the UK ramen market in the years prior to the pandemic, the group has successfully retained its competitive edge maintaining its focus on ingredients and ability to cater to a diverse customer profile. This has enabled maintaining a balanced sales spread during the day and week. The majority of sales continue to be dominated by dining-in customers. However, the pandemic has also opened an opportunity to accelerate sales via online platforms, resulting in the launch of Shoryu DIY kits and dark kitchens in recent months.

The coronavirus operations planning has factored in the resilience of Shoryu (meaning Rising Dragon) and customer loyalty built up over the years, together with increased menu and accessible delivery options ensuring our customers individual needs are fully met whilst providing a safe and secure environment for both our customers and employees.

SHORYU HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

The group is exposed to financial risk through its financial assets and liabilities. The most important component of financial risk affecting the group is the liquidity risk. Tight working capital control together with detailed cash flow monitoring mitigate the liquidity risk.

Included in amounts falling due within one year is £840,000 due to Toridoll Holdings Corporation, the Japanese parent company of Toridoll Holding Limited (a shareholder of Shoryu Holdings Limited), relating to loans for expansion purposes which are repayable within the next 12 months.

Toridoll Holdings Corporation as in the past has been supporting the business by restructuring the loan repayments due to commence from July 2020, to be repayable over a longer period (12 monthly instalments from July 2021) on the assumption that trading will continue to recover according to the forecasts.

Since 23rd March 2020, the COVID-19 pandemic has materially and adversely affected the hospitality sector generally due to the multiple lockdowns and restrictions imposed by the government, social distancing, global travel restrictions and the decline in tourists. As a result, the group and therefore the company has been significantly impacted as customer demand has dropped and therefore may have a significant impact on the overall operating results.

The group has prepared a cash flow forecast until December 2022 under the current uncertain conditions. It is based on the key assumption that the restaurants will continue to remain open.

The directors are confident regarding the group's long-term prospects and profitability. It is however difficult to estimate the full impact of the COVID-19 pandemic and for how long it will last or possibility of future pandemics and the effectiveness of controlling measures. The directors consider this as the key uncertainty over which they have no control.

In the event the restaurants were to close in the future due to pandemic related reasons and all of the refinancing measures as noted were not agreed or the short term government support for employee costs and tax payment deferrals were not available as forecast, then the group would need to seek financial support from its shareholder, Toridoll Holdings Limited. Whilst there are no binding agreements, the shareholders of Toridoll Holdings Limited have historically been very supportive of the group.

Given the associated uncertainty within the forecast, a material uncertainty exists that may cast a significant doubt on the group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

On behalf of the board

K Tokumine

Director

8 July 2021

SHORYU HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the group is that of operation of restaurants and of the company is that of a holding company.

Directors

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

K Tokumine
R O-T Blanco
H Tokumine
A Muci
T Awata
T Sugiyama

(Appointed 3 June 2019)

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a dividend.

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, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Post balance sheet events

Since 31 December 2019, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Material events after the reporting date are further detailed in note 28.

Auditor

The auditors, Sobell Rhodes LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

SHORYU HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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 auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

K Tokumine
Director

8 July 2021

SHORYU HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHORYU HOLDINGS LIMITED

Opinion

We have audited the financial statements of Shoryu Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company 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 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

In forming our opinion on the financial statements which is not modified, we have considered the adequacy of the disclosure in note 1.3 to the financial statements concerning the group's and the company's ability to continue as a going concern.

The directors have considered the impact of the recent COVID-19 outbreak as part of the group's and company's going concern analysis.

The directors have modelled the impact of reduced sales and also mitigating actions available to the group to reduce costs. The projections also incorporate a number of government support initiatives recently announced and assume the group will agree an extension to its existing loans due to the exceptional circumstances. This analysis indicates the group has adequate resources to continue in operational existence for a period of at least 12 months following the signing of the financial statements.

However in the event restaurants have to be closed, customer demand was lower than 50% of pre COVID-19 levels, the refinancing was not agreed, landlord negotiations were not to go ahead or further government support are not available as forecasted, then the group would need to seek alternative financial support.

Due to the uncertainty as to how the COVID-19 outbreak may impact upon the group's projected cashflows, a material uncertainty exists that may cast a significant doubt on the group's and the company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

SHORYU HOLDINGS LIMITED

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 our 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 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 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.

