

Company Registration No. 06494671 (England and Wales)

HARTS GROUP LTD
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2019



HARTS GROUP LTD

COMPANY INFORMATION

Directors

S K Hart
E G Hart
S D Edgson
S B Hart
H R Gabb
The Hon W J Cadogan
J H Hart
C C Gabb
C A Hindmarsh
C Somerville

Secretary S D Edgson

Company number 06494671

Registered office

The Old Hall
Market Overton
Oakham
Rutland
LE15 7PL

Auditor

Newby Castleman LLP
West Walk Building
110 Regent Road
Leicester
LE1 7LT

Business address

The Old Hall
Market Overton
Oakham
Rutland
LE15 7PL

Bankers

Barclays Bank Plc
PO Box 34
Colmore Row
Birmingham
B3 2BY

HARTS GROUP LTD

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HARTS GROUP LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2019

The directors present their strategic report for the year ended 31 July 2019.

Fair review of the business

The directors aim to present a balanced and comprehensive review of the performance of the group during the year and of its position at the year end. This review is consistent with the size and nature of the group and is written in the context of the risks and uncertainties that the group faces.

The principal activity of the company is that of a holding company. The principal activity of the group continued to be that of restaurateurs.

The directors consider that the key financial performance indicators are those which communicate the financial performance and strength of the group as a whole, being turnover and gross profit margin. During the year, the group's turnover increased by 37.67%. The profit before taxation was £281,223 with a gross profit margin of 74.7%, compared with a loss before taxation of £445,702 and 71.5% for the previous year.

Barrafina Limited opened a new restaurant in King's Cross in Autumn 2018 which generated turnover of £2.9million.

In light of the current economic climate and competitive nature of the industry in which the group operates, the results for the year and the financial position of the group at the year end were considered satisfactory by the directors who believe that the group is well placed to react quickly to any changes in trading conditions and to take advantage of any business opportunities that may arise.

The directors continually monitor the principal risks and uncertainties of the business and seek to mitigate any such risks. The directors believe that the principal risk factors facing the businesses include: reputational issues, loss of key personnel, and cost increases beyond their control from wage legislation, business rates and food cost changes. The company responds to the highly competitive nature of the restaurant industry by continually improving the standard of its products, both in terms of facilities and levels of service.

COVID-19

The coronavirus (COVID-19) pandemic resulted in the temporary closure of all of the restaurants to the public in March 2020. The sites at Dean Street and King's Cross opened in July 2020 in accordance with government guidelines, while the other sites at Drury Lane and Adelaide Street reopened in August 2020. To help the group through this period, it made use of the Coronavirus Job Retention Scheme as well as taking advantage of mortgage and rent holidays.

In July 2020, £1.5million of loans in Barrafina Limited were converted into shares in Harts Group Ltd, which has improved the balance sheet and cashflows of the group.

On behalf of the board



S D Edgson

Director

Date: 28/8/2020

HARTS GROUP LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2019

The directors present their report and financial statements for the year ended 31 July 2019.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S K Hart
E G Hart
S D Edgson
T F Hart (Resigned 17 September 2018)
S B Hart
H R Gabb
The Hon W J Cadogan
J H Hart
C C Gabb
C A Hindmarsh
C Somerville

Results and dividends

The results for the year are set out on page 6.

The directors do not recommend payment of an ordinary dividend.

Statement of directors' responsibilities

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 year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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's 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. They 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

HARTS GROUP LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

On behalf of the board



.....
S D Edgson
Director

Date: 28/8/2020

HARTS GROUP LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HARTS GROUP LTD

Opinion

We have audited the financial statements of Harts Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the Group Profit And Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's* responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.3 of the financial statements concerning the group's ability to continue as a going concern. The group had net current liabilities of £1,497,688 as at 31 July 2019. These conditions, along with other matters as set forth in note 1.3, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

HARTS GROUP LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HARTS GROUP LTD

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

**John Griffin FCCA (Senior Statutory Auditor)
for and on behalf of Newby Castleman LLP**

28 August 2020

Chartered Accountants
Statutory Auditor
West Walk Building
110 Regent Road
Leicester
LE1 7LT

