PATISSERIE HOLDINGS PLC

COMPANY INFORMATION

Company registration number
08963601

Registered office
146 - 156 Sarehole Road
Birmingham
B28 8DT

Website
www.patisserie-valerie.co.uk

Directors

Luke Johnson	Executive Chairman
Paul May	Chief Executive Officer
Chris Marsh	Finance Director
Lee Ginsberg	Non-Executive Director and Deputy Chairman
James Horler	Non-Executive Director

Secretary
Chris Marsh

Bankers
HSBC
120 Edmund Street
Birmingham
B3 2QZ

Nominated Adviser and Broker
Canaccord Genuity
88 Wood Street
London
EC2V 7QR

Legal adviser
Osborne Clarke
One London Wall
London
EC2Y 5EB

Auditor
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Financial PR
Maitland
13 King's Boulevard
London
N1C 4BU

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

OUR BRANDS

Patisserie Valerie is an iconic brand established in Soho in 1926 offering fine continental patisserie. Patisserie Valerie offers indulgent, freshly baked premium cakes and pastries, high quality teas, coffees, continental breakfasts and light meals. Formats include cafés, concessions, brasseries, takeaways, kiosks and an online channel. Patisserie Valerie's 152 stores are located predominantly in London and across England, with a developing Scottish presence.

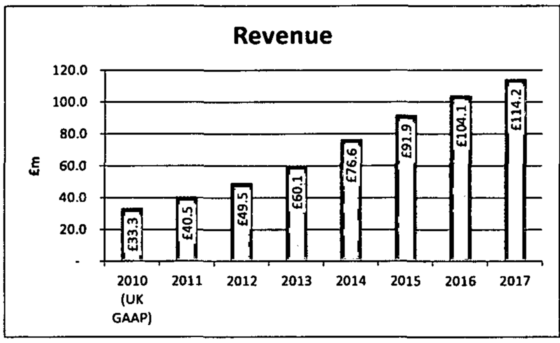
Druckers – Vienna Patisserie is a Viennese cake shop and continental coffee lounge established by Andre Drucker in 1964, offering a range of made-to-order gateaux, tarts and patisserie, premium coffees and teas and light meals. It operates 20 stores in England. Formats include cafés, takeaways and online.

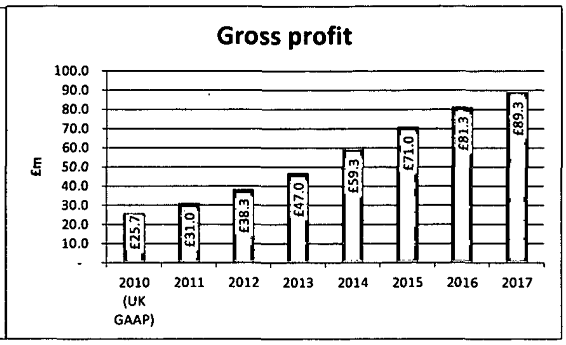
Philpotts is a premium sandwich and salad retailer, established in 1985, with a strong corporate and retail lunch offering. Philpotts focuses on gourmet sandwiches, salads, specialty savoury dishes, continental meats and cheeses. Philpotts' 22 stores include sandwich shops, online and takeaway with stores located across England and Scotland.

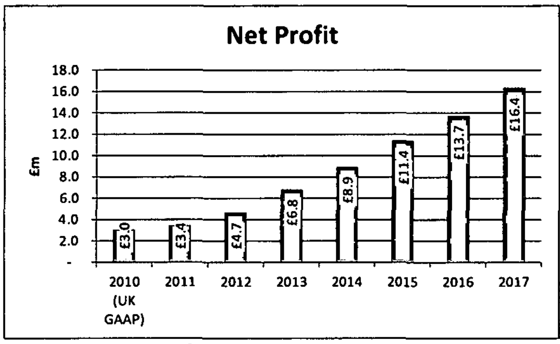
Baker & Spice is a high-end deli and bakery concept offering locally sourced, fair trade, organic, artisanal breads, cakes and deli foods. The offering includes premium cakes, artisan breads, cookies, treats, jams, seasonal salads and vegetable dishes. Its four stores are located across prime central London locations.

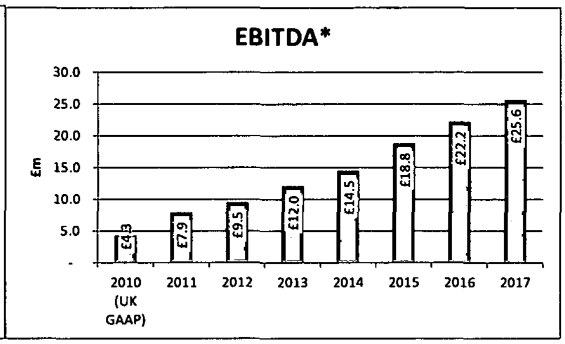
Flour Power City Bakery is an organic, artisan bakery and wholesaler supplying markets and restaurants with high-quality breads, pastries, tarts and cakes. The bakery is based in Lewisham and supplies stores in London and the Home Counties.

HIGHLIGHTS









* Details of depreciation and amortisation can be found in note 4 to the financial statements

Financial Highlights

- Revenue up 9.7% to £114.2m (2016: £104.1m)
    - Online sales up 26% to £4.8m (2016: £3.8m)
- Gross profit of £89.3m up by 9.8% (2016: £81.3m)
    - Gross margin of 78.2% (2016: 78.1%)
- EBITDA of £25.6m up 15.7% (2016: £22.2m)
- Excellent growth in pre-tax profit to £20.2m up 17.1% (2016: £17.2m)
- Basic earnings per share of 16.36 pence up 19.1% (2016: 13.74 pence per share)
- Diluted earnings per share of 16.20 pence up 19.1% (2016: 13.60 pence per share)
- Net cash at year end of £21.5m (2016: £13.3m) with operating cash inflows of £24.4m (2016: £22.0m)
- Average store payback period of 23 months
- Final dividend of 2.40 pence per share proposed up 20.0% (2016: 2.00 pence per share)

Operational Highlights

- Successfully opened 20 stores in the year including stores in 12 new geographical locations
- Expansion outside of England continues with two stores opened in Republic of Ireland, second store opened in Northern Ireland and two new stores in Scotland.
- First store opened under the Philpotts brand
- All new stores profitable from first day of trading and funded from operating cash flows.
- Trading from 199 stores at end of year (2016:184)
- 20 new stores targeted for 2018 with four already opened since the year end.
- Entered into a supply only agreement with Sainsbury's in the year and trading from 18 Sainsbury's counters at the year end.
- Costs tightly controlled with inflationary wage and ingredient cost pressures managed in the year.

BOARD OF DIRECTORS

Luke Oliver Johnson, aged 55 – Executive Chairman and Chairman of the Remuneration Committee

Luke has been the Executive Chairman and majority owner of the Group since 2006. He has been involved in the hospitality industry for over 20 years: he was chairman of PizzaExpress Plc during the 1990s, was co-founder and chairman of the Strada restaurant chain, and chairman of Giraffe restaurants for nine years until 2013. He is currently chairman of Gail's bakeries and Neilson Active Holidays.

Paul Edward May, aged 58 – Chief Executive Officer

Paul joined the Group as Chief Executive Officer in 2006 and since then has overseen its expansion from eight to over 180 stores. He has a highly successful entrepreneurial background which includes founding and selling Cash a Cheque, having grown it from one to 60 stores in four years. Paul has over 20 years of experience as a manager and owner of public and private companies and has made investments across multiple industries, including the Greyhound Racing Association in the leisure sector. Paul is an Independent Non-Executive Director of The Restaurant Group plc and is a member of the Mayor of London's Business Advisory Board.

Christopher David Marsh, aged 43 – Finance Director

Chris joined the Group as Finance Director in 2006. Chris has advised many companies over the past 17 years in both finance director and consultancy roles. His experience includes finance director roles at two AIM quoted companies, namely Fishworks Plc and Healthy Living Centres Plc. Chris qualified as a Chartered Accountant with Vantis Plc (formerly Morton Thornton) and also qualified as a Chartered Tax Accountant with Ernst & Young.

Lee Dale Ginsberg, aged 60 – Non-executive Deputy Chairman, Senior Independent Director and Chairman of the Audit Committee

Lee joined the Group as a non-executive Director in April 2014. He is a non-executive director and chairman of the audit committee at Mothercare plc since 2012 and has also holds the same role at Trinity Mirror Plc since January 2016. Lee is also the senior independent director and chairman of the audit committee of On The Beach plc having joined the board in August 2016. Lee also joined the board of Softcat plc in September 2016 as the senior independent director and chairman of the audit committee.

James Michael Alexander Horler, aged 52 – Non-executive Director

James joined the Group as a Non-executive Director in June 2013. James also currently serves as the Chief Executive Officer of 3Sixty Restaurants Ltd and holds non-executive directorships at Cartwheel Recruitment Ltd and Charterhouse Leisure Ltd. James has extensive experience in the hospitality and leisure industry. In 1995, he joined City Centre Restaurants Plc (now the Restaurant Group Plc) to set up Frankie & Benny's. James' tenure at Frankie & Benny's saw the chain grow to 65 trading restaurants. In 2001, James completed the management buy-in of La Tasca restaurants (16 trading restaurants) for £28 million as Chief Executive Officer. The business was floated on AIM in 2005 at a market capitalisation of £54m and a successful exit was achieved in 2007 for £134m with 74 trading restaurants, both throughout the UK and North America.

