

Registration number: 06754332

# Orchid Pubs & Dining Limited

Annual Report and Financial Statements

for the 53 weeks ended 30 September 2017

SATURDAY



\*A6Y2C0OP\*

A07

20/01/2018

#296

COMPANIES HOUSE

# **Orchid Pubs & Dining Limited**

## **Strategic Report for the 53 weeks ended 30 September 2017**

Orchid Pubs & Dining Limited ("the Company") is a private company limited by shares and is a subsidiary company of Mitchells & Butlers plc. Mitchells & Butlers plc, along with its subsidiaries, form the Mitchells and Butlers group of companies ("the Group").

The Directors present their Strategic Report for the 53 weeks ended 30 September 2017. The comparative period is for the 52 weeks ended 24 September 2016.

### **Business Model**

#### ***Fair review of the business***

The Company is a UK operator of pubs and restaurants with an estate of 128 managed outlets and 2 leased outlets at 30 September 2017 (2016 150 managed outlets and 2 leased outlets).

Over the last year we have continued to focus on our priorities: to build a more balanced business; to instil a more commercial culture; and to grow through technology and innovation. In addition, the conversion programme is now complete and all sites that have not been converted to Mitchells & Butlers brands have been fully integrated within the High Street and Suburban estates.

Our initiatives in these areas have been successful in restoring sales growth and mitigating the inflationary cost headwinds which we faced in the past year. With inflationary costs continuing into the next financial year unabated our focus on efficiency remains at the forefront. To this end, we are embarking on the second phase of initiatives and mitigating activity during the first half of the new financial year.

We achieved sales growth in the financial year having continued to build steadily on the sales improvement which began in the second half of last year. The improvement is partly driven by an increased level of capital investment in our sites but also reflected in an improvement in the performance of our sites which have not seen recent investment.

Margins have been adversely affected during the year by the cost headwinds which are impacting the whole industry. We continue to work diligently to mitigate as much of these cost pressures as possible through the work of both our support and outlet teams.

#### ***Market supply***

The trends within the broader eating out market are mixed, with the restaurant sector overall seeing sales decline but with branded restaurants experiencing growth of 4.5% in 2017. Recent data suggests that consumer behaviour is changing, with people eating out less frequently but spending more when they do make the decisions to go out. In addition, although restaurant supply growth has steadied over the last year the market remains highly competitive and, as a result, levels of discounting appear to be increasing in some segments of the market.

It is well understood that there are unprecedented cost headwinds facing the sector, putting the focus on efficiency and maximising profitable sales growth. In addition, there is also political uncertainty both domestically and surrounding the impact of the UK leaving the European Union. Input costs will continue to be impacted by changes in the value of sterling. While the fall in the value of the currency since the EU referendum has been profit dilutive we do have a strong track record of partially mitigating input costs inflation through procurement initiatives.

#### ***Building a more balanced business***

Over the coming years we are setting out to improve the quality of the estate: by exposing it to more premium market spaces and by improving the overall level of amenity. More premium market spaces are those in which we would expect to see the strongest growth, and they offer a form of long-term mitigation towards cost inflation. This approach is leading us to convert several of our businesses towards more premium concepts as well as selective site disposals where appropriate. To this end, we have carried out a full estate review which gives us a plan for each of our sites. One outcome of this review was the disposal of 20 sites, which completed in July 2017.

The amenity level of our estate is improved through our remodel programme, which encompasses all our brands and allows us to develop the guest proposition whilst maintaining and enhancing the estate through capital investment. In total we have completed 13 remodels and conversions in FY 2017.

# **Orchid Pubs & Dining Limited**

## **Strategic Report for the 53 weeks ended 30 September 2017 (continued)**

### **Business Model (continued)**

#### ***Instilling a more commercial culture***

We have focused our work in this area across a wide range of activities. The four new operating divisions, each containing similar customer types and brands, introduced last year have improved our guest focus and we have made significant progress in the workstreams set up to align to our priorities as evidenced by our sales improvement.

The growth of social media has made online reputation more important than ever and we have made significant progress in this area over the course of the year using reputation.com, an online feedback consolidation tool to improve the level of management engagement with guests.

In these times of unprecedented cost headwinds, it is important that we rigorously identify and secure efficiency and cost saving opportunities across the business and we will continue to have a number of ongoing initiatives to achieve this. Examples from the last year include the improvement of two key operational systems. The first is a time and attendance labour system which requires team members to clock in and out, and the second system which we have updated during the year is our stock control system.

