

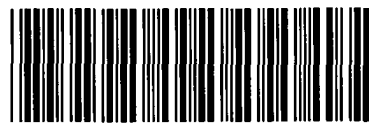
23.5 Degrees Holdings Limited

Registered number: 09662167

Directors' report and financial statements

For the year ended 31 August 2018

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23.5 DEGREES HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr M Hepburn Mr L Contardo (appointed 25 July 2018)
Company secretary	Gateley Secretaries Limited
Registered number	09662167
Registered office	Unit 3, Hedge End Retail Park Charles Watts Way Hedge End Southampton Hampshire SO30 4RT
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole BH15 1TW

23.5 DEGREES HOLDINGS LIMITED

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23.5 DEGREES HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2018

Review of the business

The principal activity of the company is that of an intermediary holding.

23.5 Degrees Holdings Limited forms part of the 23.5 Degrees Group consisting of 23.5 Degrees Topco Limited, the ultimate parent company, and 23.5 Degrees Limited, a subsidiary undertaking.

23.5 Degrees Group is a private equity backed group, dedicated Starbucks franchise chain with a business model focused on accelerated growth through new site development and ensuring that the group operate the Starbucks store to the highest possible brand standards.

23.5 Degrees Holdings Limited holds debt facilities on behalf of the Group.

In July 2018 the company refinanced its banking facilities to support the roll out of a further 100 stores in the UK within the next 5 years within the Group.

Financial risk management objectives and policies

The company's principal financial instruments comprise bank loans and loans due to group companies. The main purpose of these instruments is to raise funds for the Group's day to day operations and store build costs to accelerate the growth.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

- In respect of the loan due to the parent company, this loan is interest free and repayable on demand. The company manages the liquidity risk by ensuring there are sufficient funds to meet any repayments.

Business risks

The principal risks and uncertainties affecting the company can be summarised as follows:

(A) Current economic outlook / Brexit negotiations

Changes in the country's economic conditions may impact consumer spending.

Starbucks is working on several post Brexit scenarios to be ready, regardless of what the final deal between the UK and Europe is going to be.

(B) Interest rate fluctuations

Changes to LIBOR and Bank of England rates might impact the company cashflow to repay interests on the senior bank loan. To mitigate the interest rate fluctuation the directors have agreed to enter an interest cap hedging product at an appropriate strike rate.

Future developments

The company have no formal plans to raise further significant finance in the near future. The company will continue to hold debt facilities on behalf of the Group and will continue to service this debt.

The directors are very proud that they have a robust, but flexible and dedicated team who have worked tirelessly to develop the group to where it is today for the benefit of everyone.

The directors would like to thank them all for their efforts in the past 12 months, and for their continued commitment.

23.5 DEGREES HOLDINGS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

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



Mr L Contardo
Director

Date: 30/01/19

23.5 DEGREES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2018

The directors present their report and the financial statements for the year ended 31 August 2018.

Directors

The directors who served during the whole of the year, unless otherwise stated, were:

Mr M Hepburn

Mr L Contardo (appointed 25 July 2018)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information in the strategic report

The group has prepared a Strategic Report in accordance with section 414C(11) of the Company Act 2006 and (Strategic Report and Directors' Report) Regulations 2013.

23.5 DEGREES HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year-end.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mr L Contardo
Director

Date: 20/01/19

23.5 DEGREES HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 23.5 DEGREES HOLDINGS LIMITED

Opinion

We have audited the financial statements of 23.5 Degrees Holdings Limited (the 'Company') for the year ended 31 August 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

23.5 DEGREES HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 23.5 DEGREES HOLDINGS LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

23.5 DEGREES HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 23.5 DEGREES HOLDINGS LIMITED
(CONTINUED)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 Auditors' 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 Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.



Stephen Mills (Senior Statutory Auditor)

for and on behalf of

Mazars LLP

Chartered Accountants
Statutory Auditor

5th Floor
Merck House
Seldown Lane
Poole
BH15 1TW

Date: 11/2/19

23.5 DEGREES HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £	2017 £
Administrative expenses		(3,400)	(1,266)
Fair value movements		(57,847)	-
Operating loss		(61,247)	(1,266)
Interest receivable and similar income	4	264,667	203,574
Interest payable and expenses	5	(264,667)	(203,574)
Loss for the financial year		(61,247)	(1,266)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £Nil).

The notes on pages 11 to 15 form part of these financial statements.