CORPORATE GOVERNANCE

As an AIM listed entity, the Group is not subject to and does not comply with the requirements of the UK Corporate Governance Code. However, the Directors recognise the value and importance of good corporate governance and are fully accountable to the Group's stakeholders including shareholders, customers, suppliers and employees. The corporate governance framework to which the Group operates including Board leadership and effectiveness, Board remuneration and internal control is set out below.

The Board

The Board is responsible for successful stewardship of the Group, creating long term value for shareholders, setting strategic objectives, managing the Group's resources effectively and mitigating risks. The Group has been effectively managed by the Executive team since 2006 growing the business from annual revenues of £5m from 8 stores to £114m from 199 sites in 2017. The Board includes two Non-Executive directors who were appointed to add experience and independent challenge to the Group as the Executive team considered their appointment appropriate for the size and complexity of the Group.

The Group does not have an independent Chairman or a nominations committee. Luke Johnson is the Executive Chairman of the Group and is beneficially interested in 38.6 per cent. of the Enlarged Share Capital of the Group, and therefore is not considered to be independent. The Board believes that Mr Johnson's position as Executive Chairman and his knowledge of the hospitality sector is strategically important to the future development of the Group.

The Board meets on a monthly basis at least 11 times each year to review formal matters. In the month where a Board meeting does not take place, papers are circulated and Board members will raise any matters with the Chairman. The Board also meets bi-annually to review medium to long term strategy, including growth and acquisitions, and effectiveness of the Board.

Key sub-committees' of the Board include the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee is chaired by Lee Ginsberg who is a qualified chartered accountant, has held senior finance positions throughout his career and is currently the chairmen of audit committees for four other public companies. Its other members are James Horler and Luke Johnson. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets at least three times a year and has unrestricted access to the Group's auditors.

Remuneration Committee

The Remuneration Committee is chaired by Luke Johnson. Its other members are Lee Ginsberg and James Horler. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Group is set by the Board.

The following table shows the attendance of the Directors at meetings of the Board and its principal Committees during 2017:

	Board	**Audit Committee**	**Remunerations Committee**
Attendance			
Luke Johnson	11	3	1
Paul May	11	3*	n/a
Chris Marsh	11	3*	n/a
Lee Ginsberg	11	3	1
James Horler	11	3	1
Total meetings held	11	3	1

* Meetings in which the Director attended, in whole or in part, by invitation.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and the risk profile of the Group.

The key elements of the Group's control system include:

- close management of the day to day operations by the Executive team assisted by senior management
- a comprehensive budgeting system with an annual budget approved by the Board
- daily review of revenue and staffing at store level along with cash at the Group level by senior management
- actual results are compared monthly with budgets and past results by the Board
- all significant capital expenditure and organisational changes are reviewed and approved by the Board
- the integrity and competence of personnel is ensured through high recruitment standards and subsequent training
- a clearly defined organisation structure which promotes entrepreneurial decision making whilst minimising risks

CORPORATE SOCIAL RESPONSIBILITY

Patisserie Holdings is not subject to and does not comply with the requirements of the UK Corporate Governance Code. However Corporate Social Responsibility (CSR) is an important feature of the business and the Group has decided to make a voluntary statement outlining the key areas of CSR within the business.

Products

Historically we have supported independent businesses by sourcing local fresh ingredients. As we have grown we have supplemented our supply chain with a handful of carefully selected suppliers. We ensure all new suppliers have CSR systems in place.

We aim to purchase ethically sourced products ranging from Fair Trade tea to MSC certified fish. Our main supplier of cream, milk and meat only sources products from suppliers who recognise the importance of following good animal welfare principles and these products are Red Tractor certified when sourced within the UK.

As a large consumer of eggs, both instore and within our bakeries, we are proud to state that we only use UK Lion Branded Free Range Eggs within our Group.

In terms of allergens, we are compliant with EU legislation and hold this information instore for our customers. We are working with our supply chain to see whether we can make this information more accessible for our customers.

Environment

Energy consumption reduction is important to us and we are targeting several areas. We are investing in smart metering to measure and then implement reductions to our gas and electric consumption and we are also investing in LED lighting in our new stores.

We are compliant with our Energy Savings Opportunity Scheme obligations and continue to work on initiatives to reduce our environmental impact.

In the prior year we consolidated our waste collection service to one provider, securing a unified waste procedure, allowing us to separate our waste streams and target recycling levels. In addition to having our waste oil collected, we also have our food waste collected for anaerobic digestion.

We continue to invest in our logistics infrastructure so that vehicles are less than three years old ensuring all vehicles comply with the latest Euro IV European emission standards. All of our journeys are designed with the assistance of professional route planning software to give optimum mile per gallon per delivery whilst ensuring vans are at full capacity.

Food waste is an important KPI across the business and our stores are managed against set targets on a weekly basis with reporting to the Board every month.

People

With over 2500 employees, our people are our most important assets. Our new store rollout programme generates between 200 and 250 new jobs per year in the community. Employee information is considered at monthly Board meetings and discussed in detail.

This year we have introduced the all new Patisserie Valerie Career Pathway. This programme has been designed to give everyone the skills and knowledge that they need to be the best that they can be within their role. The pathway provides clear career progression for everyone and helps us build a culture of people development within the business, growing internal talent to help fill our Management roles, supporting our new openings programme going forward.

During 2018 we will build on this programme with the introduction of a new Learning Management System that will give us visibility of our internal development pipeline and support the introduction of e-Learning into the stores. The introduction of this modular training programme approach will help us in 2018 start to develop our own Patisserie Holdings bespoke Apprenticeship programme, enabling us to maximise our draw down from our Apprenticeship Levy going forward.

STRATEGIC REPORT

Business review and future developments
2017 has been another strong year for the Group. The management team continues to deliver record sales and profit, against the backdrop of a challenging operating environment. In the year we have tested a number of new markets, including expansion into the Republic of Ireland, opening of our first Philpotts branded store, trialling our product within Sainsbury's and development of a number of new products.

The Board's strategy for organic growth targets 20 new store openings per annum and during the year we successfully achieved this target opening 20 stores across a mixture of counter only and full menu offerings. The openings were predominantly in high-street and retail parks locations (11 stores) however we also continued our partnership with Debenhams. During the year, leases on five stores expired and were closed taking the total number of trading stores to 199 (2016: 184).

The group is committed to continue with its rollout programme targeting 20 stores per annum and since the year end we have opened four new stores, exchanged contracts for two stores and are in advanced negotiations at a further seven locations. The strong performance of our new stores, especially at new geographical locations, continues to provide confidence in our ability to grow our estate across the UK and Ireland.

Performance
The Group generated revenues of £114.2m, *an increase of* £10.1m or 9.7% (2016: £104.1m).

The operating profit for the year was £20.1m an increase of £2.9m (2016: £17.2m) and EBITDA for the year was £25.6m, an increase of £3.5m (2016: £22.1m).

The Group has no external borrowings and therefore had no material finance costs in either the current or prior year.

The income tax charge for the year is £3.8m an increase of £0.3m (2016: £3.5m) resulting in profit after tax of £16.4m (2016: £13.7m).

Position & Liquidity
The balance sheet remains strong with no external borrowing.

The group generated gross operating cash flows of £24.4m, up £2.4m or 10.9% (2016: £22.0m), £4.0m was used to make income tax payments and £8.7m was invested in capital expenditure, resulting in cash flows before financing activities of £11.0m (2016: £9.9m).

We invested £5.0m in new stores, £1.5m of capex on refreshing the existing estate and £2.2m on central infrastructure. The return on investment from our stores remains strong with the majority of stores having a payback period of less than 24 months.

In the year, dividends of £3.2m were paid in relation to the final dividend for the year ended 30 September 2016 of 2.00 pence per share and an interim dividend for the year ended 30 September 2017 of 1.20 pence per share. We generated £0.4m from the exercise of employee share options.

Net cash at the end of the year is £21.5m (2016: £13.3m) and the group remains solely funded from operating cash flows.

Key Performance Indicators
The Group is monitored in line with a number of key performance indicators. These are formulated at weekly and monthly Board meetings and are reviewed at both operational and Board level.

Turnover growth
The Group is measured against sales growth with a target of 10%. Sales growth in the year was 9.7%.

Margin
The Group is measured against gross profit less staff costs with a target of 30% and achieved 51% in the year.

Budget
The Group is measured against targeted EBITDA which was delivered in the year.

New sites
New sites are measured against cash payback and return on capital expenditure with a target in excess of 40% return on investment and two year payback on average. All sites are performing as expected.

