

23.5 Degrees Holdings Limited

Registered number: 09662167

Annual Report

For the year ended 31 August 2022

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23.5 DEGREES HOLDINGS LIMITED

COMPANY INFORMATION

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

23.5 DEGREES HOLDINGS LIMITED

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23.5 DEGREES HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2022

Introduction

The Directors present the Strategic Report and the audited financial statements for 23.5 Degrees Holdings Limited (the 'Company') for the year ended 31 August 2022.

Review of the business

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

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

The principal activity of the Company is that of an intermediary holding company and to hold financial instruments on behalf of the Group. 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.

The year to 31 August 2022 kept presenting several challenges for the Group as the economy recovered from the pandemic outbreak in 2020. The Directors took all appropriate actions and measures to safeguard its employees, stakeholders and shareholders and are extremely grateful to HSBC for the financial support which allowed the Group to keep rolling out stores and create job opportunities across the UK.

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 through cash generation from the trading subsidiary, 23.5 Degrees Limited.

Business risks

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

(A) Current economic outlook.

Changes in the country's economic conditions may impact consumer spending. The franchisor is mitigating the impact on the supply chain and inflationary pressures. 'Coffee culture' in the UK has also been built over the last 15 to 20 years and habits are ingrained in consumer behaviours. The Directors believe the growth of the new digital channels (delivery and mobile order and pay) will position the business ahead of other competitors in the hospitality sector.

(B) Interest rate fluctuations

Changes to Sterling Overnight Index Average 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.

23.5 DEGREES HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Key performance indicators

The Directors consider net leverage and debt service cover to be the key performance indicators used in the assessment of the day to day running of the Company.

Future developments

The Company will continue to act as a holding company and has no further future plans or developments.

Section 172 statement

As highlighted in the review of the business, the year ended 31 August 2022 kept presenting several challenges for the Company as the hospitality sector recovered from the pandemic outbreak in 2020.

In normal circumstances the Board always takes into account the impact of its strategic decisions on the wider stakeholders that the Company interacts with (whether these are employees, shareholders, investors, the brand, suppliers and the communities it operates within) and this was even more relevant during the year that these financial statements represent.

During the past 12 month period in particular the Directors worked very closely with shareholders, investors, the brand and key suppliers to ensure the decisions and actions taken would be of mutual benefit for everybody the Company interacts with.

Particular attention was dedicated to the well-being of the workforce, the preservation of jobs and supporting the local communities the Company operates within.

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

Luca Contardo
Luca Contardo (Dec 7, 2022 15:27 GMT)

Mr L Contardo
Director

Date: Dec 7, 2022

23.5 DEGREES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2022

The Directors present their annual report and the audited financial statements for 23.5 Degrees Holdings Limited (the 'Company') for the year ended 31 August 2022.

Results and dividends

The loss for the year, after taxation, amounted to £401,089 (2021: loss of £533,217).

The Directors do not recommend the payment of a dividend for the year (2021: £nil).

Directors

The Directors who served during the year and up to the date of this report were:

Mr M Hepburn
Mr L Contardo

Directors' responsibilities statement

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

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the audited 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 audited 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 audited financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited 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 audited 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.

Going concern

The Company made a loss of £401,089 (2021: £533,217) during the year and at year end has net assets of £294,430 (2021: £695,519). The ultimate parent of the Company, 23.5 Degrees Topco Limited, has confirmed that it will continue to support the Company for a period of at least twelve months from the date of signature of this report, to ensure that the Company will be able to meet its obligations to creditors as they fall due, and that the Company will have sufficient funds to continue in operational existence. On this basis the Directors believe it is appropriate to produce the financial statements on the going concern basis.

23.5 DEGREES HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Qualifying third party indemnity provisions

The Directors benefit from a qualifying third party indemnity provision in the form permitted by the Section 234 of the Companies Act 2006 in respect of certain third party actions against directors. No claim or notice of claim in respect of these indemnities has been received in the period. The qualifying indemnity provision was in force throughout the financial period and up to the date of approval of the Directors' Report.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the option to exclude any information relating to energy and carbon reporting as it is included in the consolidated accounts of 23.5 Degrees Topco Limited.