HARTS GROUP LTD

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £	2018 £
Turnover	3	14,474,386	10,513,493
Cost of sales		(3,667,695)	(2,997,500)
Gross profit		10,806,691	7,515,993
Administrative expenses		(10,163,532)	(7,546,085)
Other operating income		105,869	-
Operating profit/(loss)	4	749,028	(30,092)
Interest payable and similar expenses	8	(467,805)	(415,610)
Profit/(loss) before taxation		281,223	(445,702)
Taxation	9	(47,832)	6,805
Profit/(loss) for the financial year		233,391	(438,897)
Profit/(loss) for the financial year is attributable to:			
- Owners of the parent company		314,830	(368,276)
- Non-controlling interests		(81,439)	(70,621)
		233,391	(438,897)

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

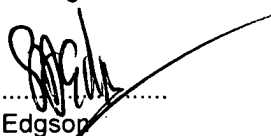
HARTS GROUP LTD

GROUP BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11	6,511,261		5,056,927	
Current assets					
Stocks	14	257,884		203,432	
Debtors	15	2,162,100		2,745,999	
Cash at bank and in hand		896,421		611,032	
		3,316,405		3,560,463	
Creditors: amounts falling due within one year	16	(4,814,093)		(4,234,175)	
Net current liabilities		(1,497,688)		(673,712)	
Total assets less current liabilities		5,013,573		4,383,215	
Creditors: amounts falling due after more than one year	17	(3,970,917)		(3,621,782)	
Provisions for liabilities	20	(386,103)		(338,271)	
Net assets		656,553		423,162	
Capital and reserves					
Called up share capital	22	12,275		12,275	
Share premium account	23	2,424,980		2,424,980	
Profit and loss reserves	23	(921,146)		(1,235,976)	
Equity attributable to owners of the parent company		1,516,109		1,201,279	
Non-controlling interests		(859,556)		(778,117)	
		656,553		423,162	

The financial statements were approved by the board of directors and authorised for issue on 28/8/2020 and are signed on its behalf by:


S D Edgson
Director

HARTS GROUP LTD

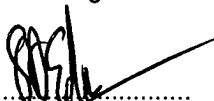
COMPANY BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Investments	12		2,279		2,279
Current assets					
Debtors	15	5,377,689		6,162,323	
Cash at bank and in hand		20,473		4,509	
		5,398,162		6,166,832	
Creditors: amounts falling due within one year	16	(847,096)		(1,819,563)	
Net current assets		4,551,066		4,347,269	
Total assets less current liabilities		4,553,345		4,349,548	
Creditors: amounts falling due after more than one year	17	(1,359,330)		(1,598,810)	
Net assets		3,194,015		2,750,738	
Capital and reserves					
Called up share capital	22	12,275		12,275	
Share premium account	23	2,857,204		2,857,204	
Profit and loss reserves	23	324,536		(118,741)	
Total equity		3,194,015		2,750,738	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £443,277 (2018 - £195,051 loss).

The financial statements were approved by the board of directors and authorised for issue on 28/8/2020 and are signed on its behalf by:



 S D Edgson
 Director

Company Registration No. 06494671

HARTS GROUP LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 1 August 2017		10,651	185,942	(714,069)	(517,476)	(707,496)	(1,224,972)
Year ended 31 July 2018:							
Loss and total comprehensive income for the year		-	-	(368,276)	(368,276)	(70,621)	(438,897)
Issue of share capital	22	1,624	2,239,038	-	2,240,662	-	2,240,662
Dividends		-	-	(153,631)	(153,631)	-	(153,631)
Balance at 31 July 2018		12,275	2,424,980	(1,235,976)	1,201,279	(778,117)	423,162
Year ended 31 July 2019:							
Profit and total comprehensive income for the year		-	-	314,830	314,830	(81,439)	233,391
Balance at 31 July 2019		12,275	2,424,980	(921,146)	1,516,109	(859,556)	656,553

HARTS GROUP LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 August 2017		10,651	618,166	76,310	705,127
Year ended 31 July 2018:					
Loss and total comprehensive income for the year		-	-	(195,051)	(195,051)
Issue of share capital	22	1,624	2,239,038	-	2,240,662
Balance at 31 July 2018		12,275	2,857,204	(118,741)	2,750,738
Year ended 31 July 2019:					
Profit and total comprehensive income for the year		-	-	443,277	443,277
Balance at 31 July 2019		12,275	2,857,204	324,536	3,194,015

