

Company Registration No. 05018441 (England and Wales)

LEON RESTAURANTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018



LEON RESTAURANTS LIMITED

DIRECTORS AND ADVISERS

Directors

J A Vincent
T J Smalley
S J B Skinner
N D Evans
B D Blum
A W Perring
F L Lambranh
R Boscolo

Secretary

C V Burford

Company number

05018441

Registered office

4th Floor St Margaret's House
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Independent auditors

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LEON RESTAURANTS LIMITED

CONTENTS

	Page(s)
Strategic report	1 - 7
Directors' report	8 - 9
Independent auditors' report	10 - 11
Consolidated profit and loss account	12
Group and company balance sheets	13
Group and company statements of changes in equity	14
Consolidated cash flow statement	15
Notes to the consolidated cash flow statement	16
Notes to the consolidated financial statements	17 - 33

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

Purpose Values and Culture

LEON continues to be a pioneer in the rapidly evolving contemporary fast food market, and we refer to our offering as "naturally fast food".

The group principally comprises Leon Restaurants Limited the UK operating company which is also parent of Leon USA Inc, and Leon Naturally Fast Food Plc, the issuer of a consumer bond which provides financing to the group.

Our mission is to make it easier for everyone to eat and live well, and we believe that we will achieve this by our continuing to reinvent fast food. Our business model allows us to keep prices down, and the ubiquity of fast food allows us to be located where people work, live, shop and travel, and we can therefore reach many potential customers.

We are focused on creating and selling fast food that:

- ✓ Tastes great, naturally
- ✓ Is remarkably good for you
- ✓ Leaves you feeling good after you've eaten it
- ✓ Is affordable, and
- ✓ Is kind to the planet

We believe that our eat and live well mission must be true for our team members, as well as our customers.

We feed all our LEON family when they are at work, and we provide everyone with training in nutrition, cooking, and healthy eating. We help our restaurant managers ('Mums and Dads') and people in our support team to live well by providing two-day wellbeing retreats twice a year, quarterly wellbeing sessions for all new team members, sports days, a running club, a football tournament, and dietary and fitness advice and coaching. We have built a well-being space in our Eastcastle restaurant where LEON people enjoy free yoga, Kung Fu, massage and other treatments and activities. Our culture is informed by the principles of the ancient Chinese martial art of Wing Tsun, and we call our well-being space the LEON 'Kwoon', the Chinese martial art term for 'training room'. The Wing Tsun philosophy of 'winning not fighting' is intrinsic to how we run LEON.

We believe that everyone should be rewarded fairly and equally for the work they do which is reflected in our zero median pay gap; this is also true for age as well as gender. We do not use the lower bands of the National Minimum Wage for hourly paid team members but instead pay all team members at least the over 25's adult rate of the National Living Wage from the start, regardless of their age.

Our customers and staff must enjoy what we offer with the highest expectations of safety and responsibility with respect to the food we serve, the way we communicate potential risks such as allergens, and the physical environment in which we operate. This has become more than ever before a fundamental principle underpinning everything we do.

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

Sustainability

We are a naturally fast food business. We all rely on the natural world for our health, happiness and our business. The restaurant industry has a big impact on the planet, and almost half of what British people spend their money on is food.

LEON is a founding member of the Sustainable Restaurant Association (SRA). The SRA exists to help restaurants become more sustainable in the way they source their ingredients, engage with the local community and manage their impact on the environment.

In 2018 the SRA awarded LEON with 3 stars, the highest possible rating. The award is based on the current practices in the business, for example reviewing the purchasing of ingredients, treatment of team and the community with respect, and careful management of the natural resources used by the business. The SRA also review LEON's business policies, continual improvement aims and sustainability initiatives.

Our ongoing commitment is across three areas:

- Food sourcing & coffee
- Waste, energy & property
- People

We have continued to put importance on three key objectives within these, which we give more detail on below:

- A menu which is increasingly plant based
- Reducing our use of plastic
- Being powered by energy from 100% renewable sources and staying responsible with our energy use

1) Food sourcing & Coffee

We believe in natural ingredients that are good for you and sourcing them in a way that is good for the planet.

We have clearly defined food values, and our suppliers are required to comply with our detailed requirements. We source from farmers who meet high animal welfare standards, and we visit the farms which supply our meat and dairy produce. Our milk for example is sourced from a co-operative of organic farms in Wales. We serve only sustainably caught or sustainably farmed fish. We serve coffee that is organic, fair trade and that supports rainforests through the World Land Trust (WLT). To date LEON's partnership with WLT has enabled the purchase and permanent protection of 586 acres of land otherwise vulnerable to deforestation.

A menu which is increasingly plant based

One of our key objectives for the last two years has been to increase the amount of plant-based food we offer.

Since we began in 2004 we have believed in the importance of plants and rely on natural herbs more than processing to flavour our meals.

From the first quarter in 2018 to the first quarter in 2019, the percentage of LEON's sales of plant based or vegetarian food increased from 48.8% to 53.1%.

To further support this, in 2014 we published our "Fast Vegetarian" cookbook, in 2016 we wrote "Happy Salads", and in 2019 we have published "Fast Vegan" all of which explore the range of choice and taste you can enjoy from plant-based recipes.

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

2) Waste, Energy & Property

The dream is that whatever we take from nature, we find a way to keep re-using, so we create a closed loop system, the basis for a circular economy.

The reality is that this is complex, it still costs more and it is reliant on a number of other participants like council, transport hub and office waste management operations.

We continue to serve our hot drinks in chinaware and offer free water in glasses in all our restaurants and have done since LEON began in 2004.

Our coffee cups are compostable and have been since 2016, we offer a 45p discount to customers who bring a reusable coffee cup, and we have seen a 335% increase in customers bringing reusable cups since April 2018, representing 9.5% of hot drink transactions (March 2019); and in 2018 8.2 tonnes of used coffee grounds were collected and recycled into biomass fuel pellets and biofuels.