#### ***Grow through innovation and technology***

Innovation and technology are critical areas for us as a business, in terms of efficiency, attracting and interacting with guests and remaining competitive in our markets. As a result, and as with our other priorities, there has been much activity in this space.

A key area of focus is to build on our existing technology, given the systems investment we have made in recent years.

Technology continues to evolve at a rapid pace and we have made good progress against our digital strategy which positions us well to benefit from these changes. Technology now impacts each aspect of the guest journey from learning about our offers to their experience in site with us and our ability to encourage them to come back. One significant area of progress during the year has been the development of our mobile order at table facility, allowing guests to order food and drinks from their own devices. This technology is currently in trial with a view to roll out to more brands.

The demand for food delivery within the industry has remained in growth and we have been positioning ourselves in order to benefit from customers' changing habits which we believe provide an opportunity to capture incremental sales. Over the course of the year we have carried out a successful trial with JustEat allowing us to offer Harvester and Toby Carvery delivery as well as click and collect.

### **Key Performance Indicators**

The performance of the Company is monitored as part of the wider Group, using similar key performance indicators. These are discussed in the Annual Report and Accounts 2017 of Mitchells & Butlers plc and include staff turnover, net promoter score, same outlet sales growth and incremental return on expansionary capital.

Further explanation of the performance and reasons for the movements can be found in the Annual Report and Accounts 2017 of Mitchells & Butlers plc

### **Principal risks and uncertainties**

The Company's Directors consider the risks for the Company to be largely the same as the risks of the Group that are discussed in the Annual Report and Accounts 2017 of Mitchells & Butlers plc. Decisions on how to monitor and mitigate these risks are made for the Group as a whole. Risks relevant to the Company include, but are not restricted to the following:

- **Market risks**

#### ***Consumer and market insight***

Social and demographic changes are driving the long-term growth in eating-out, whilst at the same time leading to a steady decline in the sales of on-trade drinks without food. There is a risk that the Group may not manage and develop its brands in line with consumer needs and market trends, due to failure to obtain or use sufficient insight in a timely manner.

To mitigate this risk, the Group reviews guest feedback submitted in online guest satisfaction surveys. This feedback together with the results of research studies is monitored and evaluated by a dedicated guest insight team to ensure that the Group's brands remain relevant to guests. In addition, the Group operates a consumer and market insight led process to innovate and develop new brands.

# **Orchid Pubs & Dining Limited**

## **Strategic Report for the 53 weeks ended 30 September 2017 (continued)**

### **Principal risks and uncertainties (continued)**

#### ***Pricing and market changes***

External influences, such as changes in the general economic climate or competitor activity, could have a detrimental effect on consumers' spending patterns. In responding to these changes, there is a risk that the Group may not apply price changes intelligently, due to a lack of appreciation of market sensitivities and elasticities.

The Group performs regular monitoring and scrutiny of sales reporting in order to identify adverse trends sufficiently early to take remedial action. There is an increased focus on digital marketing activity and sales training has also been made available for all Retail Management employees. Each Brand also has its own pricing strategy and price promotions are regularly monitored.

#### **• Operational risks**

#### ***People planning and development***

The Group has a strong guest focus, and as such it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities. There is a risk that without the right people our customer service levels would be affected.

The Group makes significant investment in training to ensure that its people have the right skills to perform their jobs successfully. Furthermore, an employee survey is conducted annually to establish employee satisfaction and engagement and this is compared with other companies, as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys.

Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process is used to provide structured succession planning.

#### ***Business continuity and crisis management***

The Group relies on its food and drink supply chain and the key IT systems underlying the business to serve its guests efficiently and effectively. Supply chain interruption, IT system failure or crises such as terrorist activity or the threat of disease pandemic might restrict sales or reduce operational effectiveness.

The Group has in place crisis and continuity plans that are tested and refreshed regularly.

#### ***Food Supply Chain Safety***

Malicious or accidental contamination in the supply chain can lead to food goods being unfit for human consumption or potentially dangerous to consume. This leads to restrictions in supply which in turn causes an increase in cost of goods and reduced sales due to consumer fears and physical harm to customers or employees.

The Group uses a number of technical partners to help prevent contamination. All food products are risk rated using standard industry definitions and take account of the way products are used within our kitchens. Suppliers are also risk rated according to their products, with each food supplier being audited once per annum in respect of safety and additionally in response to a serious food safety complaint or incident.

