COMPANY REGISTRATION NUMBER: 6343560

THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30 DECEMBER 2018

THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2018 TO 30 DECEMBER 2018

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GOING CONCERN

The directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

PRINCIPAL ACTIVITIES

The Company and the Group's principal activity is the sale of pizzas.

RESULTS FOR THE FINANCIAL YEAR

The audited financial statements for the period ended 30 December 2018 was a profit of £687,130 (31 December 2017: £1,221,441).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group has been profitable this financial period and is expected to continue to do so by way of excellent product, effective management and control and with the support of the franchisor which has an impressive track record in the United Kingdom and abroad. This has seen the increase in turnover from £21,653,478 for the period ended 31 December 2017 to £23,286,943 for the period ended 30 December 2018. On 31 December 2018 the group acquired two new stores via the acquisition of Hascombe Heath Limited and Dorset Pizza Limited. The directors expect the trading levels of existing stores to continue to improve.

KEY PERFORMANCE INDICATORS

Both financial and non-financial key performance indicators are produced and reviewed by the directors on a monthly basis. These KPIs include turnover, margins, profit/loss and staffing metrics. Key performance indicators have been detailed in the business review section above.

RISKS AND UNCERTAINTIES

Economic Risk - The group is exposed to any slowdown in the UK economy, arising from level of employment, disposable income, interest rates and consumer confidence. The risk is mitigated by maintaining a wide customer basis and a competitive offering in the market through management's close relationship with the franchise operator.

Regulatory risks - The group's operations require compliance with a wide range of regulations: such as health and safety and hygiene procedures. The group has implemented a rigorous regime of standards and safety checks (including food) to ensure each store is operating at the highest of standards.

Consumer taste - Any material change in the consumer taste of the pizza delivery industry could adversely affect the group. The group works alongside the franchise operator at assessing demographic trends, ensuring innovation and fresh products are available to customers.

Liquidity risks - In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long term and short term debt finance.

The group does not in general expose itself to fluctuations in changes in foreign currency exchange rates. Due to the nature of the business, there is little exposure to credit risk either, and therefore no specific policies are required in respect of trade receivables.

EMPLOYEES

It is the group policy to recruit the most capable persons for the positions. Group practices and procedures, including those relating to pay, promotions, terminations and training, comply with relevant legislation without discrimination. The group does not tolerate harassment of employees.

This report was approved by the board of directors on 27/09/2019 and signed on behalf of the board by:

M S Grewal
Director

Registered office:
The Courtyard
Chapel Lane
Bodicote
Banbury
Oxfordshire
OX15 4DB

The directors present their report and the audited consolidated financial statements of the group for the period ended 30 December 2018.

Directors

The directors who served the company during the period were as follows:

M S Grewal
B K Grewal

Dividends

The directors do not recommend the payment of a dividend.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of staff members become disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal meetings, and through personal interaction with the company directors who visits all the stores in the company and group regularly, and thus are easily accessible to all employees.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 26 to the consolidated financial statements.

Qualifying indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force during the financial period and as at the date of approving the directors' report.

Disclosure of information in the strategic report

The company has chose in accordance with Companies Act 2006, s.414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management.

Statement of directors' responsibilities in respect of the financial statements

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

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 the profit or loss of the group and company for that period. In preparing these 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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.

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.

Directors' confirmations

In the case of each director in office at the date of 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 steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

This report was approved by the board of directors on 27/09/2019 and signed on behalf of the board by:

M S Grewal
Director

Registered office:
The Courtyard
Chapel Lane
Bodicote
Banbury
Oxfordshire
OX15 4DB

Independent auditors' report to the members of Third State Pizza Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Third State Pizza Company 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 profit 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 30 December 2018; the consolidated profit and loss account, the consolidated statement of cash flows, and the consolidated 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. 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.

