

Apostrophe Restaurants Limited

Report and Financial Statements

Period Ended

31 March 2013

Company Number 04054395

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Apostrophe Restaurants Limited

Report and financial statements for the period ended 31 March 2013

Contents

Page

1	Report of the directors
4	Independent auditor's report
6	Profit and loss account
7	Statement of total recognised gains and losses
8	Balance sheet
9	Cash flow statement
10	Notes forming part of the financial statements

Directors

A Chen
T Jones
D Peltz
A Tyler

Secretary and registered office

Maclay Murray & Spens LLP, 12 Devereux Court, London, WC2R 3JP

Company number

04054395

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Apostrophe Restaurants Limited

Report of the directors for the period ended 31 March 2013

The directors present their report together with the audited financial statements for the seven month period ended 31 March 2013 (the comparative period is the year to 31 August 2012)

Results

The profit and loss account is set out on page 6 and shows the loss for the period

Principal activities

Apostrophe operates cafes in central London and at London airports, selling freshly baked breads, pastries and savouries, freshly prepared gourmet sandwiches and salads, handmade soups and stews, tarts and cakes. A large drinks menu is also on offer, including coffees, loose-leaf teas, and freshly squeezed and farm-pressed juices. All products are presented in an attractive showcase display, where customers make their selection. Orders are paid for and then received at the counter in china crockery and stainless steel cutlery for consumption on site, or in attractive branded packaging to take away.

Business review

Turnover increased by 7.3% versus the corresponding period last year. There were no store openings during the period.

Gross margin increased by 3.5% to 44.7% as a result of tight control of payroll and active management of supplier relationships.

Distribution costs and administrative expenses were lower versus last year due to the absence of exceptional legal expenses related to the sale of 50% of Apostrophe to CH&Co versus the corresponding period last year.

Total recognised loss for the financial period was £220,243 after interest receivable (2012 - £734,090). The Company has no bank debt outstanding.

During the period Apostrophe invested £257,385 in fixed assets as part of a planned store expansion programme.

Apostrophe Restaurants Limited

Report of the directors for the period ended 31 March 2013 (continued)

Business review (continued)

Principal risks and uncertainties

Competition on the London high street is intense as new fast food brands expand rapidly and incumbent brands upgrade their operations through improved shop designs and product offering. Apostrophe competes at the top end of the high street, offering customers high standards of food and drink, store environment and service. We remain committed to maintaining our position, our new stores reflect our high design ethos and our menu is constantly evolving to satisfy customers' increasingly discerning tastes.

Rents for prime sites continue to increase due to competition from some of the major chains as well as new operators and landlords are becoming increasingly confident in their negotiation tactics. Apostrophe represents an attractive tenant for landlords, attracting a discerning clientele and positively contributing to fabric of its neighbourhood. As a result, the Company's ability to sign new leases at competitive terms has remained strong and our recent financial performance has not been a deterrent in this respect.

While our food costs have remained relatively stable, they are still vulnerable to wide fluctuations affected by stock availability globally and in the UK. We continue to manage our input prices proactively by constantly evaluating alternative sources, managing our supplier relationships carefully and fixing attractive prices where possible.

Future developments

We launched a store expansion programme at the beginning of 2013 and continued with the refurbishment programme commenced in 2012. In April 2013 we opened a large espresso bar at Jubilee Place in Canary Wharf. This was followed by a store in Soho in June and at Austin Friar in July. In May 2013 we relocated our store at the O2 Centre to a more prominent position. During May we also refurbished our store at Grosvenor Street. In September we opened a pop-up at the reception area of Grey London, a subsidiary of WPP, exclusively for the use of Grey employees and their guests.

In June 2013 we closed our concession at Alfred Place (Tottenham Court Road) due to our landlord going into administration. We also shut our kiosk at Broadgate Circle as the landlord exercised a redevelopment clause.

In October we launched a major product development project tasked with redesigning our menu to better suit changing customer tastes and preferences. It is expected that the new menu will be launched at selective stores by April 2014.

Trading growth in the current financial period had a strong start but has stalled since September 2013, with wide variations among stores. While overall the new and refurbished stores are trading satisfactorily, our Soho store's performance has been significantly below our expectations. We are currently evaluating our options with respect to this store.

In October 2013 the Company issued £400,000 of Loan Notes to shareholders to aid the expansion of the business.