#### ***Wage Cost Inflation***

There is a risk that increased costs associated with the introduction of the National Living Wage may adversely impact upon overall operational costs.

A detailed review of the risks associated with successfully implementing the National Living Wage has been completed. This review has been undertaken at a strategic level and seeks to ensure that appropriate mitigating actions are in place, some of which are in relation to how the Group carefully manages productivity and efficiency across the estate. Implementation of the National Living Wage will continue to remain an area of focus as we enter FY 2018.

# Orchid Pubs & Dining Limited

## Strategic Report for the 53 weeks ended 30 September 2017 (continued)

### Principal risks and uncertainties (continued)

- **Regulatory risks**

***Failure to operate safely and legally***

A major health and safety failure could lead to illness, injury or loss of life, and could cause significant damage to the Group's or a brand's reputation.

The Group maintains a robust programme of health and safety checks both within its restaurants and pubs and throughout the supply chain. A number of technical partners are used, including food technologists, food safety experts, a microbiologist, allergy consultants and trading standards specialists etc., to ensure that our food procedures are safe. Regular independent audits of trading sites are performed to ensure that procedures are followed and that appropriate standards are maintained. Food suppliers are required to meet the British Retail Consortium Global Standard for Food Safety and are subject to regular safety and quality audits. Comprehensive health and safety training programmes are in place.

### **Future Developments**

The Company aims to deliver long-term sustainable value through organic growth. The strategy to achieve this goal has three core elements:

- Building a more balanced business to ensure exposure to the right market segments by having the correct trading brand or concept in each outlet, based on location, site characteristics and local demographics.
- Instil a more commercial culture by engaging our teams in delivering outstanding guest experiences and by acting quickly and decisively to remain competitive in our fast-changing marketplace.
- Grow through innovation and technology, ensuring that our brands and formats remain fresh and relevant within their market segments, and by leveraging the increasing role that technology can play in improving guest experience.

Approved by the Board on 22 November 2017 and signed on its behalf by:



A W Vaughan  
Director

# **Orchid Pubs & Dining Limited**

## **Directors' Report for the 53 weeks ended 30 September 2017**

The Directors present their report on the affairs of the Company, together with the financial statements and independent auditor's report, for the 53 weeks ended 30 September 2017. The comparative period is for the 52 weeks ended 24 September 2016.

### **Results**

Revenue for the period was £129,407,000 (2016 £122,944,000) with loss for the period before taxation of £15,661,000 (2016 £18,527,000). Taxation credited against the loss for the period was £nil (2016 £13,000) leaving a loss after tax of £15,661,000 (2016 £18,514,000).

Details of future developments can be found in the Strategic Report on page 4.

### **Dividends**

No dividends were declared or paid during the period (2016 £nil).

### **Financial risk management**

The financial risk management objectives and policies of the Company are monitored as part of the wider Group. Details of the risks and exposure of the Group to financial risks including; credit risk liquidity risk and market risk are provided in the Mitchells & Butlers plc Annual Report and Accounts 2017.

### **Going Concern**

The financial statements have been prepared on a going concern basis. The Directors of Mitchells & Butlers plc, the ultimate parent undertaking have stated that they will continue to make funds available to the Company to enable it to meet its debts as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of the balance sheet.

### **Directors of the Company**

The Directors who held office during the period and up to the date of this report were as follows:

L J Miles  
A W Vaughan  
G J McMahon

### **Employment policies**

Through its diversity policy, the Company aims to provide an environment which enables people with disabilities to perform better by reviewing any reasonable adjustments that could be made to the duties, hours worked or working environment in respect of a disabled employee or potential employee. Candidates can inform the Company about their disability through the use of an online recruitment system, so that reasonable adjustments can be made during any assessment events, allowing them to perform to the best of their ability.

Should any employee of the Company become disabled during their time with it, the Company actively makes reasonable adjustments in accordance with current legislation, including arranging appropriate training, to retain them.

### **Employee engagement**

The Company engages with its employees in a number of ways including;

- a monthly magazine poster, Frontline News;
- MABLE, the M&B online learning system;
- line manager briefings; and
- communications road-shows held by brands across the Company.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants and pubs, pulse surveys and an annual Business Forum.