SHORYU HOLDINGS LIMITED

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

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.

9 July 2021

Nicholas Posnansky (Senior Statutory Auditor)

for and on behalf of Sobell Rhodes LLP

Statutory Auditor

The Kinetic Centre

Theobald Street

Borehamwood

United Kingdom

WD6 4PJ

SHORYU HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Continuing operations	Discontinued operations	31 December 2019	Continuing operations	Discontinued operations	31 December 2018
		£	£	£	£	£	£
Turnover	3	17,954,842	-	17,954,842	17,092,972	482,827	17,575,799
Cost of sales		(8,018,927)	-	(8,018,927)	(7,453,512)	(222,968)	(7,676,480)
Gross profit		9,935,915	-	9,935,915	9,639,460	259,859	9,899,319
Administrative expenses		(9,000,639)	-	(9,000,639)	(8,730,786)	(384,054)	(9,114,840)
Other operating income		-	-	-	9	-	9
Operating profit	4	935,276	-	935,276	908,683	(124,195)	784,488
Interest payable and similar expenses	8	(49,174)	-	(49,174)	(55,566)	-	(55,566)
Amounts written off investments	9	(53,000)	-	(53,000)	(98,152)	-	(98,152)
Profit before taxation		833,102	-	833,102	754,965	(124,195)	630,770
Tax on profit	10	(295,459)	-	(295,459)	(181,588)	(679)	(182,267)
Profit for the financial year		537,643	-	537,643	573,377	(124,874)	448,503

Profit for the financial year is all attributable to the owners of the parent company.

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

SHORYU HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	12		480,895		568,192
Other intangible assets	12		14,115		16,467
			<u>495,010</u>		<u>584,659</u>
Total intangible assets					
Tangible assets	13		4,353,574		4,387,073
			<u>4,848,584</u>		<u>4,971,732</u>
Current assets					
Stocks	17	159,540		208,446	
Debtors	18	1,260,388		1,228,756	
Cash at bank and in hand		1,176,162		601,795	
		<u>2,596,090</u>		<u>2,038,997</u>	
Creditors: amounts falling due within one year	19	(3,766,159)		(4,131,714)	
Net current liabilities			<u>(1,170,069)</u>		<u>(2,092,717)</u>
Total assets less current liabilities			3,678,515		2,879,015
Creditors: amounts falling due after more than one year	20		(734,534)		(537,786)
Provisions for liabilities	23		(149,181)		(84,072)
Net assets			<u>2,794,800</u>		<u>2,257,157</u>
Capital and reserves					
Called up share capital	25		234,551		234,551
Share premium account			591,772		591,772
Profit and loss reserves			1,968,477		1,430,834
Total equity			<u>2,794,800</u>		<u>2,257,157</u>

The financial statements were approved by the board of directors and authorised for issue on 8 July 2021 and are signed on its behalf by:

K Tokumine
Director

SHORYU HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12		14,115		18,467
Investments	14		1,230,154		1,230,154
			<u>1,244,269</u>		<u>1,248,621</u>
Current assets					
Debtors	18	3,997		219,688	
Cash at bank and in hand		402,464		10,278	
		<u>406,461</u>		<u>229,966</u>	
Creditors: amounts falling due within one year	19	(984,209)		(784,941)	
Net current liabilities			<u>(577,748)</u>		<u>(554,975)</u>
Total assets less current liabilities			<u>666,521</u>		<u>691,646</u>
Creditors: amounts falling due after more than one year	20		(497,500)		(510,809)
Net assets			<u>169,021</u>		<u>180,837</u>
Capital and reserves					
Called up share capital	25		234,551		234,551
Share premium account			591,772		591,772
Profit and loss reserves			(657,302)		(645,486)
Total equity			<u>169,021</u>		<u>180,837</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £11,816 (2018 - £626,357 loss).

The financial statements were approved by the board of directors and authorised for issue on 8 July 2021 and are signed on its behalf by:

K Tokumine
Director

Company Registration No.