Reducing our use of plastic

Another major objective in recent years has been to reduce plastic waste. This project began ahead of the current, and very welcome, public pressure over single-use plastic items.

We removed plastic straws in April 2018, replacing them with biodegradable and compostable paper straws. This alone removed 1.3 tonnes of plastic from our restaurants. We also introduced bio-degradable cutlery which has removed 20 tonnes of plastic from the restaurants. Our strategy is to introduce packaging wherever possible made from materials that have an available recycling stream thereby increasing demand for recycled packaging products.

We have joined an automatic bottle recycling trial in Central London, where participants are rewarded with "LEON credits".

In partnership with waste management partner Veolia, we have ensured that all our separated waste is recycled and any waste that cannot be properly separated is incinerated to generate energy. We are a "zero waste to landfill" business except in respect of two Leon owned restaurants where landlords do not give us the ability to choose the waste handling partner.

Being powered by energy from 100% renewable sources and staying responsible with our energy use

Our third key objective is to ensure we source our energy sustainably and use it responsibly. A majority of our restaurants (wherever we buy the electricity ourselves) are powered by a 100% renewable UK energy and we do not use gas, only electricity. We have as much as possible sought out energy efficient equipment, for example moving to LED lighting.

3) People

This third area of our sustainability commitment is people, with a number of highlights outlined in the first section of this report, with respect to eating and living well, and "winning not fighting".

We track progress through twice yearly staff happiness surveys "Family Check-in". At the end of 2018 the headline check in results were stronger than in 2017, but we know that we have a long way to go.

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

Business Model and Strategy

Our fast service restaurants are designed to serve large numbers of customers at speed. We seek out locations where we will be able to enjoy high passing footfall, and each season we update our menu.

We open "company owned restaurants" where we can, by this we mean sites where we sign a lease, typically for 10 to 15 years, and we aim for our new sites to become profitable in their first year of trading.

We also work with other professional hospitality businesses who share our values, on a franchised basis. Typically we look to work with franchise partners where we either struggle to secure leases for the good quality restaurant locations, for instance in UK railway stations, or where we don't have the infrastructure to support the restaurants, for example outside of the UK in countries such as the Netherlands, Norway, Spain and Ireland.

Our strategy is based on our mission to enable everyone to eat and live well. We will continue our UK expansion and to develop the brand in new markets, principally elsewhere in Europe, and in the USA. We opened our first LEON US restaurant in September 2018, in Washington D.C., and we will continue this new important market trial with further openings in 2019.

Taxation strategy

Ensuring that the correct taxes are applied and paid over to HMRC and other bodies is a key responsibility. Where the Company does not have in-house expertise, external advisers are engaged to aid with compliance. The company has yet to achieve profits sufficient to offset early years trading losses and is not yet a Corporation Tax payer. However, as an employer of a significant number of staff, and an operator of a significant number of UK sites the estimated taxes borne and collected are very substantial.

	2018 £	2017 £
VAT – collected	7,785,569	4,117,570
PAYE - collected	3,241,525	3,357,745
Subtotal UK taxes collected	11,027,094	7,475,315
Taxes borne:		
Employer's NI	1,559,185	1,516,665
Apprenticeship Levy	87,597	58,261
Corporation Tax	-	48,750
Business Rates	2,771,678	2,542,855
Total UK Tax Contribution	15,445,554	11,641,846
Total UK Tax Contribution as % of turnover	24%	21%

There is currently much debate about the role of business and what it contributes to society. We believe that businesses with a positive purpose, supported by mindful consumers and values-driven employees, are the key to transforming and improving our country and protecting our environment. LEON directly impacts the well-being of customers and employees and has inspired the menus and practices of many other operators. The tax payer, and therefore the general British public, receives cash equivalent to 24% of the company's sales compared to the shareholders who even today after a fifteen year commitment receive less than 5% of the company's sales - and even then this is re-invested, creating more jobs and more money for the tax-payer. Whilst we support the increases in Living Wage, the increases in business rates, especially in London, have been immense and frankly we do not buy into the methodology or believe they are fairly calculated. Nor do we believe that online businesses should have such low business rates bills by comparison. It has created an uneven playing field and penalised physical retail and restaurant businesses. Many businesses have failed, and this will continue with the net impact being less revenue for the government not more.

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

We welcome and support campaigns to provide a level playing field between supermarkets and pubs and restaurants when it comes to food and drink sales. We believe that the current 20% VAT rate paid by restaurants for eat-in food and drink, and even for hot food and drink that is taken away, unfairly penalises the hospitality industry. In the US for example sales taxes are 6-10%, depending on the State, significantly lower than in the UK, and cold and hot food is taxed at the same rate. Whilst the historic reasons made sense at the time, it now makes no sense that in the UK a LEON wrap with one hot item (e.g. a Chicken aioli wrap) has VAT of 20% added whilst for example a refrigerated chicken wrap from elsewhere with similar ingredients and the same amount of preparation time has no VAT added if taken away.

Review of the business including Key Performance Indicators (KPI's)

UK Market Conditions and trends impacting the business

2018 was another challenging year for the hospitality industry, during which the sector saw subdued customer spending together with continuing increases in costs, driven by business rates increases, rent reviews, wage inflation and the new apprenticeship levy, all of which contributed to another year of significant margin erosion.

The "High Street" continues to suffer terribly with another slew of corporate retrenchments and failures, particularly in the retail and hospitality sectors. In our 2017 report we suggested that two things need to happen soon if our sector is to stand a chance of returning to prosperity.

Firstly that in the private sector, landlords must realign their expectations significantly, and that the current status quo of upwards only rent reviews needs looking at by government, notably the current commercial norm that market rents are rebased and reviewed by benchmarking with the highest comparable rent paid by anyone in the locality also needs to change. Whilst we are starting to see signs of landlords beginning to realign expectations, we have yet to see any concrete developments to address the structural rent review inequity.