Our employees participate in e-learning, covering food, health and fire safety, Challenge 21 and Intermediate Food Hygiene. We also provide a visual training library which houses short training videos to share best practice tips, health and safety, kitchen and cooking skills.

Employees can participate in the success of the business through employee share schemes.

## **Orchid Pubs & Dining Limited**

### **Directors' Report for the 53 weeks ended 30 September 2017 (continued)**

#### **Disclosure of information to the auditor**

The Directors who held office as at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and that each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

#### **Reappointment of auditor**

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 22 November 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'AW-V', followed by a long horizontal stroke.

A W Vaughan  
Director

## **Orchid Pubs & Dining Limited**

### **Directors' Responsibilities Statement**

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), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# **Independent Auditor's Report to the members of Orchid Pubs & Dining Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its loss for the 53 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Orchid Pubs & Dining (the 'Company') which comprise:

- the Income statement;
- the Statement of Comprehensive Income;
- the Balance sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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 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 these matters.

### **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 respect of these matters.

### **Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Independent Auditor's Report to the members of Orchid Pubs & Dining Limited (continued)**

### **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: [www.frc.org.uk/auditorsresponsibilities](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.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Kate Hadley (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, UK  
22 November 2017

# Orchid Pubs & Dining Limited

## Income statement for the 53 weeks ended 30 September 2017

|                             |      | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|-----------------------------|------|--|--|
|                             | Note |  |  |
| Revenue                     | 2    | 129,407  | 122,944  |
| Operating costs             | 3    | (136,057)                                      | (133,419)                                      |
| Separately disclosed items  | 4    | (8,959)  | (8,022)  |
| <b>OPERATING LOSS</b>       |      | <u>(15,609)</u>                                | <u>(18,497)</u>                                |
| Finance costs               | 6    | (52)   | (30)   |
| <b>LOSS BEFORE TAXATION</b> |      | <u>(15,661)</u>                                | <u>(18,527)</u>                                |
| Tax (expense)/credit        | 7    | -  | 13   |
| <b>LOSS FOR THE PERIOD</b>  |      | <u><u>(15,661)</u></u>                         | <u><u>(18,514)</u></u>                         |

The above results are derived from continuing operations.

The notes on pages 14 to 25 form an integral part of these financial statements.

**Orchid Pubs & Dining Limited**  
**Statement of Comprehensive Income**  
**for the 53 weeks ended 30 September 2017**

|  | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|--|--|--|
| LOSS FOR THE PERIOD                        | <u>(15,661)</u>                                | <u>(18,514)</u>                                |
| TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD | <u>(15,661)</u>                                | <u>(18,514)</u>                                |

The notes on pages 14 to 25 form an integral part of these financial statements.

# Orchid Pubs & Dining Limited

(Registration number: 06754332)

## Balance sheet as at 30 September 2017

|  |      | 30 September<br>2017<br>£000 | 24 September<br>2016<br>£000 |
|--|------|------------------------------|------------------------------|
|  | Note |                              |                              |
| <b>NON-CURRENT ASSETS</b>                    |      |                              |                              |
| Intangible assets                            | 8    | 1,218                        | 1,659                        |
| Property, plant and equipment                | 9    | 46,074                       | 53,130                       |
| Deferred tax asset                           | 15   | 19                           | 19                           |
| <b>TOTAL NON-CURRENT ASSETS</b>              |      | <b>47,311</b>                | <b>54,808</b>                |
| <b>CURRENT ASSETS</b>                        |      |                              |                              |
| Inventories                                  | 11   | 1,548                        | 1,723                        |
| Trade and other receivables                  | 12   | 2,037                        | 1,602                        |
| Cash and cash equivalents                    |      | 7,876                        | 2,381                        |
| <b>TOTAL CURRENT ASSETS</b>                  |      | <b>11,461</b>                | <b>5,706</b>                 |
| <b>TOTAL ASSETS</b>                          |      | <b>58,772</b>                | <b>60,514</b>                |
| <b>CURRENT LIABILITIES</b>                   |      |                              |                              |
| Trade and other payables                     | 13   | (126,771)                    | (112,852)                    |
| <b>TOTAL CURRENT LIABILITIES</b>             |      | <b>(126,771)</b>             | <b>(112,852)</b>             |
| <b>NET CURRENT LIABILITIES</b>               |      | <b>(115,310)</b>             | <b>(107,146)</b>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      | <b>(67,999)</b>              | <b>(46,632)</b>              |
| <b>NET LIABILITIES</b>                       |      | <b>(67,999)</b>              | <b>(52,338)</b>              |
| <b>EQUITY</b>                                |      |                              |                              |
| Share capital                                | 16   | 1,572                        | 1,572                        |
| Share premium                                |      | 15,862                       | 15,862                       |
| Capital redemption reserve                   |      | 34,458                       | 34,458                       |
| Retained losses                              |      | (119,891)                    | (104,230)                    |
| <b>TOTAL EQUITY</b>                          |      | <b>(67,999)</b>              | <b>(52,338)</b>              |