SHORYU HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2018	234,551	591,772	982,331	1,808,654
Year ended 31 December 2018:				
Profit and total comprehensive income for the year	-	-	448,503	448,503
Balance at 31 December 2018	234,551	591,772	1,430,834	2,257,157
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	537,643	537,643
Balance at 31 December 2019	234,551	591,772	1,968,477	2,794,800

SHORYU HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2018	234,551	591,772	(19,129)	807,194
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(626,357)	(626,357)
Balance at 31 December 2018	234,551	591,772	(645,486)	180,837
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(11,816)	(11,816)
Balance at 31 December 2019	234,551	591,772	(657,302)	169,021

SHORYU HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	29	1,458,852		1,293,934	
Interest paid		(49,174)		(55,566)	
Income taxes paid		(40,862)		(39,618)	
Net cash inflow from operating activities		<u>1,368,816</u>		<u>1,198,750</u>	
Investing activities					
Purchase of tangible fixed assets		(686,513)		(229,177)	
Proceeds on disposal of tangible fixed assets		90,585		140,280	
Proceeds on disposal of fixed asset investments		(53,000)		(98,152)	
Net cash used in investing activities		<u>(648,928)</u>		<u>(187,049)</u>	
Financing activities					
Repayment of borrowings		(348,574)		(718,268)	
Repayment of bank loans		(92,873)		(92,303)	
Payment/(repayment) of finance leases obligations		295,926		(300,610)	
Net cash used in financing activities		<u>(145,521)</u>		<u>(1,111,181)</u>	
Net increase/(decrease) in cash and cash equivalents		<u>574,367</u>		<u>(99,480)</u>	
Cash and cash equivalents at beginning of year		601,795		701,275	
Cash and cash equivalents at end of year		<u><u>1,176,162</u></u>		<u><u>601,795</u></u>	

SHORYU HOLDINGS LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	30	841,434		1,332,278	
Interest paid		(14,075)		4,720	
Income taxes refunded/(paid)		200		-	
Net cash inflow from operating activities		<u>827,559</u>		<u>1,336,998</u>	
Investing activities					
Proceeds on disposal of subsidiaries		-		59,638	
Proceeds on disposal of fixed asset investments		-		(610,124)	
Net cash used in investing activities			-		(550,486)
Financing activities					
Repayment of borrowings		(342,500)		(685,000)	
Repayment of bank loans		(92,873)		(92,303)	
Net cash used in financing activities		<u>(435,373)</u>		<u>(777,303)</u>	
Net increase in cash and cash equivalents		<u>392,186</u>		<u>9,209</u>	
Cash and cash equivalents at beginning of year		10,278		1,069	
Cash and cash equivalents at end of year		<u><u>402,464</u></u>		<u><u>10,278</u></u>	

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Shoryu Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is .

The group consists of Shoryu Holdings Limited and all of its subsidiaries.

1.1 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.

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these revised financial statements are rounded to the nearest £1.

In these financial statements, the Company has applied the exemptions available under FRS102 in respect of the following disclosures:

- a. Parent Company's profit and loss account – The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.
- b. Related party transaction notes - The Company only discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned.

1.2 The significant accounting policies applied in the preparation of these financial statements are set out below.

Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Shoryu Holdings Limited and all of its subsidiaries (ie 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 31 December 2019. 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.

1.3 Material uncertainty relating to going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the group's ability to continue as a going concern.

The group has net current liabilities £1,170,069 (2018: £2,092,717) but overall net assets of £2,794,800 (2018: £2,257,157) and has made a net profit of £537,643 (2018: £448,504).

Included in amounts falling due within one year is £840,000 due to Toridoll Holdings Corporation, the Japanese parent company of Toridoll Holding Limited (a shareholder of Shoryu Holdings Limited), relating to loans for expansion purposes which are repayable within the next 12 months.

Toridoll Holdings Corporation has deferred the loan repayment due in July 2020, to be payable over 12 monthly instalments after July 2021 on the assumption that trading will recover under the post lockdown conditions.

Furthermore, included in the current liabilities is a trade debt owed to a related party under common director and shareholder of £652,025, which is a key broker for the group. The directors are confident they are able to repay the trade debt and in future if cashflow is tight, they can purchase the stocks directly from the suppliers and save the mark up charged by the related party. They are also confident they can transfer the kitchen and work force across from the related party to the group.