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 in respect of the financial statements, 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.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
30 September 2019

THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 JANUARY 2018 TO 30 DECEMBER 2018

	Note	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Turnover	4	23,286,943	21,653,478
Cost of sales		(16,406,775)	(14,855,426)
Gross profit		6,880,168	6,798,052
Administrative expenses		(5,692,084)	(5,067,757)
Other operating income	5	34,950	29,700
Operating profit	6	1,223,034	1,759,995
Interest payable and similar expenses	10	(264,649)	(150,844)
Profit before taxation		958,385	1,609,151
Tax on profit	11	(271,255)	(387,710)
Profit for the financial period and total comprehensive income		687,130	1,221,441
Profit for the financial period attributable to:			
The owners of the parent company		331,700	803,211
Minority interests		355,430	418,230
		687,130	1,221,441

All the activities of the group are from continuing operations.

The notes on pages 14 to 31 form part of these consolidated financial statements.

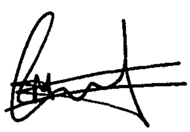
THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

30 DECEMBER 2018

	Note		30 Dec 18 £		31 Dec 17 £
Fixed assets					
Intangible assets	12		308,124		369,730
Tangible assets	13		4,822,762		5,753,565
			5,130,886		6,123,295
Current assets					
Stocks	15	141,534		144,009	
Debtors	16	10,675,867		9,840,877	
Cash at bank and in hand		3,411,038		3,054,393	
		14,228,439		13,039,279	
Creditors: amounts falling due within one year	17	(7,385,000)		(6,201,067)	
Net current assets			6,843,439		6,838,212
Total assets less current liabilities			11,974,325		12,961,507
Creditors: amounts falling due after more than one year	18		(7,898,878)		(9,263,768)
Provisions for liabilities					
Taxation, including deferred taxation	19		(10,112)		(78,834)
Net assets			4,065,335		3,618,905
Capital and reserves					
Called up share capital	23		100		100
Profit and loss account	24		3,025,482		2,693,782
Equity attributable to the owners of the parent company			3,025,582		2,693,882
Minority interests			1,039,753		925,023
			4,065,335		3,618,905

These consolidated financial statements were approved by the board of directors and authorised for issue on 27/09/2019, and are signed on behalf of the board by:



M S Grewal
Director

Company registration number: 6343560

The notes on pages 14 to 31 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED

COMPANY BALANCE SHEET

30 DECEMBER 2018

	Note		30 Dec 18 £		31 Dec 17 £
Fixed assets					
Intangible assets	12		104,812		124,312
Tangible assets	13		3,311,971		3,950,941
Investments	14		280,275		280,275
			3,697,058		4,355,528
Current assets					
Stocks	15	88,380		89,802	
Debtors	16	9,943,010		9,283,296	
Cash at bank and in hand		2,613,544		2,381,483	
		12,644,934		11,754,581	
Creditors: amounts falling due within one year	17	(6,253,817)		(4,839,410)	
Net current assets			6,391,117		6,915,171
Total assets less current liabilities			10,088,175		11,270,699
Creditors: amounts falling due after more than one year	18		(7,792,902)		(9,155,826)
Provisions for liabilities					
Taxation, including deferred taxation	19		(59,729)		(105,996)
Net assets			2,235,544		2,008,877
Capital and reserves					
Called up share capital	23		100		100
Profit and loss account	24		2,235,444		2,008,777
Total shareholders' funds			2,235,544		2,008,877

The profit for the financial period of the parent company was £226,667 (2017: £594,754).

These consolidated financial statements were approved by the board of directors and authorised for issue on 27/09/2019, and are signed on behalf of the board by:

M S Grewal
Director

Company registration number: 6343560

The notes on pages 14 to 31 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 1 JANUARY 2018 TO 30 DECEMBER 2018