Directors

The directors of the company during the period were

A Chen
T Jones
D Peltz
A Tyler

Apostrophe Restaurants Limited

Report of the directors for the period ended 31 March 2013 (continued)

Directors' responsibilities

The directors are responsible for preparing 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board

A Chen

Director

Date 17/12/13

Apostrophe Restaurants Limited

Independent auditor's report

TO THE MEMBERS OF APOSTROPHE RESTAURANTS LIMITED

We have audited the financial statements of Apostrophe Restaurants Limited for the period ended 31 March 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the period 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Apostrophe Restaurants Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

BDO UK

*Donald Williams (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

Date *19/12/13*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Apostrophe Restaurants Limited

Profit and loss account for the period ended 31 March 2013

	Note	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Turnover	2	4,002,216	6,226,444
Cost of sales		(2,213,727)	(3,662,897)
Gross profit		1,788,489	2,563,547
Distribution costs		(1,522,185)	(2,419,205)
Administrative expenses		(488,850)	(835,947)
Operating loss	5	(222,546)	(691,605)
Loss on ordinary activities before interest		(222,546)	(691,605)
Interest receivable and similar income		2,446	4,065
Interest payable and similar charges	6	(143)	(46,550)
Loss on ordinary activities before taxation		(220,243)	(734,090)
Taxation on loss from ordinary activities	7	-	-
Loss for the financial period	15,16	(220,243)	(734,090)

All amounts relate to continuing activities

The notes on pages 10 to 19 form part of these financial statements

Apostrophe Restaurants Limited

Statement of total recognised gains and losses for the period ended 31 March 2013

	Note	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Loss for the financial period	15,16	(220,243)	(734,090)
Prior year adjustment	15,16	163,494	(204,272)
Total gains and losses recognised since last financial statements		(56,749)	(938,362)

The notes on pages 10 to 19 form part of these financial statements

Apostrophe Restaurants Limited

Balance sheet at 31 March 2013

<i>Company number 04054395</i>	Note	31 March 2013	31 March 2013	31 August 2012	31 August 2012
		£	£	As restated £	As restated £
Fixed assets					
Tangible assets	8		2,032,655		2,094,097
Current assets					
Stocks	9	68,624		78,538	
Debtors	10	774,597		588,649	
Cash at bank and in hand		399,990		809,659	
		<u>1,243,211</u>		<u>1,476,846</u>	
Creditors: amounts falling due within one year	11	<u>1,208,815</u>		<u>1,273,060</u>	
Net current assets			34,396		203,786
Total assets less current liabilities			<u>2,067,051</u>		<u>2,297,883</u>
Creditors, amounts falling due after more than one year	12		<u>167,047</u>		<u>177,636</u>
			<u>1,900,004</u>		<u>2,120,247</u>
Capital and reserves					
Called up share capital	14		490,122		490,122
Share premium account	15		1,845,752		1,845,752
Capital redemption reserve	15		1,942,877		1,942,877
Profit and loss account	15		(2,378,747)		(2,158,504)
Shareholders' funds	16		<u>1,900,004</u>		<u>2,120,247</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12/12/13

A Chen
Director



The notes on pages 10 to 19 form part of these financial statements

Apostrophe Restaurants Limited

Cash flow statement for the period ended 31 March 2013

	Note	Period ended 31 March 2013 £	Period ended 31 March 2013 £	Year ended 31 August 2012 £	Year ended 31 August 2012 £
Net cash (outflow)/inflow from operating activities	17		(154,587)		300,074
Returns on investments and servicing of finance					
Interest received		2,446		4,065	
Interest paid		(143)		(6,550)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			2,303		(2,485)
Taxation					(59)
Capital expenditure and financial investment					
Purchase of tangible fixed assets	8	(257,385)		(507,535)	
Sale of tangible fixed assets		-		3,058	
Loans issued		-		(120,000)	
			(257,385)		(624,477)
Cash outflow before use of financing			(409,669)		(326,947)
Financing					
Issue of ordinary shares		-		1,120,000	
Repayment of loans		-		(453,802)	
			-		666,198
(Decrease)/Increase in cash	18,19		(409,669)		339,251

The notes on pages 10 to 19 form part of these financial statements

Apostrophe Restaurants Limited

Notes forming part of the financial statements for the period ended 31 March 2013

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Turnover and revenue recognition

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts

Cash sales

Revenue is recognised once the goods have been paid for, which are then received by the customer at the counter for consumption on site or take away