The group reported on their management accounts a draft EBITDA for the 12 months to December 2020 of £777,430 and a net loss before tax of £1,314,955. The management figures from January 2021 onwards noted a decline in sales against the pre-pandemic level but recovering following the outbreak of COVID-19. Since 31 December 2019, the Covid 19 pandemic has materially and adversely affected the hospitality sector due to the lockdown imposed by the government, social distancing restrictions, global travel restrictions and the decline in tourists. As a result, the group has been significantly impacted as customer demand has dropped and therefore may have a significant impact on the overall operating results.

Despite the success in the government's 4 step plan so far (with step 4 under review) and the high uptake of the vaccination program, it is uncertain when the group will return to profitability from its operations. In order to address its financing requirements, the directors have put measures in place to manage the cash flows by negotiating payment terms with landlords and major suppliers and claiming support from the government where applicable.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

The group has prepared a cash flow forecast until December 2022, under the current uncertain conditions. Based on the key assumption that the restaurants will remain open for the foreseeable future. The forecasts incorporate mitigating action undertaken to reduce the group costs. Measures include rent concession negotiations with landlords, deferment and/or instalment payment arrangements with asset finance providers, creditors and HMRC, accessing governments' job retention scheme, management team pay cuts, accessing bank finance by way of Coronavirus Business Interruption Loan (CBILS) and Recovery Loan Scheme, participating in government Eat Out To Help Out Scheme, coronavirus business support grants, and business rates relief. In addition, Shoryu launched DIY meal kits and five dark kitchens to serve its customers working from home which have had a significant contribution towards mitigating its losses.

The group has been able to secure a 5 year bank loan amounting to £1,000,000 as a result of the government support which is interest free with no repayments for a year until April 2021. Furthermore the group has been able to secure a further loan with a term of 5 years for a principal sum of £750,000 from the bank under the government recovery loan scheme which is interest free with no repayments for 6 months until November 2021.

Furthermore, the shareholder's loan terms are being renegotiated and the next instalment has been deferred to July 2021 with repayments being spread out over the following 12 months.

The group has a strong overall balance sheet at the year end. However it is very difficult to assess the duration of the current epidemic, further government support and what terms are able to be negotiated with landlords from next month once the restaurants start opening and it is also uncertain as to the level of customer demand and the ability of the group to cover the overheads from sales.

The long term survival of the group is dependant on future government announcements, decisions by the landlords and regaining customer confidence. In making the going concern assessment the directors are of the opinion that the group has a strong balance sheet and cash position and will be able to support the group should the situation get worse. However, a material uncertainty as to going concern does exist given the factors mentioned above. The directors are confident regarding the group's long-term prospects and profitability. It is however difficult to estimate how the COVID-19 outbreak will impact the group's trading and for how long. The directors consider this as the key uncertainty over which they have no control.

In the event the restaurants were to close in the future due to pandemic related reasons, all of the refinancing measures as noted were not agreed or the short term government support for employee costs and tax payment deferrals were not available as forecast then the group would need to seek financial support from its shareholder, Toridoll Holdings Limited, and whilst there are no binding agreements, the shareholders of Toridoll Holdings Limited have historically been very supportive of the group.

Given the associated uncertainty within the forecast, a material uncertainty exists that may cast a significant doubt on the group's and therefore the company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

1.4 Turnover

Turnover includes revenues earned from the sale of food and drinks from the operations of restaurants.

Turnover represents net invoiced sales of food and drinks, excluding value added tax and tips. Turnover is recognised when payment is rendered at the time of sale, and is all recognised in the United Kingdom.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Trademarks, licenses and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

Patents & licences	Over 10 years
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1.7 Tangible fixed assets

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

Leasehold land and buildings	Over the remaining period of the lease
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance

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 recognised in the profit and loss account.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 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 in the group's balance sheet 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.13 Equity instruments

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

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.15 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.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.19 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impact of COVID-19

In light of the COVID-19 pandemic, the group has considered whether any adjustments are required to reported amounts in the financial statements as indicated in note 26.

Going concern

As indicated in Note 1.3, it is the directors' assessment that the group continues to be a going concern, however, a material uncertainty does exist as a result of the impact of the future operations due to the outbreak of COVID-19.

Accordingly, the assets and liabilities have been valued on the basis that the group will continue in business.