	Called up share capital £	Profit and loss account £	**Equity attributable to the owners of the parent company £**	Minority interests £	**Total £**
At 26 December 2016	100	1,890,571	1,890,671	693,793	2,584,464
Profit for the period	–	803,211	803,211	418,230	1,221,441
Total comprehensive income for the period	–	803,211	803,211	418,230	1,221,441
Dividends paid and payable	–	–	–	(187,000)	(187,000)
Total investments by and distributions to owners	–	–	–	(187,000)	(187,000)
At 31 December 2017	100	2,693,782	2,693,882	925,023	3,618,905
Profit for the period	–	331,700	331,700	355,430	687,130
Total comprehensive income for the period	–	331,700	331,700	355,430	687,130
Dividends paid and payable	–	–	–	(240,700)	(240,700)
Total investments by and distributions to owners	–	–	–	(240,700)	(240,700)
At 30 December 2018	100	3,025,482	3,025,582	1,039,753	4,065,335

The notes on pages 14 to 31 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 1 JANUARY 2018 TO 30 DECEMBER 2018

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 26 December 2016	100	1,414,023	1,414,123
Profit for the period	–	594,754	594,754
Total comprehensive income for the period	–	594,754	594,754
At 31 December 2017	100	2,008,777	2,008,877
Profit for the period	–	226,667	226,667
Total comprehensive income for the period	–	226,667	226,667
At 30 December 2018	100	2,235,444	2,235,544

The notes on pages 14 to 31 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD FROM 1 JANUARY 2018 TO 30 DECEMBER 2018

	30 Dec 18	31 Dec 17
	£	£
Cash flows from operating activities		
Profit for the financial period	687,130	1,221,441
Adjustments for:		
Depreciation of tangible assets	1,209,994	1,058,147
Amortisation of intangible assets	61,606	59,626
Interest payable and similar expenses	264,649	150,844
Loss on disposal of tangible assets	67,876	2,998
Tax on profit	271,255	387,710
Changes in:		
Stocks	2,475	(18,051)
Trade and other debtors	546,163	(678,216)
Trade and other creditors	(199,329)	766,372
Cash generated from operations	2,911,819	2,950,871
Tax paid	(236,465)	(451,447)
Net cash from operating activities	2,675,354	2,499,424
Cash flows from investing activities		
Purchase of tangible assets	(348,066)	(2,423,537)
Proceeds from sale of tangible assets	999	24,351
Purchase of intangible assets	–	(45,000)
Net cash used in investing activities	(347,067)	(2,444,186)
Cash flows from financing activities		
New bank loans	–	11,318,000
Repayments of bank loans	(1,545,428)	(1,037,014)
Loans to other related entities	(168,590)	(7,833,694)
Interest paid	(264,649)	(150,844)
New other loans	552,000	141,000
Repayments of other loans	(304,275)	(55,100)
Dividends paid to minority interests	(240,700)	(187,000)
Net cash (used in)/from financing activities	(1,971,642)	2,195,348
Net increase in cash and cash equivalents	356,645	2,250,586
Cash and cash equivalents at beginning of period	3,054,393	803,807
Cash and cash equivalents at end of period	3,411,038	3,054,393

The notes on pages 14 to 31 form part of these consolidated financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Courtyard, Chapel Lane, Bodicote, Banbury, Oxfordshire, OX15 4DB.

2. Statement of compliance

The principal activity of the company during the year was pizza delivery.

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

3. Accounting policies

Basis of preparation

These financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

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

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group consolidated financial statements by virtue of section 408 of the Companies Act 2006.

3. Accounting policies *(continued)*

Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the progress of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment
In assessing whether there have been any indicators of impairment of assets, the directors have considered both internal and external sources of information such as market conditions, counterparty credit ratings and experience recoverability. There have been no indicators of impairments identified during the current financial period.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(ii) Estimating value in use
Where an indication of impairment exists the directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

(iii) Recoverability of receivables
The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(iv) Determining residual values and useful economic lives of property, plant and equipment
The company depreciate tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Revenue recognition

The turnover shown in the profit and loss account represents amounts for goods sold during the year, exclusive of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

3. Accounting policies *(continued)*

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Goodwill purchased from the acquisition of a new store is capitalised and written off on a straight line basis over its useful economic life, which is the lesser of the trading property lease period or the period of the franchise agreement.

Hive-ups

When the controlling interest of shares are purchased, the company recognises the investment in the entity as an investment for the fair value of consideration paid. No goodwill is recognised.