HARTS GROUP LTD

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	30	2,505,177		1,391,571	
Interest paid		(467,805)		(415,610)	
Income taxes paid		(52,241)		(20,658)	
Net cash inflow from operating activities		1,985,131		955,303	
Investing activities					
Purchase of tangible fixed assets		(2,151,295)		(1,102,045)	
Payment of other investments and loans		(182,198)		-	
Net cash used in investing activities		(2,333,493)		(1,102,045)	
Financing activities					
Proceeds from issue of shares		-		88	
Proceeds from loans		450,000		1,000,000	
Repayment of loans		(321,321)		(293,367)	
Proceeds from finance leases		775,512		-	
Payment of finance lease obligations		(297,581)		(334,440)	
Dividends paid		-		(153,631)	
Net cash generated from financing activities		606,610		218,650	
Net increase in cash and cash equivalents		258,248		71,908	
Cash and cash equivalents at beginning of year		604,169		532,261	
Cash and cash equivalents at end of year		862,417		604,169	
Relating to:					
Cash at bank and in hand		896,421		611,032	
Bank overdrafts included in creditors payable within one year		(34,004)		(6,863)	

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

Company information

Harts Group Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The address of the registered office and the place of business is given in the company information page of these financial statements.

The group consists of Harts Group Ltd and all of its subsidiaries ("the group").

1.1 Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements have been prepared with early application of the FRS 102 Triennial Review 2017 amendments in full.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has taken advantage of the exemption from preparing a statement of cash flows on the basis that the group statement of cash flows, included in these financial statements, includes the company's cash flows.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Harts Group Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 July 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

1.3 Going concern

These financial statements have been prepared on the going concern basis. The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cast doubt on the group's ability to continue as a going concern.

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

The group meets its day to day working capital requirements through management of its cash resources, a bank loan facility and loans provided by the shareholders. The directors have prepared forecasts for the period ending 12 months from the date of approval of these financial statements. Based on these forecasts, the directors consider the group will have sufficient working capital to meet the forecast levels of group activity. Furthermore £1.5million of loans in Barrafinia Limited were converted into shares in Harts Group Ltd in July 2020. Therefore the directors consider it appropriate to prepare the financial statements on the going concern basis. However, the margin of facilities over requirements is not large and, inherently, there can be no certainty in relation to these matters.

Trade post year end has been significantly impacted by the coronavirus (COVID-19) pandemic, for further details see note 26. The financial impact cannot currently be estimated although this is being monitored by the management team.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT, and comprises;

- the sale of food and beverages, which is recognised at the point of sale.
- membership income, which is recognised on the date that the membership is issued.
- sponsorship income, which is recognised in line with the conditions stipulated in the sponsorship contracts.

1.5 Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Short leasehold improv'ts	Straight line over the life of the lease
Fixtures, fittings & computer equipment	10% to 33% per annum of cost

1.6 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount in order to determine the extent of the impairment loss (if any). Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price and are measured on a first in first out basis. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

1.9 Financial instruments

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Debtors and creditors with no stated interest rate and receivable or payable within one year are measured at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

(Continued)

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.11 Employee benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation.

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease.

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not consider there to be any key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements.

3 Turnover

All turnover originates in the United Kingdom from the group's principal activity.

4 Operating profit/(loss)

	2019 £	2018 £
Operating profit/(loss) for the year is stated after charging:		
Depreciation of owned tangible fixed assets	609,168	354,277
Depreciation of tangible fixed assets held under finance leases	87,793	70,021
Operating lease charges	1,030,212	680,714

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	26,500	23,500

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Restaurant	211	168	-	-
Management	19	12	13	2
Total	230	180	13	2

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	5,598,768	4,395,304	561,332	190,643
Social security costs	495,396	367,392	61,849	7,657
Pension costs	66,143	28,734	11,821	366
	<u>6,160,307</u>	<u>4,791,430</u>	<u>635,002</u>	<u>198,666</u>

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	<u>-</u>	<u>1,167</u>

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	101,011	117,612
Interest on finance leases and hire purchase contracts	101,523	106,468
Other interest on financial liabilities	265,271	191,530
	<u>467,805</u>	<u>415,610</u>

9 Taxation

	2019 £	2018 £
Deferred tax		
Origination and reversal of timing differences	<u>47,832</u>	<u>(6,805)</u>