Principal risks and uncertainties
The Group is subject to a number of business risks and uncertainties including general economic risks beyond the Group's control, risk of not delivering the Group's strategy of growing its estate, risk of increased costs, risk of reliance on key personnel, risk of failure to comply with existing or increased regulation and risk of system failures. The Board continually reviews the potential risks facing the Group and the controls in place to mitigate any potential adverse impacts. Some of the more key areas are detailed below:

Increased prices of key commodities and operating costs
The Group spends considerable time tracking the commodity prices of a number of products namely coffee, dairy, fruit, packaging, cocoa and wheat items, an increase in which could erode the Group's gross profit margin. Following the Brexit vote and the uncertainty surrounding Brexit strategy we have seen the cost of ingredient prices increase as the pound weakened. However the majority of ingredient prices peaked during the year and we are now beginning to see prices soften. To manage price risk we enter into supply agreements for certain periods of time depending upon the market. We do not commit to volumes but lengths of agreement which guarantees prices. This way the Group is able to reduce the risk to inflationary pressure.

Economic environment
In common with other restaurant businesses, the Group relies on continuing levels of disposable income within the UK market place and a decline in the UK economy may have an impact on turnover. However, due to the nature of our product and market position as an upmarket patisserie, having this unique position helps to mitigate the economic market place. Our products are seen as affordable treats in times of uncertainty and also as a luxurious indulgence when celebrating and as such our business remains resilient to economic downturn.

Competition
The Group operates in a highly competitive market putting pressure on margin and turnover growth. However, we continuously strive to be positioned between restaurants and coffee shops and having this diversity in our offerings, all day dining, an online channel and bespoke cake facilities ensures we are safeguarded in terms of margins and turnover.

On Behalf of the Board

C Marsh
Director
24th November 2017

DIRECTORS REPORT
The directors present their report and the financial statements of the Group for the year ended 30 September 2017.

Directors of the company
The present membership of the Board is set out below:

Luke Johnson	Executive Chairman Chairman of the Remuneration Committee
Paul May	Chief Executive Officer
Chris Marsh	Finance Director
Lee Ginsberg	Non-Executive Deputy Chairman Senior Independent Director Chairman of the Audit Committee
James Horler	Non-Executive Director

The Directors who held office at 30 September 2017 had the following beneficial interests in the share capital of the Company:

	Number of Ordinary shares
Luke Johnson	38,621,181
Paul May	4,554,000
Chris Marsh	465,052
James Horler	147,116
Lee Ginsberg	58,823

Details of directors share options and transactions with directors are provided in the note 6 to the financial statements.

Major Shareholdings
On 30 September 2017 the Company had been notified of the following beneficial interests in 3% or more of its issued share capital:

	Percentage of voting rights and issued share capital	Number of Ordinary shares
Luke Johnson	38.62%	38,621,181
Black Rock Investment Management	7.25%	7,272,223
Octopus Investments	6.26%	6,275,916
Paul May	4.55%	4,554,000
Hargreave Hale	3.71%	3,716,964

Dividends

The Board has proposed a final dividend for the year ended 30 September 2017 of 2.40 pence per share, which is a total of £2.4m. This dividend has not been accounted for within the current year financial statements as it has yet to be approved at the Annual General Meeting which is to be held on 30 January 2018. During the year, a final dividend in respect of the year ended 30 September 2016 of 2.00 pence per share or £2.0m was paid along with an interim dividend for the year ended 30 September 2017 of 1.2 pence per share or £1.2m.

Going concern
The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Financial risk management objectives and policies
The Group uses various financial instruments, these include cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities. The risks are managed by overdraft facilities and availability of a capital drawdown facility thus reducing exposure.

Interest rate risk
The Group has financed its operations through a mixture of equity and bank overdrafts. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of fixed facilities. Business has benefited from the stable interest rates the UK economy has had for a number of years. If this starts to become more volatile hedging will be considered. In addition, the interest cover in the business is much lower than it used to be as a result of reduced gearing.

Future developments
Future developments have been discussed within the Strategic Report on pages 9 and 10.

Credit risk
The Group's principal financial assets are mainly cash and trade debtors. The credit risk associated with cash is limited, the principal credit risk arises therefore from its trade debtors. Trade debts are monitored closely and the Group does not have a history of significant impairments.

Disabled employees
The Group's policy on employment of disabled persons is to give full consideration to applications for employment having regard to their particular aptitudes and abilities and to encourage training and career developments and promotion for all employees, including disabled employees.

Employee involvement
The Group is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, age, gender, religion, sexual orientation or disability. The Group is run in a fully open manner and it strongly encourages its employees to provide their opinions on how the various companies in the Group are run. Regular management meetings are undertaken where all levels of management are fully informed of developments of the Group and have a fully operational role in how the Group functions.

The Group has put in place mechanisms to provide information to employees with particular emphasis on operational and health and safety matters. Regular meetings are held between site General Managers and Head Office Operational Management.

Auditors
Grant Thornton UK LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

On behalf of the Board

C Marsh
Director
24th November 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The parent Company's own financial statements continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS101 Reduced Disclosure Framework). 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 and profit or loss of the company and 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 IFRSs or UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

C Marsh
Director
24th November 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATISSERIE HOLDINGS PLC

Opinion

Our opinion on the financial statements is unmodified
We have audited the financial statements of Patisserie Holdings plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the consolidated and company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (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 30 September 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 the 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 as applied to listed entities, 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.

Who we are reporting to
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.

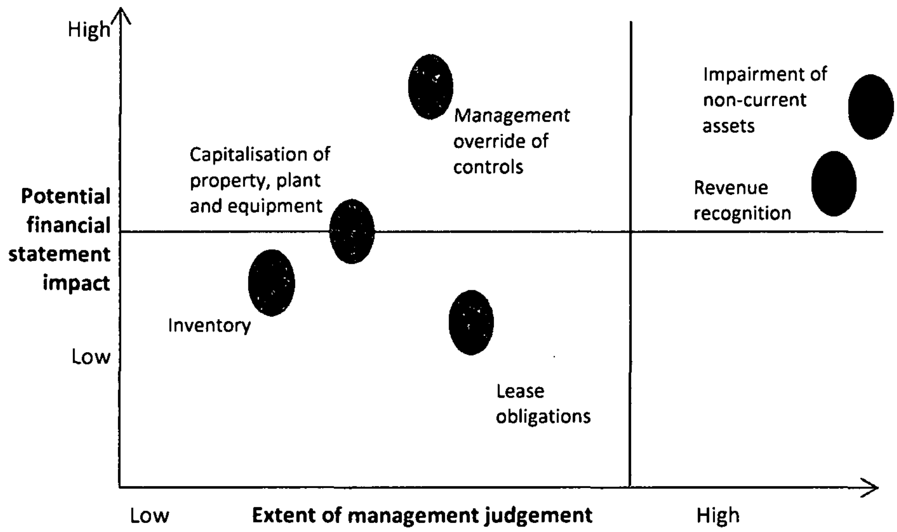
Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- 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.

Overview of our audit approach

- Overall Group materiality: £981,000, which represents 5% of the Group's profit before income tax;
- We have performed full scope audit procedures for Patisserie Holdings Plc, Stonebeach Limited, Philpotts Limited, Flour Power City Limited, Patisserie Acquisition Limited, Patisserie Valerie Holdings Limited and Spice Bakery Limited. Analytical procedures were performed for Philpotts (Holdings) Limited, Patisserie Valerie Ireland Limited and for dormant entities within the Group; and
- Key audit matters were identified as impairment of property, plant and equipment, impairment of intangible assets, including goodwill, and revenue recognition.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters – Group	How the matter was addressed in the audit – Group
Impairment of Property, Plant and Equipment The Group carries property, plant and equipment at a net book value of £39,674,000 (2016: £36,498,000), which comprises a significant proportion of the Group's total assets. International Accounting Standard (IAS) 36 'Impairment of assets' requires management to test assets other than goodwill and indefinite life intangibles for impairment where potential triggers for impairment are identified. Such triggers include declining performance or losses at individual cash generating units (CGUs), which are identified as being at store level. The assessment of impairment of the group's property, plant and equipment incorporates significant estimates for key assumptions, such as the forecast performance of identified cash generating units and the discount rate applied. Therefore, we identified the impairment of property, plant and equipment as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Consideration of the appropriateness of the judgements made in the identification of CGUs and assessment of management's process for identifying triggers for the performance of impairment reviews; • Consideration of the appropriateness of the accounting policy and methodology applied in the impairment testing against the requirements of the accounting framework; • Obtaining management's impairment reviews and recalculating the mathematical accuracy of the computations; • Considering of the appropriateness of the discount rate applied and the forecast period; and • Tracing the key data used in the impairment calculations to underlying accounting records and reviewing forecast assumptions with management. The Group's accounting policy on property, plant and equipment is shown in note 2.3 to the financial statements and related disclosures are included in note 12. Key observations Based on our audit work, we found the identification of CGUs for impairment testing and the methodology applied to be in accordance with the accounting framework, and the assumptions inherent within the impairment calculations to be balanced. We consider that the Group's disclosures in note 12 appropriately describe the assumptions made. We found no material errors in the impairment calculations we tested.
Impairment of intangible assets, including goodwill The Group carries intangible assets at a net book value of £17,747,000 (2016: £17,797,000). This balance is primarily comprised of goodwill arising on the acquisition of subsidiary entities. IAS 36 requires an annual impairment test of indefinite-lived intangibles. Management prepare annual impairment calculations to assess the carrying value of goodwill as set out in the accounting policy in note 2.4 to the financial statements. The performance of the impairment review	Our audit work included, but was not restricted to: • Consideration of the appropriateness of the judgements made by management in the identification of CGUs and assessment of management's process for identifying triggers for the performance of impairment reviews; • Consideration of the appropriateness of the accounting policy and methodology applied in the impairment testing against the requirements of the accounting framework; • Obtaining management's impairment reviews and recalculating the mathematical accuracy of the computations;

requires management to make key judgements and assumptions. As a result, we identified the impairment of investments and intangible assets, including goodwill, as a significant risk, which was one of the most significant assessed risks of material misstatement.