Matters covered in the Strategic Report

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

Post balance sheet events

There were no events after the end of the reporting period affecting the Company.

Provision of information to auditor

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have 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 auditor is aware of that information.

Auditor

The auditor, 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 by:

Luca Contardo
Luca Contardo (Dec 7, 2022 15:27 GMT)

Mr L Contardo
Director

Date: Dec 7, 2022

INDEPENDENT AUDITOR'S 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 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2022 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 Auditor's 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 UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES HOLDINGS LIMITED

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out 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 intend either to liquidate the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES HOLDINGS LIMITED

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, anti-bribery, corruption and fraud, money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls) and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

23.5 DEGREES HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES HOLDINGS LIMITED

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.


Stephen Mills (Dec 7, 2022 15:40 GMT)

Stephen Mills (Senior statutory auditor)
for and on behalf of Mazars LLP
Chartered Accountants & Statutory Auditor
5th Floor
Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date: Dec 7, 2022

23.5 DEGREES HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2022**

	Note	2022 £	2021 £
Administrative expenses		(13,600)	(13,600)
Fair value movements		215,092	34,813
Operating profit		<u>201,492</u>	<u>21,213</u>
Interest payable and similar expenses	6	(599,732)	(554,430)
Loss before tax		<u>(398,240)</u>	<u>(533,217)</u>
Tax on loss	7	(2,849)	-
Loss for the financial year		<u>(401,089)</u>	<u>(533,217)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(401,089)</u>	<u>(533,217)</u>

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

The notes on pages 12 to 20 form part of these financial statements.

23.5 DEGREES HOLDINGS LIMITED
REGISTERED NUMBER: 09662167

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022

	Note	2022 £	2021 £
Fixed assets			
Investments in subsidiary	8	2,500,100	2,500,100
Current assets			
Debtors: amounts falling due within one year	9	9,231,892	9,656,532
Creditors: amounts falling due within one year	10	(11,176,871)	(718,051)
Net current (liabilities)/assets		(1,944,979)	8,938,481
Total assets less current liabilities		555,121	11,438,581
Creditors: amounts falling due after more than one year	11	(260,691)	(10,743,062)
Net assets		294,430	695,519
Capital and reserves			
Called up share capital	13	2,500,100	2,500,100
Profit and loss account	14	(2,205,670)	(1,804,581)
Total equity		294,430	695,519

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

Luca Contardo
Luca Contardo (Dec 7, 2022 15:27 GMT)

Mr L Contardo
Director

Date: Dec 7, 2022

The notes on pages 12 to 20 form part of these financial statements.

23.5 DEGREES HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2020	2,500,100	(1,271,364)	1,228,736
Loss for the year	-	(533,217)	(533,217)
At 1 September 2021	2,500,100	(1,804,581)	695,519
Loss for the year	-	(401,089)	(401,089)
At 31 August 2022	2,500,100	(2,205,670)	294,430

The notes on pages 12 to 20 form part of these financial statements.

23.5 DEGREES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

1. General information

The Company (No. 09662167) is a private company limited by shares, incorporated and 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.

The principal activity of the Company is that of an intermediate holding company.

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 judgement in applying the Company's accounting policies (see note 3).

The financial statements have been presented in Pound Sterling as this is currency of the primary economic environment in which the Company operates and are rounded to the nearest pound.

The following principal accounting policies have been applied:

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 11.42, 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 2022 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

2. Accounting policies (continued)

2.4 Going concern

The Company made a loss of £401,089 (2021: £533,217) during the year and at year end has net assets of £294,430 (2021: £695,519). The ultimate parent of the Company, 23.5 Degrees Topco Limited, has confirmed that it will continue to support the Company for a period of at least twelve months from the date of signature of this report, to ensure that the Company will be able to meet its obligations to creditors as they fall due, and that the Company will have sufficient funds to continue in operational existence. On this basis the directors believe it is appropriate to produce the financial statements on the going concern basis.