Approved by the Board and authorised for issue on 22 November 2017. They were signed on its behalf by:



A W Vaughan  
Director

The notes on pages 14 to 25 form an integral part of these financial statements.

**Orchid Pubs & Dining Limited**  
**Statement of Changes in Equity for the 53 weeks ended 30**  
**September 2017**

|                             | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Retained<br>losses<br>£000 | Total<br>£000   |
|-----------------------------|--------------------------|--------------------------|--|----------------------------|-----------------|
| <b>At 27 September 2015</b> | 1,572                    | 15,862                   | 34,458                                   | (85,717)                   | (33,825)        |
| Loss for the period         | -                        | -                        | -  | (18,514)                   | (18,514)        |
| Total comprehensive income  | -                        | -                        | -  | (18,514)                   | (18,514)        |
| Tax on share-based payments | -                        | -                        | -  | 1                          | 1               |
| <b>At 24 September 2016</b> | <b>1,572</b>             | <b>15,862</b>            | <b>34,458</b>                            | <b>(104,230)</b>           | <b>(52,338)</b> |
| Loss for the period         | -                        | -                        | -  | (15,661)                   | (15,661)        |
| Total comprehensive expense | -                        | -                        | -  | (15,661)                   | (15,661)        |
| <b>At 30 September 2017</b> | <b>1,572</b>             | <b>15,862</b>            | <b>34,458</b>                            | <b>(119,891)</b>           | <b>(67,999)</b> |

The notes on pages 14 to 25 form an integral part of these financial statements.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017

### 1. Accounting policies

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

#### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Annual Report and Accounts 2017 of Mitchells & Butlers plc.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company's ultimate parent undertaking, Mitchells & Butlers plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitchells & Butlers plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company Secretary, Mitchells & Butlers plc, 27 Fleet Street, Birmingham B3 1JP.

#### Accounting reference date

The Company's accounting reference date is 30 September. The Company draws up its financial statements to the Saturday directly before or following the accounting reference date, as permitted by section 390 (3) of the Companies Act 2006. The period ended 30 September 2017 includes 53 trading weeks and the period ended 24 September 2016 includes 52 trading weeks.

#### Going concern

The financial statements have been prepared on a going concern basis. The Directors of Mitchells & Butlers plc, the ultimate parent undertaking, have stated that they will continue to make funds available to the Company to enable it to meet its debts as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of the balance sheet.

#### Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense.

Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical judgements are described in:

- Note 4 – Separately disclosed items

Critical estimates are described in:

- Note 9 – Property, plant and equipment

#### Adoption of new and revised Standards

None of the standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) and effective for the first time in the current period have had a material effect on the financial statements.

#### Revenue recognition

Revenue is the fair value of goods and services sold to third parties as part of the Company's trading activities, after deducting sales-based taxes, coupons and staff discounts.

The majority of revenue comprises food and beverage sold in the Company's businesses. This revenue is recognised at the point of sale to the customer.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 1. Accounting policies (continued)

#### **Separately disclosed items**

In addition to presenting information on an IFRS basis, the Company also presents adjusted profit information that excludes separately disclosed items. This adjusted information is disclosed to allow a better understanding of the adjusted trading performance of the Company and is consistent with the Company's internal management reporting.

Separately disclosed items are those which are separately identified by virtue of their size or incidence and include profit or loss on property disposals, movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short leasehold and unlicensed properties, restructuring costs and effects of corporation tax rate change.

#### **Property, plant and equipment**

Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment.

#### **Depreciation**

Depreciation is charged to the income statement on a straight-line basis to write off the cost less residual value over the estimated useful life of an asset and commences when an asset is ready for its intended use.

Freehold land is not depreciated.

Short leasehold properties are depreciated over the unexpired term of the lease where this is less than 50 years.