- Considering the appropriateness of the discount and terminal growth rates applied and the forecast period; and
- Reviewing the historical accuracy of management's estimates by comparing prior year forecasts to actual results.

The Group's accounting policy on intangible assets and goodwill is shown in note 2.3.2 and the related disclosures are shown in note 11 to the financial statements.

Key observations

Based on our audit work, we found the identification of CGUs for impairment testing and the methodology applied to be in accordance with the accounting framework, and the assumptions made by management to be balanced. We consider that the Group's disclosures in note 11 adequately describe the assumptions made. We found no material errors in the impairment calculations we tested.

Revenue recognition

Due to the nature of the business and the volume of cash transactions, there is a risk that cash is misappropriated or cash sales are not recorded.

The Group has multiple revenue streams, with revenue received from wholesales, online sales, vouchers and third party funded discount schemes.

As a result, revenue recognition has been identified by the audit team as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included but was not restricted to:

- Consideration of the appropriateness of the accounting policies and the adequacy of disclosures;
- Performing store visits for a sample of locations to observe the operation of cash handling procedures;
- Testing of the operation of controls over cash handling procedures for the sample of locations visited including verifying that reconciliations between physical cash counted and the accounting records have been performed in line with Group procedures and testing the sample above to supporting documents including bankings; and
- Performing substantive testing through tracing accounting records to cash receipts and other supporting documents such as despatch records and performing analytical review procedures for the material revenue streams for Stonebeach, Flour Power City and Philpotts, the entities which comprise 100% of the external revenues of the Group.
  Performing substantive testing and analytical review procedures for the material revenue streams for Stonebeach, Flour Power City and Philpotts, the entities which comprise 100% of the external revenues of the Group

The Group's accounting policies for revenues are given in note 2.3.3 to the financial statements and related disclosures are included in note 3.

Key observations

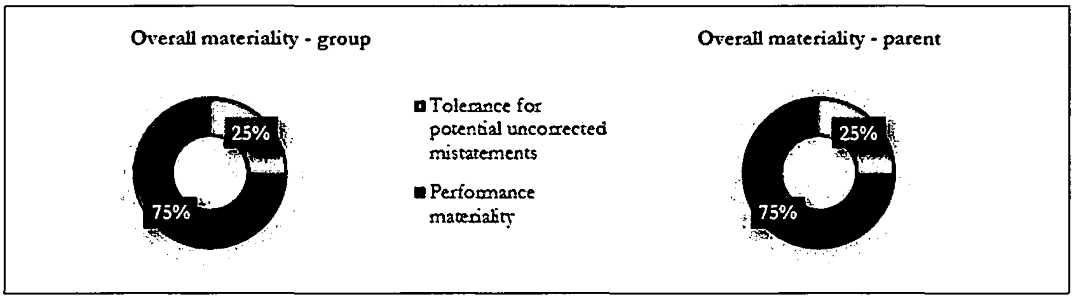
	Our audit procedures did not identify any material deficiencies in the operation of controls or in the application or description of revenue recognition policies.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	**Group**	**Parent**
Financial statements as a whole	£981,000, which represents 5% of the Group's profit before income tax. This benchmark is the most appropriate because earnings per share is the key metric for performance from a shareholder perspective. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2016, to reflect the increase in profit before income tax.	£736,000, which represents 2% of the parent company's total assets, capped at 75% of group materiality. This benchmark is considered the most appropriate because the parent entity is a non-trading entity, which primarily serves to hold investments in the trading subsidiaries. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2016, which reflects the increase in the group materiality.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	For directors' remuneration and related party transactions, a materiality of £500 has been used, based on what could be judged to be material to either transacting party	For directors' remuneration and related party transactions, a materiality of £500 has been used, based on what could be judged to be material to either transacting party
Communication of misstatements to the audit committee	£49,050 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£36,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit
Our audit approach was based on our understanding of the Group's business and is risk based. We considered the size and risk profile of each entity, any change in their business and other factors when determining the level of work to be performed on the financial information at each entity and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality considering each as a percentage of the Group's total assets, liabilities, revenues and profit before income taxes;

- For those components that were evaluated as significant components, a full scope audit approach was determined based on their relative materiality to the Group and our assessment of the audit risk;
- We performed a full-scope audit of the financial information of the parent company, Patisserie Holdings plc, and of its direct and indirect subsidiaries Patisserie Acquisition Limited, Patisserie Valerie Holdings Limited, Spice Bakery Limited, Stonebeach Limited, Flour Power City Limited, Philpotts Limited. The proportion of operations that were subject to full-scope procedures made up 100 per cent of group revenues and 100 per cent of group operating profit. The remaining entities within the group, Philpotts (Holdings) Limited and Patisserie Valerie Ireland Limited, were subjected to analytical procedures over the balance sheet with a focus on the significance to the Group's balances; and
- The Group operates from one location with all accounting functions performed centrally for all entities. All audit work has been undertaken by the Group audit team.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3 to 13, 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
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 under the Companies Act 2006
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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements
As explained more fully in the statement of directors' responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Grant Thornton UK LLP

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
24 November 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	12 months ended 30 September 2017 £'000 Total	12 months ended 30 September 2016 £'000 Total
Continuing operations			
Revenue	**3**	**114,197**	**104,141**
Cost of sales		(24,931)	(22,832)
Gross profit		89,266	81,309
Administrative expenses		(69,121)	(64,099)
Operating profit		**20,145**	**17,210**
Finance income	7	44	-
Finance expense	7	(36)	(6)
Profit before income tax	3/4	20,153	17,204
Income tax expense	8	(3,789)	(3,469)
Profit after tax and total comprehensive income for the year attributable to equity holders		**16,364**	**13,735**
Earnings per share			
Basic earnings per share (pence)	9	16.36	13.74
Diluted earnings per share (pence)		16.20	13.60

The notes on pages 25 to 43 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

30 SEPTEMBER 2017

	Notes	30 September 2017 £'000	30 September 2016 £'000
ASSETS			
Non-current assets			
Intangible assets	11	17,747	17,797
Property, plant and equipment	12	39,674	36,498
		57,421	54,295
Current assets			
Trade and other receivables	13	12,327	11,004
Corporation tax		1,668	1,896
Inventories	14	5,980	4,862
Cash and cash equivalents	15	21,525	13,273
		41,500	31,035
Total assets		98,921	85,330
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to the equity holders			
Ordinary share capital	19	1,003	1,000
Share premium		34,084	33,661
Other reserves		708	391
Retained earnings		56,537	43,143
Total equity		92,332	78,195
Non-current liabilities			
Deferred tax	17	1,422	2,054
		1,422	2,054
Current liabilities			
Trade and other payables	16	5,167	5,081
		5,167	5,081
Total liabilities		6,589	7,135
Total equity and liabilities		98,921	85,330

The notes on pages 25 to 43 are an integral part of the consolidated financial statements.

The financial statements were authorised for issue by the board of directors on 24th November 2017 and were signed on its behalf.

P May
Chief Executive Officer

C Marsh
Finance Director

Registered no. **08963601**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Share based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 2015	1,000	33,661	(312)	46	324	31,979	66,698
Result and total comprehensive income for the year	-	-	-	-	-	13,735	13,735
	1,000	33,661	(312)	46	324	45,714	80,433
Transactions with owners							
Dividends to equity holders of the company	-	-	-	-	-	(2,670)	(2,670)
Deferred tax credit relating to share option scheme	-	-	-	-	-	99	99
Increase in share based payments reserve	-	-	-	-	333	-	333
As at 30 September 2016	1,000	33,661	(312)	46	657	43,143	78,195
Result and total comprehensive income for the year	-	-	-	-	-	16,364	16,364
	1,000	33,661	(312)	46	657	59,507	94,559
Transactions with owners							
Issue of ordinary shares under employee share option scheme	3	423	-	-	-	-	426
Dividends to equity holders of the company	-	-	-	-	-	(3,200)	(3,200)
Deferred tax credit relating to share option scheme	-	-	-	-	-	230	230
Increase in share based payments reserve	-	-	-	-	317	-	317
As at 30 September 2017	1,003	34,084	(312)	46	974	56,537	92,332

The notes on pages 25 to 43 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	Year to 30 September 2017 £'000	Year to 30 September 2016 £'000
Cash flows from operating activities			
Profit before income tax		20,153	17,204
Adjusted by:			
Depreciation		5,441	4,901
Amortisation		50	50
Net finance (income) / expense in the consolidated statement of comprehensive income		(8)	6
Share based payment charge		317	333
Changes in working capital:			
Inventory		(1,118)	(426)
Trade and other receivables		(559)	(1,109)
Trade and other payables		86	999
Cash generated from operations		24,362	21,958
Net interest received / (paid)		8	(6)
Income tax paid		(3,962)	(3,378)
Net cash generated from operating activities		20,408	18,574
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,722)	(8,726)
Cash advances		(764)	-
Proceeds from disposal of property, plant and equipment		105	-
Net cash used in investing activities		(9,381)	(8,726)
Cash flows from financing activities			
Net proceeds from issue of shares		425	-
Dividends paid to equity holders of the parent		(3,200)	(2,670)
Net cash used in financing activities		(2,775)	(2,670)
Net increase in cash and cash equivalents		8,252	7,178
Cash and cash equivalents at the beginning of the year		13,273	6,095
Cash and cash equivalents at the end of the year	15	21,525	13,273

The notes on pages 25 to 43 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General information

Patisserie Holdings plc (the Company) and its subsidiaries (collectively the Group) operate in the casual dining sector offering cakes, pastries, snacks, meals and hot and cold drinks across the UK and in the Republic of Ireland.