Where the underlying trade and assets of the entity are then subsequently 'hived up', it is deemed that a business combination has occurred as the initial investment in shares was represented by the underlying trade and assets at the time of acquisition. Differences between the purchase consideration and the trade and net assets recognised is recognised as goodwill (upon acquisition).

Any differences between the goodwill recognised and the initial investment in the entity are written-off to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

3. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	10% per annum straight line basis
Franchise fee	-	Straight line basis over the term on the franchise agreement

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Straight line basis over the term of the trading property lease period
Fixtures and fittings	-	20% per annum straight line basis
Motor vehicles	-	25% per annum reducing balance basis

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets comprise of debtors and cash.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities comprise of creditors.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year of less. If not, then they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

3. Accounting policies *(continued)*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

4. Turnover

Turnover arises from:

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Sale of goods	23,286,943	21,653,478

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Other operating income

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Rental income	34,950	29,700

6. Operating profit

Operating profit is stated after charging:

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Amortisation of intangible assets	61,606	59,626
Depreciation of tangible assets	1,209,994	1,058,147
Loss on disposal of tangible assets	67,876	2,998

7. Auditors' remuneration

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Fees payable for the audit of the parent and consolidated financial statements	16,113	19,067
The audit of the company's subsidiaries	8,056	9,403
	24,169	28,470

8. Staff costs

The average number of persons employed by the group during the period, including the directors, amounted to:

	30 Dec 18 No.	31 Dec 17 No.
Operatives	545	552
Management	2	2
	547	554

The aggregate payroll costs incurred during the period, relating to the above, were:

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Wages and salaries	6,206,968	5,590,463
Social security costs	272,633	246,882
Other pension costs	52,214	25,470
	6,531,815	5,862,815

9. Directors' remuneration

No remuneration has been paid to the directors during the current or previous year.

10. Interest payable and similar expenses

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Interest on banks loans and overdrafts	260,181	142,984
Other interest payable and similar expenses	4,468	7,860
	264,649	150,844

11. Tax on profit

Major components of tax expense

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Current tax:		
UK current tax expense	339,977	397,127
Adjustments in respect of prior periods	–	1,983
Total current tax	339,977	399,110
Deferred tax:		
Origination and reversal of timing differences	(68,722)	(11,400)
Tax on profit	271,255	387,710

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	Period from 1 Jan 18 to 30 Dec 18 £	Period from 26 Dec 16 to 31 Dec 17 £
Profit on ordinary activities before taxation	958,385	1,609,151
Profit on ordinary activities by rate of tax	182,093	309,706
Adjustment to tax charge in respect of prior periods	–	1,983
Effect of expenses not deductible for tax purposes	89,162	78,800
Adjustment to opening deferred tax to average rate	–	(1,756)
Adjustment to closing deferred tax to average rate	–	(1,023)
Tax on profit	271,255	387,710

Factors that may affect future tax expense

A reduction in the UK corporation tax rate from 20% to 19% (Effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

12. Intangible assets

Group

	Goodwill £	Franchise Fee £	**Total £**
Cost			
At 1 January 2018 and 30 December 2018	328,765	300,000	628,765
Accumulated amortisation			
At 1 January 2018	140,131	118,904	259,035
Charge for the period	31,752	29,854	61,606
At 30 December 2018	171,883	148,758	320,641
Carrying amount			
At 30 December 2018	156,882	151,242	308,124
At 31 December 2017	188,634	181,096	369,730

Company

	Franchise Fee £
Cost	
At 1 January 2018 and 30 December 2018	195,000
Accumulated amortisation	
At 1 January 2018	70,688
Charge for the period	19,500
At 30 December 2018	90,188
Carrying amount	
At 30 December 2018	104,812
At 31 December 2017	124,312