Fixtures, fittings and equipment have the following estimated useful lives:

Information technology equipment 3 to 7 years

Fixtures and fittings 3 to 20 years

Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

#### **Disposals**

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

#### **Impairment**

Short leasehold and unlicensed properties (comprising land and buildings and fixtures, fittings and equipment) are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an outlet exceeds its recoverable amount. The recoverable amount is the higher of an outlet's fair value less costs to sell and value in use. Any changes in outlet earnings, or cash flows, the discount rate applied to those cash flows, or the estimate of sales proceeds could give rise to an additional impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. An impairment reversal is only recognised where there is a change in the estimates used to determine recoverable amounts, not where it results from the passage of time.

#### **Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested for impairment annually.

#### **Computer software**

Computer software and associated development costs, which are not an integral part of a related item of hardware, are capitalised as an intangible asset and amortised on a straight-line basis over their useful life. The period of amortisation ranges between three and seven years with the majority being five years.

#### **Cash and cash equivalents**



# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits.

### 1. Accounting policies (continued)

#### Trade receivables

Trade and other receivables are recognised and carried at original cost less an allowance for any uncollectable amounts.

#### Inventories

Inventories are stated at the lower of cost and net realisable value.

#### Trade payables

Trade and other payables are recognised at original cost.

#### Taxation

The income tax credit represents both the income tax receivable, based on losses for the period, and deferred tax and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are not taxable. Income tax is recognised in the income statement except when it relates to items charged or credited directly to equity, in which case the income tax is also charged or credited to equity.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount of their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities.

#### Group tax relief

It is the policy of the Mitchells & Butlers plc Group for no payment to be made for group tax relief received.

#### Leases

##### *Operating leases - Company as lessee*

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and sub-leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised as a liability and a subsequent reduction in the rental expense over the lease term on a straight-line basis.

Premiums paid on acquiring a new lease are spread on a straight-line basis over the lease term. Such premiums are classified in the balance sheet as current or non-current prepayments, with the current portion being the element which relates to the following period.

The Company's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

##### *Operating leases - Company as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

#### Pensions

The Company's profit and loss account charge in respect of its defined contribution arrangements is equal to the contributions payable for the period.

Mitchells & Butlers plc, the sponsoring employer, accounts for pensions in accordance with IAS 19 Employee Benefits. Since there is no contractual agreement or policy in place to allocate the defined benefit plan across the subsidiaries that each employ members of these plans, which include the Company, the net defined benefit cost is recognised by Mitchells & Butlers plc.

The total liability in the Mitchells & Butlers plc pension plans, as measured on an IAS 19 basis, is recorded in the financial statements of Mitchells & Butlers plc, the sponsoring employer of the Mitchells & Butlers pension plans.

#### Share based payments

Share options and share awards are granted to employees of the Company by Mitchells & Butlers plc. Mitchells & Butlers plc accounts for share options and share awards in accordance with IFRS 2 Share-based Payment. The cost of such awards is measured at fair value, excluding the effect of non market-based vesting conditions, on the date of grant. The expense is recognised over the vesting period and is adjusted for the estimated effect of non market-based vesting conditions and forfeitures, on the number of shares that will eventually vest due to employees leaving the Company. Fair values are calculated using either the Black-Scholes, Binomial or Monte Carlo simulation models depending upon the conditions attached to the particular share scheme.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

The Company's profit and loss account charge in respect of share-based payments represents an allocation of the overall charge incurred by the Group.

### 2. Revenue

Orchid Pubs & Dining Limited is a wholly owned subsidiary of Mitchells & Butlers Retail (No.2) Limited with its operations falling under a single class of business and all residing within the UK. As such the Company reports only a single business segment. Disclosures under IFRS 8 Segmental Reporting are only provided at a Group level and are available in the Mitchells & Butlers plc Annual Report and Accounts 2017.

### 3. Operating costs

|   | Note | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|---|------|--|--|
| Operating costs are analysed as follows:                      |      |  |  |
| Raw materials and consumables recognised as an expense        |      | 35,303   | 34,550   |
| Changes in inventories of finished goods and work in progress |      | 175  | (423)  |
| Employee costs  | 5    | 39,545   | 39,009   |
| Hire of plant & machinery                                     |      | 2,922  | 3,063  |
| Operating lease expense - property                            |      | 15,153   | 15,248   |
| Intercompany costs*   |      | 10,296   | 10,441   |
| Other costs   |      | 25,012   | 24,238   |
| Depreciation expense  | 9    | 7,588  | 7,231  |
| Amortisation expense  | 8    | 63   | 62   |
| Total operating costs   |      | <u>136,057</u>                                 | <u>133,419</u>                                 |

\*Intercompany costs included £10,280,000 (2016 £10,430,000) management service charge and an £16,000 (2016 £11,000) charge for use of brand trademarks.