2.5 Interest payable and similar expenses

Interest payable and similar expenses is 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.

2.6 Taxation

Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

2. Accounting policies (continued)

2.10 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 ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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. Auditor's remuneration

The audit fee is borne by another group company in both the current and prior year.

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

5. Employees

The Company has no employees other than the Directors who were remunerated by another group company in both the current and prior year.

6. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	599,732	554,430

£413,971 (2021: £383,307) of the interest payable relates to interest on loan notes payable in July 2023 (Note 9).

7. Tax on loss

	2022 £	2021 £
Corporation tax		
Current tax on loss for the year	2,849	-
Tax on loss	2,849	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(398,240)	(533,217)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(75,666)	(101,311)
Effects of:		
Expenses not deductible for tax purposes	78,654	72,828
Group relief surrendered	-	139,251
Remeasurement of deferred tax for changes in tax rates	44	(44)
Deferred tax not recognised	(183)	(110,724)
Total tax charge for the year	2,849	-

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

7. Tax on loss (continued)**Factors that may affect future tax charges**

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

8. Investments in subsidiary

	Investments in subsidiary £
Cost	
At 1 September 2021	2,500,100
At 31 August 2022	2,500,100
Net book value	
At 31 August 2022	2,500,100
At 31 August 2021	2,500,100

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
23.5 Degrees Limited	Unit 3 Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, Hampshire, England, SO30 4RT	Operation of franchised Starbucks outlets	Ordinary	100%

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

9. Debtors: amounts falling due within one year

	2022 £	2021 £
Amounts owed by group undertakings	9,075,030	9,632,732
Other debtors	146,662	-
Prepayments and accrued income	10,200	23,800
	<u>9,231,892</u>	<u>9,656,532</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

10. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans	5,568,421	378,947
Amounts owed to group undertakings	237,955	237,955
Corporation tax	2,849	-
Other creditors	5,327,921	68,432
Accruals and deferred income	39,725	32,717
	<u>11,176,871</u>	<u>718,051</u>

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

The bank loan recognised is secured by way of a debenture, dated 22 June 2018, incorporating a fixed and floating charge over the subsidiary company's current and future assets.

The bank loan was held with HSBC Bank plc and is repayable over the period until June 2023. The interest rate on the loan is SONIA + 2.73%.

Other creditors includes £5,181,214 (2021: £nil) of institutional loan notes.

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

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

	2022 £	2021 £
Bank loans	-	5,568,421
Other creditors	260,691	5,174,641
	<u>260,691</u>	<u>10,743,062</u>

Other creditors includes £nil (2021: £4,797,420) of institutional loan notes.

12. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	5,568,421	378,947
Loan notes (note 10)	5,181,214	-
	<u> </u>	<u> </u>
Amounts falling due 1-2 years		
Bank loans	-	378,947
Loan notes (note 11)	-	4,797,420
	<u> </u>	<u> </u>
Amounts falling due 2-5 years		
Bank loans	-	5,189,474
	<u>10,749,635</u>	<u>10,744,788</u>

23.5 DEGREES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

13. Called up share capital

	2022 £	2021 £
Allotted, called up and fully paid		
2,499,976 (2021: 2,499,976) Ordinary A shares of £1 each	2,499,976	2,499,976
100 (2021: 100) Ordinary B shares of £1 each	100	100
24 (2021: 24) Ordinary C shares of £1 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.

14. Reserves

Profit and loss account

This account represents the cumulative profits and losses of the Company.

15. Capital commitments

The Company does not have any capital commitments as at 31 August 2022 (2021: £nil).

16. Related party transactions

The subsidiary company, 23.5 Degrees Limited, has provided a cross guarantee in relation to the bank loan detailed in note 10.

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

17. Events after the end of the reporting period

There were no events after the end of the reporting period affecting the Company.

23.5 DEGREES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

18. 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. The registered office is Unit 3, Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, United Kingdom, SO30 4RT.

23.5 Degrees Topco Limited is the parent undertaking of the smallest and largest group which consolidates the financial information of the Company. Copies of the group financial statements may be obtained from Companies House.