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

9 Taxation

(Continued)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit/(loss) before taxation	281,223	(445,702)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	53,432	(84,683)
Tax effect of expenses that are not deductible in determining taxable profit	2,448	5,055
Depreciation on assets not qualifying for tax allowances	41,213	13,325
Reversal of deferred tax asset for unused tax losses	(49,261)	59,498
Taxation charge/(credit)	47,832	(6,805)

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 August 2018 and 31 July 2019	1,511,312
Amortisation and impairment	
At 1 August 2018 and 31 July 2019	1,511,312
Carrying amount	
At 31 July 2019	-
At 31 July 2018	-

The company had no intangible fixed assets at 31 July 2019 or 31 July 2018.

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

11 Tangible fixed assets

Group	Short leasehold improv'ts £	Fixtures, fittings & computer equipment £	Total £
Cost			
At 1 August 2018	2,833,084	4,034,744	6,867,828
Additions / (disposals)	(190,803)	2,342,098	2,151,295
At 31 July 2019	2,642,281	6,376,842	9,019,123
Depreciation and impairment			
At 1 August 2018	477,868	1,333,033	1,810,901
Depreciation charged in the year	130,623	566,338	696,961
At 31 July 2019	608,491	1,899,371	2,507,862
Carrying amount			
At 31 July 2019	2,033,790	4,477,471	6,511,261
At 31 July 2018	2,355,216	2,701,711	5,056,927

The company had no tangible fixed assets at 31 July 2019 or 31 July 2018.

Fixed assets have been pledged as security for the group's bank borrowings.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2019 £	2018 £	Company 2019 £	2018 £
Fixtures, fittings & computer equipment	799,962	693,161	-	-
Depreciation charge for the year in respect of leased assets	87,793	70,021	-	-

12 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	13	-	-	2,279	2,279

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

12 Fixed asset investments

(Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost

At 1 August 2018 and 31 July 2019

2,279

Carrying amount

At 31 July 2019

2,279

At 31 July 2018

2,279

13 Subsidiaries

Details of the company's subsidiaries at 31 July 2019 are as follows:

Name of undertaking and country of office	Nature of business	Class of shares held	% held
Barrafina Limited	United Kingdom Restaurateurs	Ordinary	100.00
Fino Restaurant Limited	United Kingdom Restaurateurs	Ordinary	100.00
Leoni's Quo Vadis Limited	United Kingdom Dormant	Ordinary	100.00
Quo Vadis Soho Limited	United Kingdom Restaurateurs	Ordinary	80.00

The registered address of all subsidiaries is the same as the company's registered office address as given in the company information page of these financial statements.

14 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	257,884	203,432	-	-

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

15 Debtors

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	79,812	34,577	-	-
Corporation tax recoverable	64	-	-	-
Amounts owed by group undertakings	-	-	4,368,591	3,817,819
Other debtors	1,442,242	2,351,883	1,008,595	2,344,504
Prepayments and accrued income	639,982	359,539	-	-
	<u>2,162,100</u>	<u>2,745,999</u>	<u>5,377,186</u>	<u>6,162,323</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 20)	-	-	503	-
	<u>-</u>	<u>-</u>	<u>503</u>	<u>-</u>
Total debtors	<u>2,162,100</u>	<u>2,745,999</u>	<u>5,377,689</u>	<u>6,162,323</u>

16 Creditors: amounts falling due within one year

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Bank loans and overdrafts	18	274,004	246,863	240,000	240,000
Obligations under finance leases	19	402,266	181,808	-	-
Other borrowings	18	911,161	874,144	248,125	248,125
Trade creditors		1,022,683	1,207,165	34,411	5,963
Amounts owed to group undertakings		-	-	-	1,283,302
Corporation tax payable		-	52,177	-	-
Other taxation and social security		914,451	803,102	272,254	23,350
Other creditors		655,540	713,185	42,045	18,823
Accruals and deferred income		633,988	155,731	10,261	-
		<u>4,814,093</u>	<u>4,234,175</u>	<u>847,096</u>	<u>1,819,563</u>

17 Creditors: amounts falling due after more than one year

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Bank loans and overdrafts	18	1,359,330	1,598,810	1,359,330	1,598,810
Obligations under finance leases	19	490,737	233,264	-	-
Other borrowings	18	2,120,850	1,789,708	-	-
		<u>3,970,917</u>	<u>3,621,782</u>	<u>1,359,330</u>	<u>1,598,810</u>