If this presumption is proven to be mistaken, the carrying value of assets and liabilities would need to be reappraised to reflect the impact of cessation.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of the group's assets, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability. There have been no material indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of stocks

The group establishes a provision for stocks in order to provide against obsolete, or damaged items and this is reviewed on an annual basis.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Sale of food and drinks	17,954,842	17,575,799

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	-	14,277
Depreciation of owned tangible fixed assets	579,295	603,184
Depreciation of tangible fixed assets held under finance leases	50,132	28,679
Amortisation of intangible assets	89,649	89,649
Operating lease charges	1,713,434	1,749,824
	<u>1,713,434</u>	<u>1,749,824</u>

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	5,000	5,000
Audit of the financial statements of the company's subsidiaries	47,129	25,572
	<u>52,129</u>	<u>30,572</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Kitchen, Floor and management staff	128	131	-	-
	97	97	-	-
	86	88	-	-
Total	<u>311</u>	<u>316</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	5,226,678	5,172,848	-	-
Social security costs	386,564	362,607	-	-
Pension costs	76,704	52,230	-	-
	<u>5,689,946</u>	<u>5,587,685</u>	<u>-</u>	<u>-</u>

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Directors' remuneration

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,956	(4,041)
Other interest on financial liabilities	15,900	38,470
	<u>18,856</u>	<u>34,429</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	22,057	21,137
Other interest	8,261	-
	<u>49,174</u>	<u>55,566</u>

9 Amounts written off investments

	2019 £	2018 £
Gain/(loss) on disposal of fixed asset investments	-	(98,152)
Amounts written off current loans	(53,000)	-
	<u>(53,000)</u>	<u>(98,152)</u>

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	230,350	201,441
	<u>230,350</u>	<u>201,441</u>
Deferred tax		
Origination and reversal of timing differences	65,109	(18,773)
Adjustment in respect of prior periods	-	(401)
	<u>65,109</u>	<u>(19,174)</u>
Total deferred tax	<u>65,109</u>	<u>(19,174)</u>
Total tax charge	<u>295,459</u>	<u>182,267</u>

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	833,102	630,770
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	158,289	119,846
Tax effect of expenses that are not deductible in determining taxable profit	32,385	49,970
Permanent capital allowances in excess of depreciation	14,302	39,243
Other permanent differences	90,483	(19,174)
Effect of tax losses	-	(7,618)
Taxation charge	295,459	182,267

11 Discontinued operations

On 30 June 2018, the group disposed off its interests in Shoryu Japan Kabushigaisha and on 30 October 2018 the Air Street Branch ceased to trade.

The gain/(loss) on disposal of Shoryu Japan Kabushigaisha was £(98,151). Shoryu Japan Kabushigaisha contributed a loss of £69,116 to the group profit and loss during the year ended 31 December 2018.

The Air Street branch contributed a loss of £55,758 to the group profit and loss during the year ended 31 December 2018.

12 Intangible fixed assets

Group	Goodwill £	Patents & licences £	Total £
Cost			
At 1 January 2019 and 31 December 2019	872,966	24,907	897,873
Amortisation and impairment			
At 1 January 2019	304,774	8,440	313,214
Amortisation charged for the year	87,297	2,352	89,649
At 31 December 2019	392,071	10,792	402,863
Carrying amount			
At 31 December 2019	480,895	14,115	495,010
At 31 December 2018	568,192	16,467	584,659

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Intangible fixed assets		(Continued)
Company		Patents & licences £
Cost		
At 1 January 2019 and 31 December 2019		24,907
Amortisation and impairment		
At 1 January 2019		8,440
Amortisation charged for the year		2,352
At 31 December 2019		10,792
Carrying amount		
At 31 December 2019		14,115
At 31 December 2018		16,467

13 Tangible fixed assets					
Group	Leasehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total	
	£	£	£	£	
Cost					
At 1 January 2019	4,305,678	1,871,008	57,566	6,234,252	
Additions	468,935	217,578	-	686,513	
Disposals	(1,898)	(52,074)	-	(53,972)	
Transfers	(63,000)	-	-	(63,000)	
At 31 December 2019	4,709,715	2,036,512	57,566	6,803,793	
Depreciation and impairment					
At 1 January 2019	909,708	899,922	37,549	1,847,179	
Depreciation charged in the year	361,494	262,929	5,004	629,427	
Eliminated in respect of disposals	(1,898)	(24,489)	-	(26,387)	
At 31 December 2019	1,269,304	1,138,362	42,553	2,450,219	
Carrying amount					
At 31 December 2019	3,440,411	898,150	15,013	4,353,574	
At 31 December 2018	3,395,970	971,086	20,017	4,387,073	