13. Tangible assets

Group	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	**Total £**
Cost				
At 1 January 2018	4,646,962	4,886,797	38,902	9,572,661
Additions	50,152	297,914	–	348,066
Disposals	(39,266)	(161,021)	–	(200,287)
At 30 December 2018	4,657,848	5,023,690	38,902	9,720,440
Accumulated depreciation				
At 1 January 2018	1,540,563	2,249,161	29,372	3,819,096
Charge for the period	420,869	786,643	2,482	1,209,994
Disposals	(1,853)	(129,559)	–	(131,412)
At 30 December 2018	1,959,579	2,906,245	31,854	4,897,678
Carrying amount				
At 30 December 2018	2,698,269	2,117,445	7,048	4,822,762
At 31 December 2017	3,106,399	2,637,636	9,530	5,753,565

Company	Leasehold improvements £	Fixtures and fittings £	**Total £**
Cost			
At 1 January 2018	3,071,257	3,134,124	6,205,381
Additions	36,290	177,501	213,791
Disposals	(27,271)	(144,822)	(172,093)
At 30 December 2018	3,080,276	3,166,803	6,247,079
Accumulated depreciation			
At 1 January 2018	873,281	1,381,159	2,254,440
Charge for the period	284,617	512,917	797,534
Disposals	(99)	(116,767)	(116,866)
At 30 December 2018	1,157,799	1,777,309	2,935,108
Carrying amount			
At 30 December 2018	1,922,477	1,389,494	3,311,971
At 31 December 2017	2,197,976	1,752,965	3,950,941

14. Investments

The group has no investments.

14. Investments *(continued)*

Company	**Shares in group undertakings**
	£
Cost	
At 1 January 2018 and 30 December 2018	280,275
Accumulated impairment	
At 1 January 2018 and 30 December 2018	–
Carrying amount	
At 30 December 2018	280,275
At 31 December 2017	280,275

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
MSG Cornwall Ltd	Ordinary A	51
Bansols 888 Ltd	Ordinary	51

The address of the registered office for all the above companies is The Courtyard, Chapel Lane, Bodicote, Banbury, Oxon OX15 4DB.

The interest in Bansols 888 Ltd is held through the subsidiary company, MSG Cornwall Ltd.

MSG Cornwall Ltd trades in pizza delivery. Bansols 888 Ltd is dormant.

15. Stocks

	Group		**Company**	
	30 Dec 18	**31 Dec 17**	**30 Dec 18**	**31 Dec 17**
	£	**£**	**£**	**£**
Raw materials and consumables	141,534	144,009	88,380	89,802

Stock recognised in cost of sales during the year as an expense was £6,518,819 (2017: £6,085,546).

The difference between purchase price of stocks and their replacement cost is not material.

16. Debtors

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Trade debtors	32,687	657,618	25,610	579,816
Prepayments and accrued income	292,127	303,119	209,552	218,727
Amounts owed by other related entities	10,209,194	8,828,041	9,616,431	8,451,770
Other debtors	141,859	52,099	91,417	32,983
	10,675,867	9,840,877	9,943,010	9,283,296

Included within trade debtors are amounts due from other related entities as follows:
Group £31,107 (2017: £655,823)
Company £24,272 (2017: £578,478)

17. Creditors: amounts falling due within one year

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Other loans	125,943	44,933	77,947	–
Bank loans and overdrafts	1,577,095	1,590,918	1,577,095	1,544,964
Trade creditors	632,974	1,220,024	413,880	884,649
Accruals and deferred income	1,549,731	1,992,924	1,142,395	1,568,376
Corporation tax	499,640	396,128	272,074	155,195
Social security and other taxes	929,404	514,675	700,401	260,961
Amounts owed to other related entities	1,598,940	386,377	1,598,940	386,377
Other creditors	471,273	55,088	471,085	38,888
	7,385,000	6,201,067	6,253,817	4,839,410

Included within trade creditors are amounts due to other related entities as follows:
Group £42,380 (2017: £216,113)
Company £31,515 (2017: £272,916)

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

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Other loans	274,657	107,942	168,681	–
Bank loans and overdrafts	7,624,221	9,155,826	7,624,221	9,155,826
	7,898,878	9,263,768	7,792,902	9,155,826

Bank loans are secured over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future.

The bank loans are repayable over the period until June 2024. The interest rate on the loans are 1.75% and 2% per annum over the Bank of England Base Rate.