The Company is a public limited company which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and incorporated and domiciled in England and Wales. The registered office of the Company is 146 - 156 Sarehole Road, Birmingham, B28 8DT.

2. Basis of preparation

The Company was incorporated on 27 March 2014. On 9 May 2014 the Company acquired, in return for the issue of new equity share capital, the entire issued share capital of Patisserie Acquisition Limited (formerly Patisserie Holdings Limited). This share for share exchange qualifies as a common control transaction and therefore falls outside of the scope of IFRS 3 Business Combinations. Consequently an accounting policy has been developed based on the principles of merger accounting. No goodwill has been recorded and the difference between the parent company's cost of investment and the net assets of the group formerly headed by Patisserie Acquisition Limited is presented as a merger reserve within equity on consolidation. Comparative amounts were restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial information is presented in sterling and has been rounded to the nearest thousand (£'000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.4.

2.1. Going concern

The group meets its day-to-day working capital requirements through operating cash flows and where required through its bank facilities. The group does not have any external debt and has a £4m revolving bank facility in place. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate from within its operating cash flows. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2. Standards, amendments and interpretations to existing standards

At the date of authorisation of the consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements in the future are as follows:

Standard / Interpretation	Effective date
IFRS 9 Financial Instruments **	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases**	1 January 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions**	1 January 2018

** not yet endorsed by the EU

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism.

The Directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated financial statements in future periods except for IFRS16. IFRS16 will change the measurement and disclosure method for leases. Management have not yet quantified the impact of this change but it is expected that all of the Group's current operating leases which have a term of 12 months or more will be classified as finance leases as opposed to operating leases on adoption of the standard. This change will increase the non-current assets and borrowings in the balance sheet; the impact on the income statement has not yet been quantified.

Management have considered the likely impact of IFRS15, however, with a significant proportion of revenues coming from cash sales made in store, and no complex income streams with multiple deliverable elements, no material impact is expected.

2.3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.3.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. A subsidiary company is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method from the date control passes to the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. All transactions and balances between Group companies are eliminated on consolidation, including gains and losses on transactions between Group companies.

2.3.2. Intangible assets

Goodwill is recognised to the extent that it arises through a business combination and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired entity.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to appropriate cash generating units (those expected to benefit from the business combination) and is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Negative goodwill (bargain purchase) is written back to the consolidated statement of comprehensive income in the period it is incurred.

Brands acquired in a business combination are recognized at fair value at the acquisition date. Brands are considered to have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the brand over its useful estimated useful life of 10 years.

2.3.3. Revenue

Revenue arises from the sale of goods. It is measured at fair value of the consideration received or receivable, less VAT and trade discounts.

Revenue from restaurant and online sales is recognised when the significant risks and benefits of ownership of the product has been transferred to the buyer at the point of sale, or for wholesale revenue, when goods have been delivered.

Revenue from voucher sales is recognised at point of redemption at the face value of the voucher. Revenue from un-redeemed vouchers is recognised on expiration of the voucher. Any commissions and charges payable to agencies are recognised as costs of sales.

2.3.4. Property, plant and equipment

Property, plant and equipment is stated at historical cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis over the deemed useful life of an asset and is applied to the cost less any residual value. The asset classes are depreciated over the following periods:

Freehold land and buildings	-	20 years straight line
Leasehold property improvements	-	Over the life of the lease from the month of acquisition
Plant and equipment	-	15-25% straight line from the month of acquisition
Fixtures and fittings	-	10-20% reducing balance
Motor vehicles	-	25% straight line

As no finite useful life for land can be determined, related carrying amounts are not depreciated. The useful life, the residual value and the depreciation method is assessed annually.

2.3.5. Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Those intangible assets not yet available for use and goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions, less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.3.6. Inventories

Inventory is carried at the lower of cost or net realisable value. The costs of raw materials, consumables, work in progress and finished goods are measured by means of weighted average cost using standard costing techniques. Cost of finished goods comprises direct production costs such as raw materials, consumables, utilities and labour, and production overheads such as employee costs, depreciation, maintenance and indirect factory costs. Standard costs are reviewed regularly in order to ensure relevant measures of utilisation, production lead-time and appropriate levels of manufacturing expense are reflected in the standards.

Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell.

2.3.7. Leased assets

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised.

Subsequent accounting for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the consolidated statement of comprehensive income over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. Lease incentives received are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

2.3.8. Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using current rates, and any adjustments to the tax payable in respect of previous years.

Deferred taxation is provided on all temporary differences between the carrying amount of the assets and liabilities in the financial statements and the tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its obligations on a net basis.

Tax is recognised in the consolidated statement of comprehensive income, except where it relates to items recognised directly in equity, or other comprehensive income.

2.3.9. Share based employee compensation

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant and are recognised in the consolidated statement of comprehensive income on a straight-line basis over the vesting period, based on the Groups' estimate of the number of share options which will eventually vest.

Fair value is measured by use of the Black Scholes pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as additional share premium.

2.3.10. Store pre-opening costs

All pre-opening costs are written off as incurred except those which qualify for capitalisation in accordance with IAS 16 – Property, Plant and Equipment.

2.3.11. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined that its CODM is the Board of Directors of the Group.

2.3.12. Financial instruments

Financial instruments are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Financial assets
The Group's financial assets fall within the heading of 'Loans and receivables'. Loans and receivables comprise trade and certain other receivables as well as cash and cash equivalents.

Loan and receivables are recognised when the Group becomes a party to the contractual provisions of the instrument and are recognised at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment, based on the receivable ageing, previous experience with the debtor and known market intelligence. Any change in their value is recognised in the consolidated statement of comprehensive income.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities
The Group's financial liabilities comprise borrowings and trade and other payables.

Financial liabilities are initially recognised at fair value net of issue costs. After initial recognition borrowings are measured at amortised cost using the effective interest method. All interest-related charges are included in the consolidated statement of comprehensive income line item "finance expense". Financial liabilities are derecognised when the obligation to settle the amount is removed.

2.3.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

2.3.14. Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares.
- Share premium: includes any premium received on the sale of shares. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any income tax benefits.
- Retained earnings: retained profits available for distribution.
- Other reserves: includes the nominal value of equity shares cancelled and amount relating to equity settled share based payments and a merger reserve: includes permanent adjustments arising on consolidation.

2.3.15. Employee benefits

The cost of pensions in respect of the Group's defined contribution scheme is charged to consolidated statement of comprehensive income in the period in which the related employee services were provided.

2.3.16. Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or nature to enable full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include, but are not limited to, gains or losses on disposal of assets, costs associated with subsidiary acquisitions and costs incurred in relation to listing on AIM.

2.4. Accounting estimates and judgements

The preparation of financial statements under IFRS requires the Group to make estimates and judgements that effect the application of policies and reported amounts. Estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

Judgements

- *Group reconstruction*

  As explained in Note 2.0, the acquisition of Patisserie Acquisition Limited (formerly Patisserie Holdings Limited) by Patisserie Holdings plc and the formation of the enlarged Group has been accounted for as a common control transaction and a group reorganisation, which falls outside of the scope of IFRS 3 Business Combinations. Merger accounting has been applied and the Group financial statements present information as if the Group had been in existence for the whole of the current and previous years. If this judgement had not been applied, the transaction would have been accounted for as an acquisition, and the goodwill arising accounted for in line with the policy set out in 2.3.2. This judgement was made in 2014 when the Company was incorporated, however continues to have an on-going impact in the financial statements.

Estimations

- *Useful lives of depreciable assets*

  Management reviews the useful lives of depreciable assets at each reporting date. At the reporting date management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to unforeseen events. The carrying value of assets is disclosure in note 12.

- *Impairment*

  An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. The carrying value of assets subject to annual impairment review are disclosed in note 11. The carrying value of assets which are reviewed annually for indications of impairment triggers is given in note 12.