The company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets for the group includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2019 £	2018 £	Company 2019 £	2018 £
Fixtures, fittings and equipment	45,964	61,284	-	-
Leasehold land and buildings	1,367,878	560,598	-	-
	<u>1,413,842</u>	<u>621,882</u>	<u>-</u>	<u>-</u>

14 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	15	-	-	1,230,154	1,230,154

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2019 and 31 December 2019	<u>1,230,154</u>
Carrying amount	
At 31 December 2019	<u>1,230,154</u>
At 31 December 2018	<u>1,230,154</u>

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Shoryu Ramen Limited	As indicated in the note below	Operation of restaurants	Ordinary	100.00
Shoryu Camaby Street Limited	As indicated in the note below	Operation of restaurants	Ordinary	100.00
Shoryu Liverpool Street Limited	As indicated in the note below	Operation of restaurants	Ordinary	100.00
Shoryu Stratford Limited	As indicated in the note below	Operation of restaurants	Ordinary	100.00
Shoryu New Oxford Street Limited	As indicated in the note below	Operation of restaurants	Ordinary	100.00
Shoryu Go Limited	As indicated in the note below	Dormant company	Ordinary	100.00
Shoryu Manchester Limited	As indicated in the note below	Operation of restaurants	Ordinary	100.00

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15 Subsidiaries

(Continued)

Registered office addresses for all the subsidiaries above is:

Unit B, Premier Park, Premier Park Road, London, United Kingdom, NW10 7NZ

All of the above subsidiaries are included in the consolidation. Controls are established via share ownership by the Company, directly or indirectly through the subsidiaries,

16 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	758,901	747,677	3,997	219,688
Carrying amount of financial liabilities				
Measured at amortised cost	3,396,582	3,832,597	1,481,509	1,295,750

17 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	159,540	208,446	-	-

18 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Amounts owed by group undertakings	41,514	37,206	3,997	219,688
Other debtors	717,387	724,741	-	-
Prepayments and accrued income	501,487	466,809	-	-
	1,260,388	1,228,756	3,997	219,688

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	21	16,265	95,829	16,265	95,829
Obligations under finance leases	22	164,368	78,499	-	-
Other borrowings	21	342,500	691,074	342,500	685,000
Trade creditors		494,109	741,197	1,781	1,377
Amounts owed to group undertakings		658,253	696,889	615,628	-
Corporation tax payable		450,925	261,437	200	-
Other taxation and social security		653,186	575,466	-	-
Other creditors		28,929	16,638	2,735	2,735
Accruals and deferred income		957,624	974,685	5,100	-
		<u>3,766,159</u>	<u>4,131,714</u>	<u>984,209</u>	<u>784,941</u>

Guarantees

The company is party to a multilateral company guarantee dated 3 June 2015 provided by some of the subsidiary companies of the group to secure group borrowings.

20 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	21	-	13,309	-	13,309
Obligations under finance leases	22	237,034	26,977	-	-
Other borrowings	21	497,500	497,500	497,500	497,500
		<u>734,534</u>	<u>537,786</u>	<u>497,500</u>	<u>510,809</u>

21 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	16,265	109,138	16,265	109,138
Loans from related parties	840,000	1,182,500	840,000	1,182,500
Other loans	-	6,074	-	-
	<u>856,265</u>	<u>1,297,712</u>	<u>856,265</u>	<u>1,291,638</u>
Payable within one year	358,765	786,903	358,765	780,829
Payable after one year	497,500	510,809	497,500	510,809

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Loans and overdrafts

(Continued)

Group

Bank Borrowings

The bank loan is denominated in Sterling with a nominal interest rate of 4.25% and the final instalment is due on 1 February 2020. The carrying value at the year end is £16,265 (2018: £109,137).

The group was party to a multilateral cross guarantee and debenture dated 3 June 2015 given by subsidiary companies of Shoryu Holdings Limited to secure group borrowings. A limited guarantee has been given by two of the directors'.

Company

Bank Borrowings

The bank loan is denominated in Sterling with a nominal interest rate of 4.25% and the final instalment is due on 1 February 2020. The carrying value at the year end is £16,265 (2018: £109,137).