Secondly, that there is significant inequality in the proportion of Local Authority collected Business Rates borne by the out-of-town warehouse e-tailers, compared with that borne by the high street tenants. We welcome the fact that this matter is now being given consideration; however action to rebalance the share of tax burden borne is still urgently required.

Whilst market conditions remain challenging, Leon had an excellent year in terms of sales growth, as detailed below and as presented in these Financial Statements. The Company has now recorded 18-months of consecutive like for like sales growth.

Analysis of development and performance

As referred to above, Leon UK has seen 18-months of consecutive like for like sales growth. For 2018 overall like for like sales were +15.2% (53 Week period ended 31 December 2017: +0.9%). We believe that the principle reasons for this exceptionally strong performance are that we have continued to launch exciting new menu items launched, at attractive prices, and we have benefitted from a highly energised and well incentivised team.

In terms of development and performance, the other significant events were:

- the opening of Leon's first USA restaurant in September 2018
- the opening of 7 further franchise outlets during 2018, including first sites in Norway and Spain
- one additional company owned restaurant opened in the UK.

The tables below set out the performance of the UK without the consolidation of the USA results. The Consolidated Profit and Loss account on page 12 does not give a clear picture of the strength of performance of the UK trading business in 2018.

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

2018 Key financial and other KPI's

Strong revenue growth summarised in the "Key performance indicator" table below arose mainly as a result of volume growth, as well as two (2017: 5) LEON owned openings in the period, together with seven (2017: 5) new franchise units opened. Of the two LEON owned openings, one was in the UK and the second was LEON's first USA opening, in Washington D.C.

Key performance indicator	2018	2017	Change
Revenue from All Leon Sites	£95.0m	£76.3m	+18.7m
Owned Sites	41	39	+2
Like-for-Like Sales	15.2%	0.9%	1,430 bps
Franchise Sites	20	13	+7
Total Sites	61	52	+9
Total Revenue (including USA)	£65.2m	£56.3m	+£8.9m
Adjusted EBITDA (including USA)	£3.5m	£3.6m	-£0.1m
Adjusted UK EBITDA	£3.9m	£3.6m	+£0.3m

Notes:

Revenue from all LEON sites represents the total sales from both owned and franchise sites including the first USA restaurant.

Like-for-like sales % is calculated by comparing 52 week year-on-year owned sites revenue performance, excluding the first two months from opening.

Total revenue represents total revenue from owned sites plus franchise royalty and licence income ("Turnover" as per Profit & loss account on page 12).

During the period the business incurred exceptional administrative expenses as detailed in note 3 to the financial statements.

Adjusted UK EBITDA is UK operating EBITDA before exceptional, and restaurant pre-opening costs of £145k (53 Week period ended 31 December 2017: £677k).

Presentation of KPI results excluding USA activities

	52 weeks ended 30 December 2018 Total UK £m	53 weeks ended 31 December 2017 Total UK £m
Turnover	64.9	56.3
Gross Profit	45.0	40.0
Administrative expenses	(44.3)	(39.8)
Exceptional expenses	(0.2)	(0.9)
Operating profit / (loss)	0.6	(0.8)
Adjusted EBITDA	3.9	3.6

Note:

Adjusted UK EBITDA is operating EBITDA before exceptional and restaurant pre-opening costs.

LEON RESTAURANTS LIMITED

STRATEGIC REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

Key risks and uncertainties

The Company regularly assesses the significant risks faced and takes action where appropriate to mitigate their potential impact. Moreover the challenges previously referred to in the Review of the business continue to be significant. In the board's opinion the following are the principal risks and uncertainties faced.

There is continuing uncertainty around the Brexit process and its potential impact, both in terms of UK economy and resultant consumer spending resilience, supply chain inflation and risk of disruption and staff availability. However the likelihood of a "cliff-edge" or "no deal" Brexit appears to be diminishing.

Inflationary pressures continue, in particular in food and wage costs. Whilst LEON will ideally mitigate this by achieving transactions volume growth underpinned by an attractive value for money pricing strategy, further mitigations around reductions in overall costs and menu pricing uplifts are possible.

The group has undrawn loan facilities sufficient to fund the fitting out of current new property commitments. The borrowings are secured by charges over the group's assets. Cash forecasts are produced frequently and regularly reviewed to manage day to day liquidity. The board does not currently expect interest rates to significantly increase in 2019 or 2020. The group borrows at variable rates and will consider using an interest rate hedging strategy should the risk be considered material.

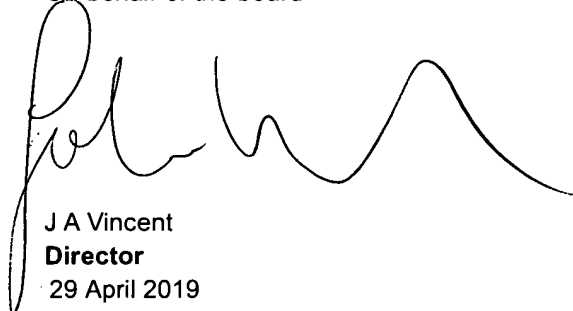
Future developments

Strong cash flow, and the equity raised during 2017 enable the Board to continue planning for growth, both in the UK home market and internationally. It is the Board's intention to continue development of the business, with a view to achieving the following:

- Helping more people live well and eat well;
- Continued focus on the wellbeing and development of our family members (LEON employees)
- More innovation in our naturally fast food category;
- Continuing UK expansion;
- Continuing LEON's trial in the US market, with further new openings;
- More focus on profitability in the face of ongoing inflationary challenges.

We wish to thank all our LEON family teams for their dedication and hard work - our progress and achievements would never happen without them. Our success also depends on our guests continuing to visit our restaurants, and on many others including suppliers, franchise partners, investors, lenders and countless other friends of LEON and on behalf of everyone who works at LEON we would like to thank you.