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

18 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	1,599,330	1,838,810	1,599,330	1,838,810
Bank overdrafts	34,004	6,863	-	-
Other loans	3,032,011	2,663,852	248,125	248,125
	<u>4,665,345</u>	<u>4,509,525</u>	<u>1,847,455</u>	<u>2,086,935</u>
Payable within one year	1,185,165	1,121,007	488,125	488,125
Payable after one year	<u>3,480,180</u>	<u>3,388,518</u>	<u>1,359,330</u>	<u>1,598,810</u>

Bank loans include a loan of £1,838,810 which is repayable by 7 monthly instalments of £10,000, followed by 50 monthly instalments of £20,000 and a single final repayment instalment sufficient to repay the loan in full. The loan carries a fixed interest rate of 5.8% per annum.

The bank loans are secured by an interlocking cross guarantee and debenture between Quo Vadis Soho Limited, Leoni's Quo Vadis Limited, Fino Restaurant Limited and Barrafinia Limited, limited guarantees given by certain company directors and DTI and a charge over 10 Adelaide Street, London.

Other loans include a loan of £500,000 which was repayable in July 2020 and which carries interest of 10% above bank base rate. A debenture has been given as security for this loan. There is also a guarantee by Harts Group Ltd for this loan.

Other loans include a loan of £500,000 which is repayable in April 2021 and which carries interest of 9.5% above bank base rate. A debenture has been given as security for this loan. There is also a guarantee by Harts Group Ltd for this loan.

Other loans include a loan of £500,000 which is repayable in January 2021 and which carries interest of 9.5% above bank base rate. A debenture has been given as security for this loan. There is also a guarantee by Harts Group Ltd and a company under the control of key management for this loan.

Other loans include a loan of £500,000 which is repayable in May 2021 and which carries interest of 9.5% above bank base rate. A debenture has been given as security for this loan. There is also a guarantee by Harts Group Ltd and a company under the control of key management for this loan.

Other loans include a loan of £250,000 which is repayable in November 2020 and which carries interest of 9.5% above bank base rate. A debenture has been given as security for this loan. There is also a guarantee by Harts Group Ltd and a company under the control of key management for this loan.

19 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	402,266	181,808	-	-
In two to five years	490,737	233,264	-	-
	<u>893,003</u>	<u>415,072</u>	<u>-</u>	<u>-</u>

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

19 Finance lease obligations

(Continued)

The finance leases are secured on the assets to which they relate.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	434,675	338,271	-	-
Tax losses	(48,572)	-	-	-
	<u>386,103</u>	<u>338,271</u>	<u>-</u>	<u>-</u>
Company	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	-	-	503	-
	<u>-</u>	<u>-</u>	<u>503</u>	<u>-</u>
			Group 2019 £	Company 2019 £
Movements in the year:				
Liability at 1 August 2018			338,271	-
Credit to profit or loss			47,832	(503)
Liability/(asset) at 31 July 2019			<u>386,103</u>	<u>(503)</u>
21 Retirement benefit schemes			2019	2018
Defined contribution schemes			£	£
Charge to profit or loss in respect of defined contribution schemes			<u>66,143</u>	<u>28,734</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

22 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
118,370,737 Ordinary shares of 0.01p each (2017 - 1,030,058 Ordinary shares of 1p each)	11,837	11,837
3,500,000 A Ordinary shares of 0.01p each (2017 - 35,000 A Ordinary shares of 1p each)	438	438
	<u>12,275</u>	<u>12,275</u>

Both categories of shares carry the right to attend, speak and vote at all general meetings of the company. The ordinary shares carry a right to participate in any dividends. The A ordinary shares carry no rights to dividends. On a return of capital, the surplus assets will be distributed firstly to holders of A ordinary and ordinary shares at the issue price on each share held and thereafter on a pro rata basis to the holders of ordinary shares.

23 Reserves

The share premium reserve represents the premium on shares issued at a value that exceeds their nominal value.

The profit and loss reserve comprises retained profits and losses for the current and prior periods.