23.5 DEGREES HOLDINGS LIMITED
REGISTERED NUMBER: 09662167

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2018

	Note	2018 £	As restated 2017 £
Fixed assets			
Investments	6	2,500,100	2,500,100
		<u>2,500,100</u>	<u>2,500,100</u>
Current assets			
Debtors: amounts falling due within one year	7	11,136,983	10,122,784
		<u>11,136,983</u>	<u>10,122,784</u>
Creditors: amounts falling due within one year	8	(580,013)	(4,313,987)
Net current assets		<u>10,556,970</u>	<u>5,808,797</u>
Total assets less current liabilities		<u>13,057,070</u>	<u>8,308,897</u>
Creditors: amounts falling due after more than one year	9	(10,619,420)	(5,810,000)
Net assets		<u><u>2,437,650</u></u>	<u><u>2,498,897</u></u>
Capital and reserves			
Called up share capital	10	2,500,100	2,500,100
Profit and loss account	11	(62,450)	(1,203)
		<u><u>2,437,650</u></u>	<u><u>2,498,897</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Mr L Contardo
Director

Date: 30/01/19

The notes on pages 11 to 15 form part of these financial statements.

23.5 DEGREES HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2016	2,500,100	63	2,500,163
Comprehensive income for the year			
Loss for the year	-	(1,266)	(1,266)
Total comprehensive income for the year	-	(1,266)	(1,266)
At 1 September 2017	2,500,100	(1,203)	2,498,897
Comprehensive income for the year			
Loss for the year	-	(61,247)	(61,247)
Total comprehensive income for the year	-	(61,247)	(61,247)
At 31 August 2018	2,500,100	(62,450)	2,437,650

The notes on pages 11 to 15 form part of these financial statements.

23.5 DEGREES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 3, Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, Hampshire, SO30 4RT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of 23.5 Degrees Topco Limited as at 31 August 2018 and these financial statements may be obtained from 3 Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, Hampshire, SO30 4RT.

2.3 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.4 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.5 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

23.5 DEGREES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements the directors have not identified any judgements made in the process of applying the accounting policies that have any significant effect on the amounts recognised in the financial statements. Nor have the directors identified any key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Interest receivable

	2018 £	2017 £
Bank deposits	<u>264,667</u>	<u>203,574</u>

5. Interest payable and similar expenses

	2018 £	2017 £
Bank loans and overdrafts	<u>264,667</u>	<u>203,574</u>

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2017	2,500,100
At 31 August 2018	<u>2,500,100</u>
Net book value	
At 31 August 2018	<u>2,500,100</u>
At 31 August 2017	<u>2,500,100</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
23.5 Degrees Limited	Ordinary	100 %	Operation of franchised Starbucks outlets

The aggregate of the share capital and reserves as at 31 August 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
23.5 Degrees Limited	<u>(3,721,538)</u>	<u>(2,359,393)</u>

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. Debtors

	2018	As restated 2017
	£	£
Amounts owed by group undertakings	11,072,383	10,122,784
Prepayments and accrued income	64,600	-
	<u>11,136,983</u>	<u>10,122,784</u>

8. Creditors: Amounts falling due within one year

	2018	As restated 2017
	£	£
Bank loans	284,211	-
Amounts owed to group undertakings	237,955	4,313,987
Financial instruments	57,847	-
	<u>580,013</u>	<u>4,313,987</u>

9. Creditors: Amounts falling due after more than one year

	2018	2017
	£	£
Bank loans	6,515,789	5,810,000
Other creditors	4,103,631	-
	<u>10,619,420</u>	<u>5,810,000</u>

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

10. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2,499,976 (2017 - 2,499,976) Ordinary A shares of £1.00 each	2,499,976	2,499,976
100 (2017 - 100) Ordinary B shares of £1.00 each	100	100
24 (2017 - 24) Ordinary C shares of £1.00 each	24	24
	<hr/>	<hr/>
	2,500,100	2,500,100
	<hr/>	<hr/>

All shares have full voting, dividend and capital distribution (including on winding up) rights; they do not contain any right of redemption.

11. Reserves**Profit and loss account**

This reserve records retained earnings and accumulated losses.

12. Comparatives

The comparative figures have been restated due to a reclassification of balances between amounts owed from group undertakings and amounts due to group undertakings. As a result of the restatement, amounts owed from group companies has increased by £24,058 and amounts owed to group undertakings has increased by £24,058 compared to the amounts previously stated. There was no overall impact on the loss for the comparative financial year.

13. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 33.1A of FRS102 not to disclose transactions with fellow group members.

14. Post balance sheet events

There have been no significant events affecting the company since the year-end.

15. Controlling party and ultimate parent undertaking

The company's immediate parent and ultimate controlling party is 23.5 Degrees Topco Limited, a company incorporated in England and Wales.

Group accounts can be obtained by request at the registered office - 3 Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, Hampshire, SO30 4RT.