On behalf of the board



J A Vincent
Director
29 April 2019

LEON RESTAURANTS LIMITED

DIRECTORS' REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

The directors present their report and audited consolidated financial statements for the 52 week period ended 30 December 2018. (2017 was a 53 week period).

Results and dividends

The consolidated profit and loss account for the 52 week period is set out on page 12.

The directors do not recommend payment of a dividend (2017: nil).

Future developments and financial risks of the company are included in the Strategic Report.

Directors

The directors of the company, who were in office during the period and up to the date of signing of the financial statements were:

J A Vincent
T J Smalley
S J B Skinner
N D Evans
B D Blum
A W Perring
F L Lambranhó
R Boscolo

Employee involvement

The group's policy is to consult and discuss with employees matters likely to affect their interests and their day-to-day wellbeing. We do this by periodic online questionnaires, our "family check-in" and we always follow up on matters which are raised.

We keep our family informed with bulletins, newsletters, reports and via team meetings which seek to achieve a common awareness of the financial economic and other factors affecting our performance.

Gender pay gap and gender diversity

Our median gender pay gap reported for the 2018/19 tax year is 0% (2017/18 0.1%), compared to the Food & Beverage sector at 3% and the U.K. average of 17.9%. Whilst our mean gender pay gap of 7.5% is higher, we are comparatively better than the Food & Beverage sector at 9.5% and the UK average at 17.1%. This is a reflection of the makeup of our senior team as at 5th April 2018 where 67% of the team were men and 33% women. Overall, women made up 53% of our workforce in 2018/19 and constitute the majority in all roles except the senior team.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

LEON RESTAURANTS LIMITED

DIRECTORS' REPORT

FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

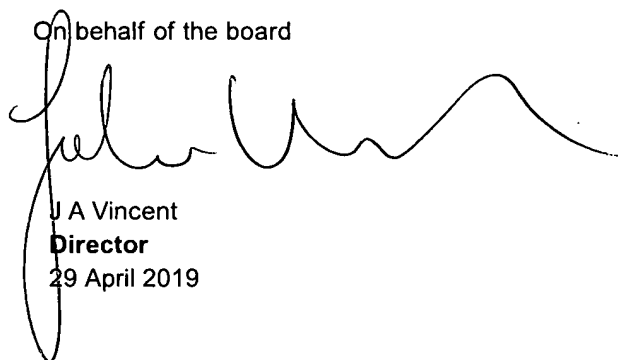
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the board



J A Vincent

Director

29 April 2019

LEON RESTAURANTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON RESTAURANTS LIMITED

Report on the financial statements

Opinion

In our opinion, Leon Restaurants Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 December 2018 and of the group's loss and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and company balance sheets as at 30 December 2018; the consolidated profit and loss account, the consolidated cash flow statement, and the group and company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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 based on these responsibilities.

LEON RESTAURANTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON RESTAURANTS LIMITED

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Emma Jarvis (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 April 2019

LEON RESTAURANTS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

		52 Week period ended 30 December 2018	53 Week period ended 31 December 2017
	Note	£	£
Turnover	2	65,179,192	56,285,800
Cost of sales		(19,959,081)	(16,323,505)
Gross profit		45,220,111	39,962,295
Administrative expenses before exceptional items		(45,509,938)	(39,785,463)
Exceptional administrative expenses	3	(411,230)	(938,391)
Administrative expenses		(45,921,168)	(40,723,854)
Operating loss	3	(701,057)	(761,559)
Loss before interest and taxation		(701,057)	(761,559)
Interest receivable and similar income	6	8,796	-
Interest payable and similar expenses	7	(1,096,771)	(1,067,711)
Loss before taxation		(1,789,032)	(1,829,270)
Tax on loss	8	(48,750)	-
Loss for the financial period		(1,837,782)	(1,829,270)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

There is no material difference between the loss before taxation and the loss for the financial period stated above and their historical cost equivalents.

Note:

Delivery commission has been reclassified from administrative expenses to cost of sales. The reclassification has also been reflected in the comparison financial period ended 31 December 2017 for consistency.

LEON RESTAURANTS LIMITED

GROUP AND COMPANY BALANCE SHEET AS AT 30 DECEMBER 2018

	Notes	Group		Company	
		30 December 2018	31 December 2017	30 December 2018	31 December 2017
		£	£	£	£
Fixed assets					
Intangible assets	10	26,806	29,292	26,806	29,292
Tangible assets	11	15,042,683	15,014,909	14,147,730	15,014,909
Subsidiary undertakings	13	-	-	50,208	50,100
		15,069,489	15,044,201	14,224,744	15,094,301
Current assets					
Inventories	14	293,204	264,814	280,258	264,814
Debtors amounts falling due within one year	15	3,038,339	2,680,530	5,664,041	2,416,453
Debtors amounts falling due after more than one year	16	2,321,755	2,300,505	2,321,755	2,300,505
Cash at bank and in hand		10,207,264	7,635,129	9,546,511	7,635,129
		15,860,562	12,880,978	17,812,565	12,616,901
Creditors: amounts falling due within one year	17	(12,438,772)	(7,692,183)	(12,287,393)	(7,670,804)
Net current assets		3,421,790	5,188,795	5,525,172	4,946,097
Total assets less current liabilities		18,491,279	20,232,996	19,749,916	20,040,398
Creditors: amounts falling due after more than one year	18	(13,155,422)	(13,059,357)	(13,155,422)	(13,059,357)
Net assets		5,335,857	7,173,639	6,594,494	6,981,041
Capital and reserves					
Called up share capital	20	323,100	323,100	323,100	323,100
Share premium account	21	17,111,364	17,111,364	17,111,364	17,111,364
Profit and loss account	21	(12,098,607)	(10,260,825)	(10,839,970)	(10,453,423)
Total shareholders' funds	22	5,335,857	7,173,639	6,594,494	6,981,041

The Company made a loss for the financial year of £579,146 (2017: loss £1,829,270).