Credit sales

Revenue is recognised when the goods are delivered and accepted by the customer and the amount is payable by the customer per the credit terms agreed

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis

Short term leasehold property	-	over the period of the lease
Plant and machinery	-	10% straight line
Motor vehicles	-	10% straight line
Fixtures, fittings and equipment	-	15% straight line

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Stocks

Stocks are valued at the lower of cost and net realisable value

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

1 Accounting policies (*continued*)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

Share-based payments

When share options are granted to directors and employees a charge is made to the profit and loss account and a reserve created in capital and reserves to record the fair value of the awards in accordance with FRS 20 "Share-based payment". No charge has been made to date as the directors consider the fair value of the awards to be immaterial

2 Turnover

The whole of the turnover for the period has been derived from its principal activity

All turnover arose within the United Kingdom

3 Employees

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Staff costs consist of		
Wages and salaries	1,419,236	2,286,321
Social security costs	88,857	175,225
	<u>1,508,093</u>	<u>2,461,546</u>
The average number of employees, including directors, during the period was		
	Number	Number
Management and administration	7	7
Restaurant staff	146	143
	<u>153</u>	<u>150</u>

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (continued)

4 Director

	Note	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Directors' remuneration consists of			
Emoluments		89,695	139,569

The number of directors who are entitled to receive shares under long term incentive schemes during the period was 1 (31 August 2012 - 1)

5 Operating loss

		Period ended 31 March 2013 £	Year ended 31 August 2012 £
This has been arrived at after charging/(crediting)			
Depreciation - owned by the company	8	318,827	481,686
Auditors' remuneration		10,316	12,000
Operating lease rentals - other operating leases		667,182	1,065,414
Difference on foreign exchange		(671)	(1,422)
Loss on disposal of fixed assets		-	12,328

6 Interest payable and similar charges

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Bank loans and overdrafts	143	7
Other loans	-	6,543
Other interest payable	-	40,000
	143	46,550

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

7 Taxation on profit from ordinary activities

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
<i>Analysis of tax charge in the period</i>		
<i>Current tax (see note below)</i>		
UK corporation tax on loss for the period	-	-
Total current tax	-	-
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	-	-
Taxation on loss on ordinary activities	-	-

Factors affecting tax charge for the period

The tax assessed for the period is different from (31 August 2012 - lower than) the average standard rate of corporation tax in the UK of 23 25% (31 August 2012 - 25 16%) The differences are explained below

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Loss on ordinary activities before tax	(220,243)	(734,090)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23 25% (31 August 2012 - 25 16%)	(51,206)	(184,697)
Effects of		
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	8,054	10,066
Capital allowances for period in excess of depreciation	12,210	34,094
Carry forward of tax losses	29,592	92,597
Other timing differences leading to an increase in taxation	1,350	47,940
Current tax charge for period (see note above)	-	-

Factors that may affect future tax charges

The company has estimated trading losses of £1,010,308 (31 August 2012 - £898,308) available for carry forward against future trading profits

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

8 Tangible assets

	Leasehold buildings and improvements £	Plant and machinery £	Furniture, fittings and equipment £	Total £
<i>Cost</i>				
At 1 September 2012	2,518,743	766,273	2,237,257	5,522,273
Additions	198,605	41,218	17,562	257,385
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	2,717,348	807,491	2,254,819	5,779,658
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 September 2012	1,345,756	440,557	1,641,863	3,428,176
Charge for the period	146,756	29,815	142,256	318,827
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	1,492,512	470,372	1,784,119	3,747,003
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2013	1,224,836	337,119	470,700	2,032,655
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	1,172,987	325,716	595,394	2,094,097
	<hr/>	<hr/>	<hr/>	<hr/>

9 Stocks

	31 March 2013 £	31 August 2012 £
Finished goods and goods for resale	68,624	78,538
	<hr/>	<hr/>

There is no material difference between the replacement cost of stock and the amounts stated above

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

10 Debtors

	31 March 2013 £	31 August 2012 £
<i>Due after more than one year</i>		
Other debtors	116,775	116,775
<i>Due within one year</i>		
Trade debtors	162,106	129,788
Other debtors	152,063	152,035
Prepayments and accrued income	300,527	146,925
Deferred tax asset (see note 13)	43,126	43,126
	<u>774,597</u>	<u>588,649</u>

Debtors include amounts of £116,775 (31 August 2012 - £116,775) for rent deposits falling due after more than one year