- *Valuation of share options*

  The fair value of share options is determined using the Black-Scholes method. The significant inputs into the model are share price at grant date, exercise price, expected option life, expected volatility and risk free rate. Expected volatility has been determined by reviewing the historical volatility of the share price since the company has traded on AIM and benchmarked against comparable quoted companies. Expected life has been estimated to be the earliest point in time in which options can be exercised based on the expected exercise profile of option holders. Details of share based payments can be found in note 20.

- *Valuation of intangibles acquired in business combinations*

  Intangible assets, namely brand value, acquired in business combinations have been valued internally using royalty relief methods. The value has been estimated using discounted cash flows based on market royalty rates applied to revenue streams of the business acquired. Other key inputs to the cash flows are growth rate which was determined using historic performance and discount rate which was determined using the Group's weighted average cost of capital. The carrying value of intangibles in respect of brand values is £350,000 as detailed in note 11.

3. Segmental information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") comprising the Board of Directors. The segmental information is split on the basis of those same profit centres, however, management report only the contents of the consolidated statement of comprehensive income and therefore no balance sheet information is provided on a segmental basis in the following tables. The basis of segmental reporting is unchanged from the previous year.

September 2017	Patisserie Valerie	Druckers	Baker & Spice	Flour Power	Philpotts	Overhead	As reported to the CODM	Reconciling items *	Total IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	84,339	13,059	4,738	3,634	10,183	-	115,953	(1,756)	114,197
Cost of sales	(15,610)	(2,813)	(1,269)	(1,168)	(3,152)	(2,775)	(26,787)	1,856	(24,931)
Gross profit	68,729	10,246	3,469	2,466	7,031	(2,775)	89166	100	89,266
Administrative expenses	(48,118)	(8,889)	(2,266)	(1,598)	(5,117)	2,458	(63,530)	(100)	(63,630)
Depreciation and amortisation	(4,344)	(155)	(69)	(303)	(469)	(151)	(5,491)	-	(5,491)
Net finance income	-	-	-			8	8	-	8
Profit before income tax	16,267	1,202	1,134	565	1,445	(460)	20,153	-	20,153
Income tax expense	-	-	-	-	-	(3,789)	(3,789)	-	(3,789)
Profit for the financial year	16,267	1,202	1,134	565	1,445	(4,249)	16,364	-	16,364
Non-current assets							57,421	-	57,421
Current assets							41,500	-	41,500
Non-current liabilities							(1,422)	-	(1,422)
Current liabilities							(5,167)	-	(5,167)
Net assets							92,332	-	92,332
Capital expenditure							8,722	-	8,722

*The reconciling items relate to year-end consolidation adjustments and reclassification for statutory reporting purposes.

Revenue within each trading segment is derived from income from restaurant, takeaway, online and wholesale sales and revenue within overheads relates to income received centrally which is not allocated to individual operating segments.

Segmental revenues are reported gross of sales to other reportable segments. Flour Power revenues include £1,756k (2016: £1,703k) made to other operating segments. Other operating segments report sales to external customers only.

Segmental operating profit excludes costs relating to central services provided by our Operations, IT, Marketing, HR and Finance Teams and our Board of Directors

All of the Group's revenue from continuing operations has been generated from UK operations except for £361k which is generated in Republic of Ireland. All non-current assets are held in the UK except for £369k held in Republic of Ireland.

The Group does not have any customers whom account for more than 10% of external revenue.

September 2016	Patisserie Valerie	Druckers	Baker & Spice	Flour Power	Philpotts	Overhead	As reported to the CODM	Reconciling items *	Total IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	73,905	13,310	4,701	3,684	10,244	-	105,844	(1,703)	104,141
Cost of sales	(13,550)	(2,983)	(1,332)	(1,336)	(3,511)	(2,053)	(24,765)	1,933	(22,832)
Gross profit	60,355	10,327	3,369	2,348	6,733	(2,053)	81,079	230	81,309
Administrative expenses	(42,754)	(8,976)	(2,212)	(1,592)	(5,105)	1,721	(58,918)	(230)	(59,148)
Depreciation and amortisation	(3,786)	(135)	(46)	(221)	(420)	(343)	(4,951)	-	(4,951)
Finance expense	(2)	(3)	-	(1)	-	-	(6)	-	(6)
Profit before income tax	13,813	1,213	1,111	534	1,208	(675)	17,204	-	17,204
Income tax expense	-	-	-	-	-	(3,469)	(3,469)	-	(3,469)
Profit for the financial year	13,813	1,213	1,111	534	1,208	(4,144)	13,735	-	13,735
Non-current assets							54,295	-	54,295
Current assets							31,035	-	31,035
Non-current liabilities							(2,054)	-	(2,054)
Current liabilities							(5,081)	-	(5,081)
Net assets							78,195	-	78,195
Capital expenditure							8,726	-	8,726

4. Profit before income tax

	Sept 2017 £'000	Sept 2016 £'000
Profit before taxation has been arrived at after charging:		
Depreciation of owned property, plant and equipment	5,441	4,901
Amortisation of intangible assets	50	50
Employee costs (Note 5)	45,865	40,142
Operating lease rentals		
- Land and buildings	14,160	12,904
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	18	18
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	69	58
Taxation compliance services	23	22
Audit-related assurance services	10	12

5. Employee numbers and benefits expense

The average number of employees (including Directors) during the period was made up as follows:

	Sept 2017	Sept 2016
Directors	5	5
Management	92	83
Production	387	367
Sales	2,465	2,424
	2,949	2,879

The cost of employees (including directors) during the period was made up as follows:

	Sept 2017 £'000	Sept 2016 £'000
Wages and salaries	40,224	37,354
Social security costs	2,604	2,287
Share options granted to directors and employees	317	333
Pension costs – defined contribution plans	189	168
	43,334	40,142

The Company had no employees in the current or prior year.

6. Key Management Personnel

The Chief Operating Decision Makers consider that the key management personnel of the Group are the Executive and Non-Executive directors.

	Sept 2017 £'000	Sept 2016 £'000
Directors' Remuneration		
Short-term employment benefits	670	984
Share based payments	160	215
Post-employment benefits – defined contribution plans	-	-
	830	1,199

	Salary and fees	Bonus	Taxable benefits	Total Sept 2017 £'000	Total Sept 2016 £'000
Individual Director's Emoluments					
L Johnson*	60	-	-	60	60
P May**	292	-	21	313	499
C Marsh**	212	-	-	212	340
L Ginsberg*	50	-	-	50	50
J Horler*	35	-	-	35	35
	649	-	21	670	984

* Appointment is terminable by either party giving not less than one months' written notice.

**Appointment is terminable by either party giving not less than 12 months' written notice.

Total amounts payable to the highest paid director were £313k (2016: £499k) in respect of emoluments and £nil in respect of gains on share options (2016: £nil).

The Company operates a Long Term Incentive Plan (LTIP) scheme and an Employee Share Option Scheme (ESOS), details of which can be found in note 20. Details of options held under these schemes by Directors who served during the year are as follows:

Share Option Schemes

LTIP 27 June 2014 Award (see note 20)	At 1 Oct 2016	No of Options Granted	At 30 Sept 2017	Exercise Price (£)	Dates on which exercisable Earliest	Latest
P May	1,000,000	-	1,000,000	1.70	27 Jun 2017	27 Jun 2019
C Marsh	666,666	-	666,666	1.70	27 Jun 2017	27 Jun 2019

No options were exercised by directors during the year.

7. Net finance income / (expense)

	Sept 2017 £'000	Sept 2016 £'000
Interest on short-term bank deposits	44	-
Finance income	44	-
Interest on bank loans and overdrafts	(2)	(6)
Other	(34)	-
Finance expense	(36)	(6)
Net Finance income / expense	8	(6)

8. Income tax expense

	Sept 2017 £'000	Sept 2016 £'000
Current tax:		
UK corporation tax at rates: 2017 – 19.0%, 2016-20.0%	4,115	3,236
Prior period adjustment	77	14
	4,192	3,250
Deferred tax: (note 17)		
Origination and reversal of temporary differences	(403)	219
Tax for the year	3,789	3,469

Factors affecting current tax charge:

The tax assessed on the profit for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	Sept 2017 £'000	Sept 2016 £'000
Profit before income tax	20,153	17,204
Profit for the year multiplied by the standard rate of corporation tax at 19.0% (2016: 20.0%)	3,930	3,441
Expenses not deductible for tax purposes	-	-
Adjustment in respect of prior periods	77	14
Utilisation of tax losses	(62)	-
Effect of changes in tax rates	(28)	-
Other	(128)	14
	3,789	3,469

Factors affecting future tax charges:

The UK main rate of corporation tax will fall from 19% to 17% from 1 April 2020. These rates were substantively enacted at the balance sheet date and will effect current tax in future years.