The financial statements on pages 12 to 33 were approved by the Board of Directors on 18 April 2019 and signed on its behalf by:



A W Perring
Director

29 April 2019

Company Registration No. 050184

LEON RESTAURANTS LIMITED

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

Group	Called up share capital £	Share premium £	Profit and loss account £	Total equity £
Balance as at 26 December 2016	264,676	10,645,045	(8,431,555)	2,478,166
Loss for the financial period	-	-	(1,829,270)	(1,829,270)
Total comprehensive loss for the period	-	-	(1,829,270)	(1,829,270)
Shares issued	58,424	6,466,319	-	6,524,743
Total transactions with owners, recognised directly in equity	58,424	6,466,319	-	6,524,743
Balance as at 31 December 2017	323,100	17,111,364	(10,260,825)	7,173,639
Balance as at 1 January 2018	323,100	17,111,364	(10,260,825)	7,173,639
Loss for the financial period	-	-	(1,837,782)	(1,837,782)
Total comprehensive loss for the period	-	-	(1,837,782)	(1,837,782)
Shares issued	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 30 December 2018	323,100	17,111,364	(12,098,607)	5,335,857

Company	Called up share capital £	Share premium £	Profit and loss account £	Total equity £
Balance as at 26 December 2016	264,676	10,645,045	(8,624,153)	2,285,568
Loss for the financial period	-	-	(1,829,270)	(1,829,270)
Total comprehensive loss for the period	-	-	(1,829,270)	(1,829,270)
Shares issued	58,424	6,466,319	-	6,524,743
Total transactions with owners, recognised directly in equity	58,424	6,466,319	-	6,524,743
Balance as at 31 December 2017	323,100	17,111,364	(10,453,423)	6,981,041
Balance as at 1 January 2018	323,100	17,111,364	(10,453,423)	6,981,041
Loss for the financial period	-	-	(579,146)	(579,146)
Total comprehensive loss for the period	-	-	(579,146)	(579,146)
Shares issued	-	-	-	-
Dividend received from subsidiary	-	-	192,599	192,599
Total transactions with owners, recognised directly in equity	-	-	192,599	192,599
Balance as at 30 December 2018	323,100	17,111,364	(10,839,970)	6,594,494

LEON RESTAURANTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

	Note	£	2018 £	2017 £
Net cash inflow from operating activities	(a)		6,465,671	2,369,827
Taxation paid			(48,750)	-
Net cash generated from operating activities			6,416,921	2,369,827
Cash flow from investing activities				
Purchase of intangible assets		(14,380)	(40,075)	
Purchase of tangible assets		(2,829,984)	(4,633,661)	
Proceeds from disposal of tangible assets		-	-	
Interest received		8,796	-	
Net cash used in investing activities			(2,835,568)	(4,673,736)
Cash flow from financing activities				
Issue of ordinary share capital		-	6,524,743	
Proceeds from bank loan		-	1,500,000	
Proceeds from other loan		-	-	
Repayment of bank loans		-	-	
Repayment of other short-term loans		(6,000)	(6,000)	
Expenses paid in connection with issue of debt		(4,500)	(154,700)	
Interest paid		(998,718)	(1,039,930)	
Net cash used in financing activities			(1,009,218)	6,824,113
Increase in cash in the period			2,572,135	4,520,204
Cash at the beginning of the period			7,635,129	3,114,925
Cash at the end of the period			10,207,264	7,635,129

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

a Reconciliation of operating loss to net cash inflow from operating activities

	2018 £	2017 £
Operating loss	(701,057)	(761,559)
Amortisation of intangible assets	16,866	14,205
Depreciation of tangible assets	2,988,583	2,711,226
Tangible asset write-off	5,842	-
Increase in impairment provision	-	514,760
(Increase)/ decrease in stocks	(28,390)	30,386
Increase in debtors	(379,059)	(790,381)
Increase in creditors within one year	4,562,886	411,190
Increase in provisions for onerous lease	-	240,000
Net cash inflow from operating activities	6,465,671	2,369,827

b Analysis of net debt

	1 January 2018 £	Cash flow £	Other non- cash changes £	30 December 2018 £
Net cash:				
Cash at bank and in hand	7,635,129	2,572,135	-	10,207,264
Debts falling due within one year	(108,000)	6,000	-	(102,000)
Debts falling due after one year	(13,059,357)	-	(96,065)	(13,155,422)
Net debt	(5,532,228)	2,578,135	(96,065)	(3,050,158)

c Reconciliation of net cash flow to movement in net debt

	2018 £	2017 £
Increase in cash in the 52 week / 53 week period	2,572,135	4,520,204
Other non cash movements	(96,065)	-
Cash outflow (inflow) from decrease (increase) in debt	6,000	(1,393,658)
Movement in net debt	2,482,070	3,126,546
Opening net debt	(5,532,228)	(8,658,774)
Closing net debt	(3,050,158)	(5,532,228)

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

1 Accounting policies

General information

Leon Restaurants Limited is a pioneer in the rapidly evolving contemporary fast food market. The Company is a private Company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is 4th Floor, St Margaret's House, 18 – 20 Southwark Street, London, SE1 1TJ.

Basis of preparation

The financial statements of Leon Restaurants Limited have been prepared in compliance with United Kingdom Accounting Standard, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom" ("FRS 102") and the Companies Act 2006. The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has adopted FRS 102 in these financial statements.

The financial statements consolidate the financial statements of Leon Restaurants Limited and all its subsidiary undertakings ('subsidiaries') detailed in Note 25.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent Company profit and loss account.

Turnover

(i) Restaurant turnover

Turnover shown in the profit and loss account represents the value of goods and services provided net of discounts during the period, stated net of value added tax.

(ii) Franchise turnover

Franchise turnover comprise of on-going royalty fees based on an agreed percentage and up-front signing fees.

(iii) Other royalties

Other royalties comprise of on-going fees based on an agreed percentage for licenced products.