24 Financial commitments, guarantees and contingent liabilities

Under the terms of an unlimited interlocking guarantee, Harts Group Ltd, Quo Vadis Soho Limited, Leoni's Quo Vadis Limited, Fino Restaurant Limited and Barrafinna Limited jointly and severally undertook to satisfy on demand all sums owing to the bank by the other parties to the agreement. At 31 July 2019 the net amount owing to the bank by the group was £1,599,330 (2018 - £1,838,810).

Barrafinna Limited acts as guarantor for loans amounting to £2,500,000 made to a company which has common directors.

25 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Within one year	929,000	679,000	-	-
Between two and five years	4,216,000	4,466,000	-	-
In over five years	11,255,875	11,934,875	-	-
	<u>16,400,875</u>	<u>17,079,875</u>	<u>-</u>	<u>-</u>

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

25 Operating lease commitments

(Continued)

Lessor

At the reporting end date the group had contracted with tenants for the following minimum lease payments:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	150,000	-	-	-
Between two and five years	1,200,000	1,050,000	-	-
In over five years	2,700,000	3,000,000	-	-
	<u>4,050,000</u>	<u>4,050,000</u>	<u>-</u>	<u>-</u>

26 Events after the reporting date

The coronavirus (COVID-19) pandemic resulted in the temporary closure of all of the restaurants to the public in March 2020. The sites at Dean Street and King's Cross opened in July 2020 in accordance with government guidelines, while the other sites at Drury Lane and Adelaide Street reopened in August 2020. The final effect of the pandemic cannot currently be estimated because the virus is still in general circulation and it is unknown whether restrictions will be eased further or re-imposed in the coming months.

In July 2020, £1.5million of loans in Barrafinia Limited were converted into shares in Harts Group Ltd.

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	<u>46,931</u>	<u>47,695</u>

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

27 Related party transactions

(Continued)

Transactions with related parties

Group

During the year, dividends totalling £Nil (2018 - £76,816) were paid to close family members of company directors.

During the year, the following transactions were made to companies which have common directors. Sales and management charges of £1,076,086 (2018 - £129,240), rental income of £202,500 (2018 - £Nil), purchases of £24,469 (2018 - £Nil). Amounts due from these companies at the year end totalled £1,165,788 (2018 - £Nil). Amounts due to these companies at the year end totalled £292,904 (2018 - £260,520)

Creditors include £2,362,844 (2018 - £2,002,000) owed to companies which have common directors. Interest of £125,580 (2018 - £50,667) was paid in relation to these balances.

During the year, purchases totalling £99,833 (2018 - £58,500) were made from a company which has a director in common. Creditors falling due within one year include £1,625 (2018 - £1,625) owed to this company at the year end.

Company

During the year, sales totalling £701,608 (2018 - £Nil) were made to a company which has directors in common. Amounts due to this company at the year end totalled £947,053 (2018 - £101,159) owed from companies which have common directors.

28 Directors' transactions

Group

Dividends totalling £0 (2018 - £76,816) were paid in the year in respect of shares held by the company's directors.

Creditors falling due within one year include amounts owed to directors totalling £248,125 (2018 - £280,125).

Other debtors include £190,210 (2018 - £8,012) advanced to directors of the group during the year.

Company

Creditors falling due within one year include amounts owed to directors totalling £248,125 (2018 - £248,125).

29 Controlling party

The group is controlled by S K Hart, E G Hart and H R Gabb by virtue of their shareholdings in the company.

HARTS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

30 Cash generated from group operations

	2019 £	2018 £
Profit/(loss) for the year after tax	233,391	(438,897)
Adjustments for:		
Taxation charged/(credited)	47,832	(6,805)
Finance costs	467,805	415,610
Depreciation and impairment of tangible fixed assets	696,961	424,298
Movements in working capital:		
(Increase) in stocks	(54,452)	(27,152)
Decrease in debtors	763,740	72,634
Increase in creditors	349,900	951,883
Cash generated from operations	2,505,177	1,391,571

31 Analysis of changes in net debt - group

	1 August 2018 £	Cash flows £	31 July 2019 £
Cash at bank and in hand	611,032	285,389	896,421
Bank overdrafts	(6,863)	(27,141)	(34,004)
	604,169	258,248	862,417
Borrowings excluding overdrafts	(4,502,662)	(128,679)	(4,631,341)
Obligations under finance leases	(415,072)	(477,931)	(893,003)
	(4,313,565)	(348,362)	(4,661,927)