9. Earnings per share

	Earnings £'000	2017 Weighted average number of shares	**Earnings per share (pence)**	Earnings £'000	2016 Weighted average number of shares	Earnings per share (pence)
Basic earnings per share	16,364	100,054,292	**16.36**	13,735	100,000,000	**13.74**
Effect of dilutive share options	-	942,068	-	-	998,163	-
Diluted earnings per share	**16,364**	100,996,360	**16.20**	**13,735**	100,998,163	**13.60**

10. Dividends

The Board has proposed a final dividend for the year ended 30 September 2017 of 2.4 pence per share, which is a total of £2,406k. This dividend has not been accounted for within the current year financial statements as it has yet to be approved at the Annual General Meeting which is to be held on 30 January 2018. During the year, a final dividend in respect of the year ended 30 September 2016 of 2.00 pence per share or £2,000k was paid along with an interim dividend for the year ended 30 September 2017 of 1.2 pence per share or £1,200k.

11. Intangible assets

	Goodwill £'000	Brand £'000	Total £'000
Cost			
As at 30 September 2016 and 30 September 2017	17,397	500	17,897
Amortisation			
As at 1 October 2015	-	50	50
Charge for the year		50	50
As at 30 September 2016	-	100	100
Charge for the year	-	50	50
As at 30 September 2017	-	150	150
Net book values			
As at 30 September 2017	17,397	350	17,747
As at 30 September 2016	17,397	400	17,797

Positive goodwill arising from business combinations is not amortised and is tested for impairment annually in accordance with International Financial Reporting Standards. Intangible assets assessed to have finite useful lives are amortised on a straight line basis.

The Group's brand value has an estimated life of 10 years and is amortised over this period, with eight years remaining. The estimated life is based on the period in which the Group expects to derive net cash inflow from the brand.

The carrying value of goodwill in respect of Philpotts and Flour Power City is £4,114k and £629k respectively. The remainder of the goodwill is attributable to the cash generating units held within Stonebeach Limited, being Patisserie Valerie, Druckers Vienna Patisserie and Baker & Spice.

For the purposes of impairment testing the Directors consider each acquired business or operating segment as separate cash generating units (CGUs). The recoverable amount for each CGU was determined using a value in use calculation based upon management forecasts for the trading results for those entities.

As each CGU operates in similar economic circumstances and have common risk, a group discount rate has been calculated based on the weighted average cost of capital of the group and applied to each CGU. The pre-tax discount rate of 12.9% was applied. The key assumptions utilised within the forecast models relate to the level of future sales, which have been estimated for a period of 3 years, which is the forecasting period of the group, based upon the Directors expectations, current trading and recent actual trading performance. Cash flow projections have then been extrapolated to perpetuity assuming zero growth. The value in use calculations indicate that the recoverable amount of the CGUs is in excess of the carrying value of the assets allocated to them.

12. Property, plant and equipment

	Freehold land and buildings	Leasehold property improvements	Plant, equipment, fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2015	1,798	14,676	44,053	56	60,583
Additions	-	363	8,363	-	8,726
Disposals	-	(68)	(526)	(29)	(623)
At 30 September 2016	1,798	14,971	51,890	27	68,686
Additions	-	1,267	7,455	-	8,722
Disposals	-	(290)	(292)	(27)	(609)
At 30 September 2017	1,798	15,948	59,053	-	76,799
Depreciation					
At 1 October 2015	255	5,490	22,122	37	27,904
Charge for the year	26	937	3,930	8	4,901
Disposals	-	(68)	(526)	(23)	(617)
At 30 September 2016	281	6,359	25,526	22	32,188
Charge for the year	26	937	4,473	5	5,441
Disposals	-	(185)	(292)	(27)	(504)
At 30 September 2017	307	7,111	29,707	-	37,125
Net book values					
At 30 September 2017	1,491	8,837	29,346	-	39,674
At 30 September 2016	1,517	8,612	26,364	5	36,498

There were no assets held under finance leases during the year.

For the purposes of assessing property, plant and equipment for impairment, the Directors consider each operating site as a separate cash generating unit. The same principles and methodology are applied as for the impairment testing of intangible assets, as set out in note 11, with the forecast period adjusted for the remaining lease terms.

13. Trade and other receivables

	Sept 2017 £'000	Sept 2016 £'000
Trade receivables	423	668
Other receivables	588	695
Prepayments and accrued income	11,316	9,641
	12,327	11,004

Prepayments and accrued income predominantly relates to prepaid rent and rates.

There is an allowance account for impaired receivables of £28k (2016: £27k). As at 30 September 2017 there were £44k of receivables past due by up to 30 days (2016: £116k), £31k past due by over 30 days but less than 60 days (2016: £83k) and £134k past due by over 60 days (2016: £256k). The remaining balances were not past due. There is no material difference between the fair value and the carrying value of these assets. The maximum credit risk exposure at the reporting date equated to the fair value of trade receivables. Standard payment terms are 30 days net. There are no concentrations of credit risk.

14. Inventories

	Sept 2017 £'000	Sept 2016 £'000
Raw materials and consumables	5,291	4,120
Work in progress	390	396
Finished goods	299	346
	5,980	4,862
Cost of inventories recognised as an expense	22,936	21,481

There were no inventory provisions in place in 2017 and 2016 as all inventory is considered to be fast moving and the group does not have a history of inventory impairment.

15. Cash and cash equivalents

Cash balances at the end of each year are as follows:

	Sept 2017 £'000	Sept 2016 £'000
Cash and cash equivalents per balance sheet	21,525	13,273
Bank overdrafts	-	-
Cash per statement of cash flows	21,525	13,273

16. Trade and other payables

	Sept 2017 £'000	Sept 2016 £'000
Trade payables	4,240	4,007
Social security and other taxes	222	775
Accruals and deferred income	705	299
	5,167	5,081

17. Deferred taxation

	Sept 2017 £'000	Sept 2016 £'000
At 1 October	2,054	1,934
(Credit) / charge for the year	(402)	219
(Credited) to equity	(230)	(99)
At 30 September	1,422	2,054
Deferred taxation – share based payments	(680)	(394)
Deferred taxation – accelerated capital allowances	2,102	2,448
Deferred tax liability (net)	1,422	2,054

18. Lease commitments

At the end of each period the Group had total minimum commitments under non-cancellable operating lease agreements as set out below:

	Sept 2017 £'000	Sept 2016 £'000
Land and buildings		
Operating leases which expire:		
Within one year	12,148	11,036
In two to five years	36,078	32,437
In over five years	19,225	19,968
	67,451	63,441

All operating lease commitments relate to non-cancellable leases at the Group's portfolio of trading sites, production facilities, warehouses and offices.

The Group does not have any renewal, purchase or escalation clauses in its operating leases, nor are there any restrictions imposed by its operating leases.

The Group has contingent rent arrangements in respect of turnover leases where minimum base amounts are exceeded. Amounts charged in the year were £374k (2016: £384k).

19. Share capital

	Number	£'000
Ordinary shares of £0.01 each allotted, called up and fully paid:		
At 1 October 2016	100,000,000	1,000
Allotted	250,200	3
At 30 September 2017	100,250,200	1,003

20. Share based payments

Options have been granted to certain employees of the Group under the Company's Employee Share Option Scheme (the "ESOS"). The options under the ESOS become exercisable only if Earnings Per Share ("EPS") linked performance criteria and a three year service condition are both met. In normal circumstances, the options can be exercised (subject to performance conditions being met) for a period of 2 years after the vesting date. No options were granted in the current year.

	Sept 2017		Sept 2016	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at the beginning of the period	2,626,666	2.06	2,306,666	1.94
Granted during the period	-	-	320,000	2.92
Forfeited during the period	(4,800)	1.99	-	-
Exercised during the period	(250,200)	1.99	-	-
Outstanding at year end	2,371,666	2.07	2,626,666	2.06
Exercisable at year end	1,731,666	1.71	-	-

1,986,666 options were granted in 2014 of which 1,731,666 were outstanding at 30 September 2017 and had a range of exercise prices from £1.70 to £1.99 all with an average contractual life of 3 years.
320,000 options were granted in 2015 which were outstanding at 30 September 2017 and had an exercise prices of £3.16 all with an average contractual life of 3 years.
The 320,000 options granted in 2016 which were outstanding at 30 September 2017 had an exercise prices of £2.92 all with an average contractual life of 3 years.

The following options were exercised during the year:

Option Series	Number exercised	Exercise date	Share price at exercise date £
2014 Employee Share Option Scheme	210,200	10/07/2017	3.36
2014 Employee Share Option Scheme	30,000	27/07/2017	3.60
2014 Employee Share Option Scheme	10,000	08/08/2017	3.66
	250,200		

The total expense for share-based payments charge to the consolidated statement of comprehensive income was:

	Sept 2017 £'000	Sept 2016 £'000
Equity settled schemes	317	333

21. Capital commitments

The Group had the following capital commitments at each period end:

	Sept 2017 £'000	Sept 2016 £'000
Relating to the purchase of assets	200	600

22. Related party transactions

There are no related party transactions in the current or previous year. Details of sales between group companies are given in note 3. Details of remuneration of key management personnel are given in note 6.