Intangible fixed assets and amortisation

Intangible assets are comprised of trademarks and are stated at historic cost and amortised over the useful economic life of that asset as follows:

Trademarks	up to 10 years
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Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less any provision for impairment, less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold property	over the period of the lease
Restaurant and office equipment	over 5 years

The depreciation charge for the period is included within administrative expenses.

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

1 Accounting policies

(Continued)

Stock

Stocks are valued at the lower of cost and net releasable value after making allowance for obsolete and slow-moving stocks.

Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the 52 week (2017: 53 week) period they are payable.

Management Fee

Following a review by senior management of the accounting treatment of Leon Restaurants Franchising Limited, the board has agreed to their proposal that, going forward, a management charge equivalent to the total revenue be levied such that the income is transferred to the group Company. This is consistent with the remit of the entity whose sole purpose is collect franchise income on behalf of the group.

Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences. A Deferred tax asset is recognised to the extent that it is regarded as recoverable. Deferred tax assets and liabilities are calculated using the taxation rates that have been enacted or substantively enacted by the balance sheet date.

Share-based payments

Certain senior employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby they render services in exchange for shares. These are accounted for as equity settled share-based payment. The cost of equity settled transaction is measured by reference to the fair value at the grant date and is recognised as an expense over the vesting period.

Exceptional administrative costs

The Company classifies items of expenses as exceptional items, where the nature of the item, or its size, is likely to be material, non-recurring and unrelated to normal trading activities, so as to assist the user of the financial statements to better understand the Company's underlying trading position.

Significant accounting judgements and key sources of estimation uncertainty.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results.

Impairment

The Company considers whether its intangible and tangible assets are impaired. Where an indication of impairment is identified, the determination of recoverable value requires estimation of future cash flows based on appropriate assumptions.

Provisions

Provisions are made for onerous leases. These provisions require management's best estimate of the timing and value of future cash flows in order to establish the value of the provision.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

2 Turnover

The total turnover of the group for the 52 week period (2017: 53 weeks) has been derived from its three revenue streams.

	2018	2017
Analysis by turnover category:	£	£
Restaurant revenue	62,662,440	53,248,706
Franchise income	2,323,374	2,961,308
Other royalties	193,378	75,786
Turnover	65,179,192	56,285,800

	2018	2017
Analysis by turnover geography:	£	£
United Kingdom	64,858,857	56,285,800
USA	320,335	-
Turnover	65,179,192	56,285,800

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

3 Operating profit / (loss)

Operating profit / (loss) is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets	2,988,583	2,711,226
Amortisation of intangible assets	16,866	14,205
Inventory recognised as an expense	18,486,373	15,426,757
Operating lease rentals	7,789,050	7,055,982
Exceptional administration expenses	411,230	938,391
Fees payable to the Company's auditors:		
- as auditors	52,500	32,500
- for tax compliance service	14,000	6,000
- for tax advisory service	35,000	63,750
- for other services	3,000	6,000
Loss on disposal of tangible fixed assets	5,842	-

For the period ended 30 December 2018, the exceptional administrative expenses incurred principally comprise of costs arising from a settlement payment in respect of perpetual agreement for future charges on openings (£160,000), and pre-incorporation costs incurred for the USA operation (£251,230).

For the period ended 31 December 2017, the exceptional administrative expenses incurred principally comprise of costs arising from onerous lease and impairment provision (£754,760), property costs incurred to make good warehouse facility for sub-lease and aborted lease acquisition fees (£106,224), re-organisation of the head office (£35,907) and financing advice (£41,500).

Audit fees for the subsidiaries are borne by the parent Company.

4 Directors' remuneration

	2018 £	2017 £
Group and company		
Remuneration for qualifying services	543,209	853,147
Company contributions to money purchase pension schemes	2,087	936
	545,296	854,083

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	293,511	529,461
Company contributions to money purchase pension scheme	703	386
	294,214	529,847

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

5 Employees

Group and company

Number of employees

The average monthly number of employees (including directors) during the 52 week (2017: 53 week) period was:

	2018 Number	2017 Number
Support office	65	63
Restaurant team	1,010	857
	1,075	920

Employment costs	2018 £	2017 £
Wages and salaries	20,844,451	18,968,007
Social security costs	1,598,493	1,516,665
Other pension costs	179,950	90,099
	22,622,894	20,574,771

6 Interest receivable and similar income

	2018 £	2017 £
Bank interest received	4,547	-
Interest on Director's loan	4,249	-
	8,796	-

7 Interest payable and similar charges

	2018 £	2017 £
Interest payable on bank borrowing	984,411	985,429
On other loans wholly repayable within five years	11,794	10,424
Amortisation of loan fees	96,066	61,858
Expenses paid in connection with issue of debt	4,500	-
Hedging advice	-	10,000
	1,096,771	1,067,711

The issue costs associated with the bank loans and other loans are amortised over the life of the instruments in accordance with FRS 102.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

8 Tax on loss	2018 £	2017 £
UK Corporation tax	48,750	-
Total current tax	48,750	-
Deferred tax		
Origination and reversal of timing differences (Note 9)	-	-
Tax on loss	48,750	-

Factors affecting the tax credit for the 52 week / 53 week period

	2018 £	2017 £
Loss before taxation	(1,789,032)	(1,829,270)
Loss before taxation multiplied by standard rate of UK corporation tax of 19.0% (2017: 19.25%)	(339,916)	(352,134)
Effects of:		
Expenses not deductible for tax purposes	9,500	154,916
Adjustments in respect of prior period	48,750	-
Re-measurement of deferred tax	-	-
Timing differences on fixed assets	141,722	197,218
Tax losses not recognised	239,141	-
Losses brought forward	(50,447)	-
Total tax charge for the period	48,750	-

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9 Loss for the financial period

As permitted by section 408 Companies Act 2006, the holding Company's profit and loss account has not been included in these financial statements. The loss for the financial period is made up as follows:

	2018 £	2017 £
Company's loss for the financial period	(579,146)	(1,829,270)

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

10 Intangible assets

Group and Company

	Trademarks	Total
	£	£
Cost		
At 1 January 2018	43,497	43,497
Additions	14,380	14,380
Disposals	-	-
At 30 December 2018	57,877	57,877
Accumulated amortisation		
At 1 January 2018	14,205	14,205
Charge for the period	16,866	16,866
Disposals	-	-
At 30 December 2018	31,071	31,071
Net book value		
At 30 December 2018	26,806	26,806
At 31 December 2017	29,292	29,292

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

11 Tangible assets

Group

	Leasehold property £	Restaurant and office equipment £	Total £
Cost			
At 1 January 2018	15,357,725	10,703,805	26,061,530
Additions	1,779,646	1,242,553	3,022,199
Disposals	-	(10,038)	(10,038)
Impairment	-	-	-
At 30 December 2018	17,137,371	11,936,320	29,073,691
Accumulated depreciation			
At 1 January 2018	5,773,250	5,273,371	11,046,621
Charge for the period	1,132,481	1,856,102	2,988,583
Disposals	-	(4,196)	(4,196)
At 30 December 2018	6,905,731	7,125,277	14,031,008
Net book value			
At 30 December 2018	10,231,640	4,811,043	15,042,683
At 31 December 2017	9,584,475	5,430,434	15,014,909

Included within fixed asset additions is £404,013 (2017: £120,200) of assets under construction, representing fit out and lease premiums of unopened sites. No depreciation charge is made until assets are completed and brought in to use.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

11 Tangible assets (continued)

Company

	Leasehold property £	Restaurant and office equipment £	Total £
Cost			
At 1 January 2018	15,357,725	10,703,805	26,061,530
Additions	1,155,701	934,565	2,090,266
Disposals	-	(10,038)	(10,038)
Impairment	-	-	-
At 30 December 2018	16,513,426	11,628,332	28,141,758
Accumulated depreciation			
At 1 January 2018	5,773,250	5,273,371	11,046,621
Charge for the period	1,114,446	1,837,157	2,951,603
Disposals	-	(4,196)	(4,196)
At 30 December 2018	6,887,696	7,106,332	13,994,028
Net book value			
At 30 December 2018	9,625,730	4,522,000	14,147,730
At 31 December 2017	9,584,475	5,430,434	15,014,909

Included within fixed asset additions is £363,429 (2017: £120,200) of assets under construction, representing fit out and lease premiums of unopened sites. No depreciation charge is made until assets are completed and brought in to use.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

12 Deferred tax asset

The deferred tax asset is made up as follows:

Group and Company

	52 week period ended 30 December 2018 £	53 week period ended 31 December 2017 £
Unrelieved tax losses:		
Deferred tax asset brought forward	800,000	800,000
Charge in the period	-	-
Deferred tax asset carried forward	800,000	800,000

13 Subsidiary undertakings

Company	Shares in group undertakings £
Cost	
At 1 January 2018	50,100
Additions	208
Disposals	(100)
At 30 December 2018	50,208
Net book value	
At 30 December 2018	50,208
At 31 December 2017	50,100

Leon Franchising Limited is in the process of being wound-up, with its assets being transferred to Leon Restaurants Limited by way of a dividend.

In the opinion of the directors, the carrying value of the investments is supported by their underlying net assets.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

14 Inventories

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	293,204	264,814	280,258	264,814

There is no significant difference between the replacement cost of the stock and its carrying value.

15 Debtors: amounts falling due within one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Trade debtors	448,945	384,134	448,295	120,764
Amounts owed by group undertakings	-	-	2,667,254	-
Other debtors	487,098	491,124	484,741	490,417
Prepayments and accrued income	2,102,296	1,805,272	2,063,751	1,805,272
	3,038,339	2,680,530	5,664,041	2,416,453

16 Debtors: amounts falling due after more than one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Other debtors	1,521,755	1,500,505	1,521,755	1,500,505
Deferred tax	800,000	800,000	800,000	800,000
	2,321,755	2,300,505	2,321,755	2,300,505

Within the Group and the Company, other debtors includes rental deposits of £1,521,755 (2017: £1,500,505) which are receivable in more than one year.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

17 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other loans	102,000	108,000	-	-
Trade creditors	4,763,760	2,121,838	4,696,279	2,121,838
Amounts owed to group undertakings	-	-	175,815	228,931
Taxation and social security	1,909,647	1,555,930	1,902,999	1,555,930
Other creditors	694,186	491,709	638,835	491,709
Accruals and deferred income	4,969,179	3,414,706	4,873,465	3,272,396
	12,438,772	7,692,183	12,287,393	7,670,804

The other loans are shown net of unamortised loan issue costs of £nil (2017: nil).

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	13,155,422	13,059,357	13,155,422	13,059,357

Bank loans are shown net of unamortised issue costs of £344,578 (2017: £440,643).

19 Creditors – capital instruments

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts repayable:				
In one year or less	102,000	108,000	-	-
In more than two years but not more than five years	13,500,000	13,500,000	13,500,000	13,500,000
	13,602,000	13,608,000	13,500,000	13,500,000
Unamortised loan issue expenses	(344,578)	(440,643)	(344,578)	(440,643)
	13,257,422	13,167,357	13,155,422	13,059,357

The issue costs associated with the loans are amortised over the life of the loans in accordance with FRS 102.