Other loans are repayable by instalments over the period of the loan until 1 November 2025. The interest rate on the other loans are either interest free or 3% above LIBOR.

18. Creditors: amounts falling due after more than one year *(continued)*

Included within creditors: amounts falling due after more than one year is an amount of £1,010,064 (2017: £2,573,871) for the group and £990,064 (2017: £2,544,704) for the company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

19. Provisions for liabilities

Group	Deferred tax (note 20)
	£
At 1 January 2018	78,834
Amounts recognised in profit and loss account	(68,722)
At 30 December 2018	10,112

Company	Deferred tax (note 20)
	£
At 1 January 2018	105,996
Amounts recognised in profit and loss account	(46,267)
At 30 December 2018	59,729

20. Deferred tax

The deferred tax included in the company balance sheet is as follows:

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Included in provisions for liabilities (note 19)	10,112	78,834	59,729	105,996

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Accelerated capital allowances	10,153	80,098	59,743	107,042
Other short term timing differences	(41)	(1,264)	(14)	(1,046)
	10,112	78,834	59,729	105,996

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £52,214 (2017: £25,470).

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Trade debtors	32,687	657,618	25,610	579,816
Other debtors	10,351,053	8,880,140	9,707,848	8,484,753
	10,383,740	9,537,758	9,733,458	9,064,569

Financial assets that are equity instruments measured at cost less impairment

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Shares in group undertakings	–	–	280,275	280,275

Financial liabilities measured at amortised cost

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Other loans	400,600	152,875	246,628	–
Bank loans and overdrafts	9,201,316	10,746,744	9,201,316	10,700,790
Trade creditors	632,974	1,220,024	413,880	884,649
Other creditors	3,619,943	2,434,389	3,212,420	1,993,641
	13,854,833	14,554,032	13,074,244	13,579,080

23. Called up share capital

Issued, called up and fully paid

	30 Dec 18		31 Dec 17	
	No.	£	No.	£
Ordinary shares of £1 each	100	100	100	100

24. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	30 Dec 18	31 Dec 17	30 Dec 18	31 Dec 17
	£	£	£	£
Not later than 1 year	585,004	598,582	424,300	424,300
Later than 1 year and not later than 5 years	1,915,508	2,088,006	1,360,127	1,510,685
Later than 5 years	3,637,121	4,045,927	2,850,812	3,123,392
	6,137,633	6,732,515	4,635,239	5,058,377

The amount recognised in the profit and loss account as an expense in relation to operating leases was £528,067 (2017: £509,699).

26. Events after the end of the reporting period

On 31 December 2018 the group acquired 100% of the issued share capital of Hascombe Heath Limited, a company controlled by H S Grewal, brother of M S Grewal, for total consideration of £1,191,625.
On 31 December 2018 the group acquired 100% of the issued share capital of Dorset Pizza Limited, a company controlled by S S Grewal, brother of M S Grewal, for total consideration of £542,534.

27. Related party transactions

Group

Information about related party transactions and outstanding balances are outlined below:

	30 Dec 18	31 Dec 17
	£	£
Sales to other related parties	353,991	615,815
Purchases from other related parties	1,067,513	787,583
Asset purchases from other related parties	190,931	1,222,341
Management charges from other related parties	452,250	424,500
Amounts owed to other related parties	1,641,320	667,291
Amounts due from other related parties	10,240,301	9,548,664

27. Related party transactions *(continued)*

Company

Information about related party transactions and outstanding balances are outlined below:

	30 Dec 18	31 Dec 17
	£	£
Sales to entities over which the entity has control	2,734	2,447
Purchases from entities over which the entity has control	102	3,863
Amounts owed to entities over which the entity has control	14	1,555
Sales to other related parties	290,054	541,627
Purchases from other related parties	699,047	504,486
Assets purchased from other related parties	124,646	965,289
Management charges from other related parties	286,500	270,000
Amounts owed to other related parties	1,630,455	657,738
Amounts due from other related parties	9,640,703	9,030,248