23. Categories of financial instruments

	Sept 2017 £'000	Sept 2016 £'000
Current financial assets		
Loans and receivables	2,679	3,259
Loans and receivables - cash and cash equivalents	21,525	13,273
Total financial assets	24,204	16,532
Non-financial assets	11,316	9,641
Total	35,520	26,173
Non-current financial liabilities		
At amortised cost - borrowings	-	-
Current financial liabilities		
At amortised cost - borrowings	-	-
At amortised cost - payables	4,240	4,007
Total current financial liabilities	4,240	4,007
Non-financial liabilities	927	1,074
Total current liabilities	5,167	5,081

24. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk.

Market risk - *Foreign exchange risk*
The Directors consider that there is limited foreign exchange risk as the Group derives all revenues from the UK and makes all purchase in Sterling except for a small amount of purchases in Euros. Revenues and costs are transacted in Sterling.

Market risk - *Interest rate risk*
The Group did not have any borrowings in place in the current or prior year. The Group now only has a short term overdraft facility in place. Interest rates are fixed and the amounts outstanding at the year ends are as follows:

	Amount £'000	Rate of interest %	Repayment date
2016			
Current borrowings			
Overdraft	-	LIBOR + 3.5%	On demand
2017			
Current borrowings			
Overdraft	-	LIBOR + 3.5%	On demand

The impact of sensitivity on the interest rate on the overdraft is not considered to be a material risk to the Group.

The Group's overdraft facility has a cross company guarantee with the other group companies, namely Patisserie Acquisitions Limited, Patisserie Valerie Holdings Limited, Patisserie Valerie Limited, Hewmark Limited, Leonardo Limited, Stonebeach Limited, Patisserie Valerie Express Limited, Spice Bakery Limited, Flour Power City Limited, Philpotts (Holdings) Limited and Philpotts Limited.

Market risk - *Price risk*
The Group spends considerable time tracking the commodity prices of a number of products namely coffee, dairy, fruit, packaging, cocoa and wheat items, an increase in which could erode the Group's gross profit margin. We are beginning to see ingredient prices harden and with a weakening pound following Brexit managing increased prices is a key area of risk to the Group. Where possible we enter into supply agreements for certain periods of time depending upon the market. We do not commit to volumes but lengths of agreement which guarantees prices. This way the Group is able to reduce the risk to inflationary pressure.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy. In addition, a significant proportion of revenue results from cash transactions. The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of trade receivables. The management do not consider that there is any concentration of risk within either trade or other receivables.

Liquidity risk
The Group currently holds cash balances to provide funding for normal trading activity. The Group also has access to both short term and long term borrowings to finance individual projects. Trade and other payables are monitored as part of normal management routines.

Borrowings and other liabilities mature according to the following schedule:

2017	Within 1 year £'000	One to two years £'000	Two to five years £'000	Over five years £'000
Trade payables	4,240	-	-	-
Accruals	705	-	-	-

2016	Within 1 year	One to two years	Two to five years	Over five years
	£'000	£'000	£'000	£'000
Trade payables	4,007	-	-	-
Accruals	299	-	-	-

Capital risk management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the consolidated balance sheet.

	Sept 2017	Sept 2016
	£'000	£'000
Total equity	92,332	78,195
Cash and cash equivalents	(21,525)	(13,273)
Capital	70,807	64,922
Total financing	92,332	78,195
Borrowings	-	-
Overall financing	92,332	78,195
Capital to overall financing ratio	77%	83%
Target	75%	80%

The target is adjusted each year based on the expected growth in the cash and cash equivalents balance.

COMPANY BALANCE SHEET

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 September 2017 £'000	30 September 2016 £'000
Fixed Assets			
Investment	B	143,787	143,787
		143,787	143,787
Current assets			
Debtors due less than 1 year	C	681	395
Cash at bank and in hand		-	948
Net current assets		681	1,343
Creditors: amounts falling due within one year	E	(1,827)	-
Total assets less current liabilities		142,641	145,130
Capital and reserves			
Called up share capital		1,003	1,000
Share premium account		34,084	33,661
Profit and loss reserve		106,533	109,765
Other reserves		1,021	704
Shareholders' funds		142,641	145,130

Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year of £259k (2016: Profit £1,679k). The auditors' remuneration for audit and other services is disclosed in note 4 to the consolidated financial statements. Auditors' remuneration for audit of the Company is borne by a subsidiary entity.

The notes on pages 46 to 48 are an integral part of the parent company financial statements.

The financial statements were authorised for issue by the board of directors on 24th November 2017 and were signed on its behalf.

Paul May
Chief Executive Officer

Chris Marsh
Finance Director

Registered no. **08963601**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Profit and Loss reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 October 2015	1000	33,661	46	324	110,658	145,689
Result and total comprehensive income for the year	-	-	-	-	1,679	1,679
	1,000	33,661	46	324	112,337	147,368
Transactions with owners						
Dividends to equity holders of the company	-	-	-	-	(2,670)	(2,670)
Deferred tax credit relating to share option scheme	-	-	-	-	99	99
Increase in share based payments reserve	-	-	-	333	-	333
As at 30 September 2016	1,000	33,661	46	657	109,766	145,130
Result and total comprehensive income for the year	-	-	-	-	(259)	(259)
	1,000	33,661	46	657	109,505	144,869
Transactions with owners						
Issue of ordinary shares under employee share option scheme	3	423	-	-	-	426
Dividends to equity holders of the company	-	-	-	-	(3,200)	(3,200)
Deferred tax credit relating to share option scheme	-	-	-	-	229	229
Increase in share based payments reserve	-	-	-	317	-	317
As at 30 September 2017	1,003	34,084	46	~~975~~ 974	106,534	142,641

The notes on pages 46 to 48 are an integral part of the parent company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

A. Significant accounting policies

Basis of preparation

The separate financial statements of the Company have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The separate financial statements of the Company have been prepared under the historical cost convention and the financial information is presented in sterling and has been rounded to the nearest thousand (£'000).

The Company is included in the consolidated financial statements of Patisserie Holdings Plc for the year ended 30 September 2017, which are publically available.

On applying FRS 101 in the preparation of these financial statements the Company has taken advantage of the following disclosure exemptions:

- the Company has not presented a statement of cash flows and the related notes
- the Company has not reported related party transactions entered into between wholly owned members of the Group or disclosed key management personnel compensation
- the Company has not made disclosures in respect of financial instruments or capital management policies

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less any applicable provision for impairment.

Share based employee compensation

The Company adopts the same policy in respect of share based payments as the Group, as set out in note 2.3.9 of the notes to the Group consolidated financial statements. In preparing these financial statements the Company has taken advantage of the disclosure exemptions conferred by FRS 101 in relation to share based payments.

Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares.
- Share premium: includes any premium received on the sale of shares. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any income tax benefits.
- Capital redemption reserve: represents amounts transferred from share capital on redemption of issued shares.
- Share based payment reserve: includes the amounts relating to equity settled share based payments.
- Retained earnings: retained profits available for distribution.

Financial instruments

Financial instruments are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Financial assets

The Group's financial assets fall within the heading of 'Loans and receivables'. Loans and receivables comprise trade and certain other receivables as well as cash and cash equivalents.

Loan and receivables are recognised when the Group becomes a party to the contractual provisions of the instrument and are recognised at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment, based on the receivable ageing, previous experience with the debtor and known market intelligence. Any change in their value is recognised in the consolidated statement of comprehensive income.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

B. Fixed Assets Investments

At 30 September 2017 the Company had the following subsidiary undertakings, all of which are incorporated in England and Wales except for Patisserie Valerie Ireland Limited which is incorporated in the Republic of Ireland:

Company	Class of share capital held	Holding 'Direct %	Holding Indirect %	Nature of Business	Registered Office
Patisserie Acquisition Limited	Ordinary, A Ordinary and B Shares	100	-	Intermediate holding company	A
Patisserie Valerie Holdings Limited	Ordinary	-	100	Intermediate holding company	A
Philpotts (Holdings) Limited	Ordinary	-	100	Intermediate holding company	A
Flour Power City Limited	Ordinary	-	100	Trading	A
Philpotts Limited	Ordinary	-	100	Trading	A
Stonebeach Limited	Ordinary	-	100	Trading	A
Patisserie Valerie Ireland Limited	Ordinary	-	100	Trading	B
Hewmark Limited	Ordinary	-	100	Dormant	A
Patisserie Valerie Express Limited	Ordinary	-	100	Dormant	A
Leonardo Limited	Ordinary	-	100	Dormant	A
Patisserie Valerie Limited	Ordinary	-	100	Dormant	A
Spice Bakery Limited	Ordinary	-	100	Non-trading	A

A 146-156 Sarehole Road, Hall Green, Birmingham, B28 8DT, England

B 25-28 North Wall Quay, Dublin1, Republic of Ireland

C. Debtors: due within one year

	Sept 2017 £'000	Sept 2016 £'000
Deferred taxation	681	395

D. Deferred taxation

	Sept 2017 £'000	Sept 2016 £'000
At 1 October	395	232
Credit for the year	57	64
Credited to equity	229	99
At 30 September	681	395
Deferred taxation – share based payments	681	395
Deferred tax asset	681	395

E. Creditors: amounts falling due within one year

	Sept 2017 £'000	Sept 2016 £'000
Amounts payable to subsidiary companies	1,827	-