Fees paid to Deloitte LLP for the audit of the Company's accounts were £12,500 (2016 £10,000). The fee is borne on behalf of the Company by another Group company. Fees paid to Deloitte LLP and their associates for non-audit services are not disclosed for the Company since the Annual Report and Accounts 2017 of Mitchells & Butlers plc, the ultimate parent of Orchid Pubs & Dining Limited discloses such fees on a consolidated basis.

### 4. Separately disclosed items

#### Critical accounting judgements

Judgement is used to determine those items which should be separately disclosed to allow a better understanding of the adjusted trading performance of the Company. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

Separately disclosed items are identified as follows:

- Profit/(loss) arising on property disposals – property disposals are disclosed separately as they are not considered to be part of adjusted trade performance and there is volatility in the size of the profit/(loss) in each accounting period.
- Movement in the valuation of the property portfolio – this is disclosed separately, due to the size of the movement in property valuation each period. This movement is also not considered to be part of the adjusted trade performance of the Company.
- Restructuring costs – costs associated with disposals and reorganisation of the business are disclosed separately as they are not part of the adjusted trade performance of the Company and are one-off in nature.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 4. Separately disclosed items (continued)

|   | Note | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|---|------|--|--|
| Net loss arising on property disposals                    |      | 661  | 46   |
| Movement in the valuation of the property portfolio:      |      |  |  |
| - Impairment of short leasehold and unlicensed properties | 9    | 6,056  | 7,325  |
| - Impairment of goodwill                                  | 8    | 267  | 714  |
| - Impairment of software                                  | 8    | -  | 6  |
| - Impairment of assets held for sale <sup>a</sup>         | 9    | 1,846  | -  |
| Net movement in the valuation of the property portfolio   |      | 8,169  | 8,045  |
| Other adjusted items:                                     |      |  |  |
| Restructuring costs <sup>b</sup>                          |      | 129  | (69)   |
| Total adjusted items                                      |      | 8,959  | 8,022  |

a. £526,000 of properties were reclassified to held for sale in November 2016. An impairment of £1,846,000 was recognised prior to reclassification, as the fair value less costs to sell of the group of properties was below the carrying value. Subsequently, all properties were sold in July 2017, leaving no assets held for sale at the balance sheet date of 30 September 2017.

b. In the current period, costs are associated with property disposals. In the prior period, the credit relates to the release of an over accrual relating to redundancy and severance payments as a result of the closure of the head office following the sale of the Company to Mitchells & Butlers Retail (No. 2) Limited on 15th June 2014.

### 5. Employee costs

|  | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|--|--|--|
| Wages and salaries                         | 36,999   | 37,088   |
| Social security costs                      | 2,274  | 1,697  |
| Pension costs, defined contribution scheme | 209  | 169  |
| Share-based payments*                      | 63   | 55   |
| Total employee costs                       | 39,545   | 39,009   |

\* Full disclosure of the share schemes in operation during the period, and their valuations, are provided in the Mitchells & Butlers plc Annual Report and Accounts 2017.

#### Average number of employees

The average number of persons employed by the Company during the period, including part time employees, was 3,092 (2016 3,258). All employees are retail employees.

#### Directors' remuneration

The three (2016 seven) Directors who served during the period were all employed by another Group company (Mitchells & Butlers Leisure Retail Limited) and are also Directors of other subsidiary companies of the Mitchells & Butlers plc Group. The Directors received total remuneration of £0.6m (2016 £0.6m) in respect of their services to the Group, but it is not practical to allocate this between each of the subsidiary companies for which they act as a Director. At the period end three (2016 three) of the Directors were members of the Group's defined contribution scheme, with one (2016 one) Director also holding accrued service within the Group's defined benefit scheme.

The highest paid Director received emoluments of £0.3m (2016 £0.3m), with Company contributions to defined contribution pension schemes of £nil (2016 £nil).