The company was party to a multilateral cross guarantee and debenture dated 3 June 2015 given by subsidiary companies of Shoryu Holdings Limited to secure group borrowings. A limited guarantee has been given by two of the directors'.

22 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	164,368	78,499	-	-
In two to five years	237,034	26,977	-	-
	<u>401,402</u>	<u>105,476</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 to 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
Group		
Accelerated capital allowances	<u>149,181</u>	<u>84,072</u>

The company has no deferred tax assets or liabilities.

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

23 Deferred taxation (Continued)

	Group 2019 £	Company 2019 £
Movements in the year:		
Liability at 1 January 2019	84,072	-
Charge to profit or loss	65,109	-
Liability at 31 December 2019	149,181	-

24 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	76,704	52,230

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.

25 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
234,551 Ordinary shares of £1 each	234,551	234,551

26 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 2019 £	2018 £	Company 2019 £	2018 £
Within one year	1,246,200	1,276,200	-	-
Between two and five years	4,364,287	4,593,725	-	-
In over five years	7,046,453	7,355,738	-	-
	12,656,940	13,225,663	-	-

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

27 Events after the reporting date

In January 2020, the construction cost for Shoryu kitchen previously paid by a related party have been transferred into the group for a purchase price of £243,302.

There were no adjustments as a result of the above events.

Since 23 March 2020, the COVID-19 pandemic has materially and adversely affected the hospitality sector due to the multiple lockdowns and restrictions imposed by the government, social distancing, global travel restrictions and the decline in tourists. As a result, the group and therefore the company has been significantly impacted as customer demand has dropped and therefore may have a significant impact on the overall operating results.

Governments and banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The group operates in the hospitality sector and therefore the impact on its financial viability is material and may have a significant impact on the operating results.

The directors have determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and landlord responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

The directors conclusions on the company being a going concern are set out in the accounting policies (note 1.3).

28 Related party transactions

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Purchases	
	2019	2018
	£	£
Group		
Entities with control, joint control or significant influence over the group	4,662,300	3,904,216
	<u> </u>	<u> </u>
	Management fees	
	2019	2018
	£	£
Group		
Entities with control, joint control or significant influence over the company	541,519	523,765
	<u> </u>	<u> </u>

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

28 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2019 £	2018 £
Group		
Entities with control, joint control or significant influence over the group	658,254	712,297
Company		
Entities with control, joint control or significant influence over the company	840,000	1,182,500

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019 Balance £	2018 Balance £
Group		
Entities with control, joint control or significant influence over the group	-	10,381
Other related parties	41,803	27,965

29 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	537,643	448,503
Adjustments for:		
Taxation charged	295,459	182,267
Finance costs	49,174	55,566
Amortisation and impairment of intangible assets	89,649	89,649
Depreciation and impairment of tangible fixed assets	629,427	631,863
(Gain)/loss on sale of investments	-	98,152
Amounts written off investments	53,000	-
Movements in working capital:		
Decrease/(increase) in stocks	48,906	(29,007)
(Increase)/decrease in debtors	(31,632)	4,435,819
Decrease in creditors	(212,774)	(4,618,878)
Cash generated from operations	1,458,852	1,293,934

SHORYU HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

30 Cash generated from operations - company

	2019 £	2018 £
Loss for the year after tax	(11,816)	(626,357)
Adjustments for:		
Finance costs	14,075	(4,720)
Amortisation and impairment of intangible assets	2,352	2,352
Gain on sale of investments	-	(15,943)
Amounts written off investments	-	626,067
Movements in working capital:		
Decrease in debtors	215,691	1,551,025
Increase/(decrease) in creditors	621,132	(200,146)
Cash generated from operations	841,434	1,332,278

31 Analysis of changes in net debt - group

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	601,795	574,367	1,176,162
Borrowings excluding overdrafts	(1,297,712)	441,447	(856,265)
Obligations under finance leases	(105,476)	(295,926)	(401,402)
	(801,393)	719,888	(81,505)

32 Analysis of changes in net debt - company

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	10,278	392,186	402,464
Borrowings excluding overdrafts	(1,291,638)	435,373	(856,265)
	(1,281,360)	827,559	(453,801)

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