11 Creditors amounts falling due within one year

	31 March 2013 £	31 August 2012 £
Trade creditors	316,737	372,241
Corporation tax	30,000	30,000
Social security and other taxes	428,015	541,387
Other creditors	123,478	110,888
Accruals and deferred income	310,585	218,544
	<u>1,208,815</u>	<u>1,273,060</u>

The corporation tax creditor represents tax paid on a director's loan which is repayable when the loan is repaid

12 Creditors amounts falling due after more than one year

	31 March 2013 £	31 August 2012 As restated £
Other creditors	167,047	177,636
	<u>167,047</u>	<u>177,636</u>

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

13 Deferred tax asset

	31 March 2013 £	31 August 2012 £
At beginning of period	43,126	43,126
Charged for period	-	-
	<hr/>	<hr/>
At end of period	43,126	43,126
	<hr/>	<hr/>
The deferred tax asset is made up as follows		
Accelerated capital allowances	(59,138)	(51,138)
Tax losses carried forward	102,264	94,264
	<hr/>	<hr/>
	43,126	43,126
	<hr/>	<hr/>

The company has an unrecognised gross deferred tax asset of £1,112,238 (31 August 2012 - £1,000,238) in respect of trading losses carried forward

14 Share capital

	31 March 2013 Number	Allotted, called up and fully paid 31 August 2012 Number	31 March 2013 £	31 August 2012 £
Ordinary shares of £0.01 each	49,012,197	49,012,197	490,122	490,122
	<hr/>	<hr/>	<hr/>	<hr/>

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (continued)

15 Reserves

	Share premium account £	Capital Redemption Reserve £	Profit and loss account £
At 1 September 2012 – as previously stated	1,845,752	1,942,877	(2,321,998)
Prior year adjustment	-	-	163,494
At 1 September 2012 – as restated	1,845,752	1,942,877	(2,158,504)
Loss for the period	-	-	(220,243)
	<hr/>	<hr/>	<hr/>
At 31 March 2013	1,845,752	1,942,877	(2,378,747)
	<hr/>	<hr/>	<hr/>

16 Reconciliation of movement in shareholders' funds

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Opening shareholders' funds – as previously stated	1,956,753	1,570,843
Prior year adjustment	163,494	163,494
Opening shareholders' funds – as restated	2,120,247	1,734,337
Loss for the period	(220,243)	(734,090)
Shares issued during the period		1,120,000
	<hr/>	<hr/>
Closing shareholders' funds	1,900,004	2,120,247
	<hr/>	<hr/>

During the current period, the Company reviewed its previous accounting policies regarding the accounting for lease incentives and as a result has recognised a prior year adjustment of £163,494 to the profit and loss account reserve in the opening balance of the comparative period. This has had no effect on the prior year profit and loss account.

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

17 Commitments under operating leases

As at 31 March 2013, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 31 March 2013 £	Other 31 March 2013 £	Land and Buildings 31 August 2012 £	Other 31 August 2012 £
Operating leases which expire				
Within one year	-	2,142	65,175	2,142
In two to five years	216,733	30,582	247,268	30,583
Over five years	902,847	-	724,600	-
	<u>1,119,580</u>	<u>32,724</u>	<u>1,037,043</u>	<u>32,275</u>

18 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
Operating loss	(222,546)	(691,605)
Depreciation of tangible fixed assets	318,827	481,686
Decrease/(Increase) in stocks	9,914	(14,023)
(Increase)/Decrease in debtors	(185,948)	2,926
(Decrease)/increase in creditors	(74,834)	508,762
Loss on disposal of fixed assets	-	12,328
	<u>(154,587)</u>	<u>300,074</u>
Net cash (outflow)/inflow from operating activities		

Apostrophe Restaurants Limited

Notes forming part of the financial statements
for the period ended 31 March 2013 (*continued*)

19 Reconciliation of net cash (outflow)/inflow to movement in net funds

	Period ended 31 March 2013 £	Year ended 31 August 2012 £
(Decrease)/Increase in cash in the period	(409,669)	339,251
Cash outflow from decrease in debt and lease financing	-	453,802
	<hr/>	<hr/>
Movement in net funds in the period	(409,669)	793,053
Opening net funds	809,659	16,606
	<hr/>	<hr/>
Closing net funds	399,990	809,659
	<hr/>	<hr/>

20 Post balance sheet events

After the year end, the Company issued Loan Notes of £400,000 to fund the expansion programme and working capital. The Loan Notes have a maturity date of November 2018.