Interest on the bank loans is between 5.26% and 6.38% above bank base rate. The bank loans are secured by a fixed and floating charge over the assets of the Company.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

20 Called up share capital

Group and company	2018 £	2017 £
Allotted, called-up and fully paid		
274,974 (2017: 274,974) Ordinary of £1 each	274,974	274,974
12,012 (2017: 12,012) Option shares £1 each	12,012	12,012
10,129 (2017: 10,129) Ordinary B of £1 each	10,129	10,129
273 (2017: 3,143) Ordinary C of £1 each	273	3,143
6,851 (2017: 6,851) L1 of £1 each	6,851	6,851
10,277 (2017: 10,277) L2 of £1 each	10,277	10,277
17,129 (2017: 17,129) L3 of £0.03 each	514	514
8,070 (2017: 5,200) Deferred shares	8,070	5,200
	323,100	323,100

During the period, 2,870 of the Ordinary C shares were converted into Deferred shares. The Deferred shares have no equity participation.

During 2017, the Company issued 38,263 Ordinary Shares in a transaction which raised net proceeds of £6,524,743. The Ordinary shares carry full equity and dividend participation, with voting rights. The Option shares carry no voting rights, otherwise ranking pari passu with the Ordinary shares.

The Ordinary B and C shares carry equity and dividend participation above a threshold of £25 million and £35 million equity value respectively and are subject to time based vesting provisions.

The L1 shares, issued during 2017 are subject to time based vesting provisions and carry equity and dividend participation above a threshold of £53.7 million. The L2 shares, issued during the period, are subject to a financial performance target of £19 million EBITDA in December 2022. The L3 shares, issued during the period, are subject to a valuation target of £750 million within 10 years.

As equity settled incentives, an assessment of fair value at grant date has been made for the Ordinary B, Ordinary C shares, and the L1, L2 and L3 shares. There has been no charge to the Profit and Loss account in respect of these shares (2017: £17,642).

There were 2,519 Options to acquire Ordinary shares at a price of £1 per share. The options were issued on 24th September 2010 and were exercised in 2017.

There are 6,280 Options to acquire Ordinary shares at a price of £27.80 per share. The options were issued on 25th May 2012 are fully vested. The fair value at the date of issue and exercise price are both £27.80 per share.

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

21 Statement of movements on reserves

	Share premium account	Profit and loss account
Group		
	£	£
Balance at 1 January 2018	17,111,364	(10,260,825)
Loss for the financial period	-	(1,837,782)
Balance at 30 December 2018	17,111,364	(12,098,607)
Company		
	Share premium account £	Profit and loss account £
Balance at 1 January 2018	17,111,364	(10,453,423)
Dividend	-	192,599
Loss for the financial period	-	(579,146)
Balance at 30 December 2018	17,111,364	(10,839,970)

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

22 Reconciliation of movements in shareholders' funds	2018	2017
Group	£	£
Loss for the financial period	(1,837,782)	(1,829,270)
Issue of shares	-	6,524,743
Net (decrease) / increase to shareholders' funds	(1,837,782)	4,695,473
Opening shareholders' funds	7,173,639	2,478,166
Closing shareholders' funds	5,335,857	7,173,639

Company	2018	2017
	£	£
Loss for the financial period	(579,146)	(1,829,270)
Dividend	192,599	-
Issue of shares	-	6,524,743
Net (decrease) / increase to shareholders' funds	(386,547)	4,695,473
Opening shareholders' funds	6,981,041	2,285,568
Closing shareholders' funds	6,594,494	6,981,041

23 Financial commitments

At 30 December 2018 and 31 December 2017, the group had aggregate commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2018	2017
	£	£
Payment due		
No later than one year	7,477,750	6,922,148
Later than one year and no later than five years	27,307,464	25,597,361
Later than five years	31,648,037	34,192,204
	66,433,251	66,711,713

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

24 Ultimate controlling party

In the opinion of the directors, there is no single controlling party, as no party owns over 50%.

Leon Restaurants Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 December 2018.

25 Principal subsidiaries

Name	Country	Address of the registered office	Nature of business	Interest
Leon Naturally Fast Food Plc	UK	18-20 Southwark St, London SE1 1TJ	Holder of consumer bond	100% ordinary shares
TUK Shop Corporation Limited	UK	18-20 Southwark St, London SE1 1TJ	Restaurant Operator	100% ordinary shares
Leon Grocery Limited	UK	18-20 Southwark St, London SE1 1TJ	Food & Beverage Products	100% ordinary shares
Leon USA Inc	USA (Delaware)	1209 Orange St, City of Wilmington, Delaware 19801	USA operating company	100% ordinary shares
Leon Meatballs LLC	USA (Delaware)	1209 Orange St, City of Wilmington, Delaware 19801	USA lease company	100% ordinary shares

LEON RESTAURANTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED 30 DECEMBER 2018

26 Related party relationships and transactions

Group

During the period, Active Private Equity Advisory LLP, shareholder and a company in which N Evans and S Skinner are designated members, invoiced Leon Restaurants Limited £45,000 (2017: £45,000) for monitoring fees. At the period end, there was no outstanding balance (2017: £nil).

During the period, Spice Private Equity (Bermuda) Ltd, shareholder, invoiced Leon Restaurants Limited £50,000 (2017: £16,667) for monitoring fees for their board representation. At the period end, there was no outstanding balance (2017: £16,667).

During the period the Company entered into a number of transactions with Peanut & Crumb Limited, who are a related party, by connection to a Company Director, for the provision of marketing films. The total invoiced during the period was £29,290 (2017: £34,085) and at period end there was no outstanding amount (2017: £nil).

During the period the Company sold products purchased through Rosemary Water Limited, who are a related party, by connection to a Company Director. The total invoiced during the period was £43,575 (2017: £nil).

During 2017, the Company provided restaurant management support to Flat Planet Bakeries Limited, which shares a common Director. The total amount invoiced to Flat Planet Bakeries Limited during the period totalled £21,615, and at period end, there was no outstanding amount.

During 2017, the Company provided a loan to a Director of the Company for £150,000, with interest payable at the rate of 3.0% per annum (2017: 3.0%). At the end of 2018 the balance of the loan was £150,000.

The Company is exempt under FRS 102 from disclosing related party transactions with entities that are part of the Leon Restaurants Limited Group.