#### Pensions

Retirement and death benefits are provided for eligible employees in the United Kingdom principally by the Mitchells & Butlers Pension Plan (MABPP) and the Mitchells & Butlers Executive Pension Plan (MABEPP). These plans are funded, HMRC approved, occupational pension schemes with defined contribution and defined benefit sections.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 5. Employee costs (continued)

From 1 January 2013 Mitchells & Butlers plc implemented a workplace pension plan in line with the Workplace Pensions Reform Regulations. This automatically enrolls all eligible workers into a Qualifying Workplace Pension Plan.

#### **Defined contribution scheme**

The Company's profit and loss account charge in respect of its defined contribution arrangements is equal to the contributions payable for the period.

In the 53 weeks ended 30 September 2017, the Mitchells & Butlers plc Group paid £7,000,000 (2016 £7,000,000) in respect of the defined contribution arrangements. The pension charge in respect of the defined contribution arrangements included in the profit and loss account of the Company for the 53 weeks ended 30 September 2017 was £209,000 (2016 £169,000).

### 6. Finance costs

|                       | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|-----------------------|--|--|
| Intercompany interest | <u>52</u>                                      | <u>30</u>                                      |

### 7. Taxation

|  | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|--|--|--|
| <b>Taxation – income statement</b>                             |  |  |
| <b>Current taxation</b>  |  |  |
| UK corporation tax   | 22   | (801)  |
| Group relief (received)/surrendered for nil payment            | <u>(22)</u>                                    | <u>801</u>                                     |
|  | -  | -  |
| <b>Deferred taxation</b>                                       |  |  |
| Arising from origination and reversal of temporary differences | -  | (16)   |
| Arising from changes in tax rates and laws                     | -  | 3  |
| Total tax credit recognised in the income statement            | <u>-</u>                                       | <u>(13)</u>                                    |

The tax in the income statement for the period is a lower credit (2016 a lower credit) than the standard rate of corporation tax in the UK.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 7. Taxation (continued)

The differences are reconciled below:

|  | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|--|--|--|
| Loss before tax  | (15,661)                                       | (18,527)                                       |
| Taxation charge at the UK standard rate of corporation tax of 19.5% (2016 20.0%) | (3,054)  | (3,705)  |
| Expenses not deductible  | 3,300  | 2,888  |
| Income not taxable   | (224)  | -  |
| Group relief   | (22)   | 801  |
| Tax expense in respect of change in UK tax rate                                  | -  | 3  |
| Total tax credit   | -  | (13)   |
| Further analysed as tax relating to:   |  |  |
| Profit before tax and adjusted items   | -  | (16)   |
| Adjusted items   | -  | 3  |
|  | -  | (13)   |

#### Factors which may affect future tax charges

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balance at 30 September 2017 and 24 September 2016.

|   | 53 weeks ended<br>30 September<br>2017<br>£000 | 52 weeks ended<br>24 September<br>2016<br>£000 |
|---|--|--|
| <b>Taxation relating to items recognised directly in equity</b> |  |  |
| Deferred tax:   |  |  |
| Tax credit relating to share-based payments                     | -  | (1)  |

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 8. Intangible assets

|                                   | Goodwill<br>£000 | Software<br>costs<br>£000 | Total<br>£000 |
|-----------------------------------|------------------|---------------------------|---------------|
| <b>Cost</b>                       |                  |                           |               |
| At 24 September 2016              | 1,398            | 338                       | 1,736         |
| Impairment                        | (267)            | -                         | (267)         |
| Additions                         | -                | 1                         | 1             |
| Disposals                         | -                | (4)                       | (4)           |
| Transfers to assets held for sale | (74)             | (49)                      | (123)         |
| <b>At 30 September 2017</b>       | <b>1,057</b>     | <b>286</b>                | <b>1,343</b>  |
| <b>Amortisation</b>               |                  |                           |               |
| At 24 September 2016              | -                | 77                        | 77            |
| Amortisation charge               | -                | 63                        | 63            |
| Disposals                         | -                | (2)                       | (2)           |
| Transfers to assets held for sale | -                | (13)                      | (13)          |
| <b>At 30 September 2017</b>       | <b>-</b>         | <b>125</b>                | <b>125</b>    |
| <b>Carrying amount</b>            |                  |                           |               |
| <b>At 30 September 2017</b>       | <b>1,057</b>     | <b>161</b>                | <b>1,218</b>  |
| At 24 September 2016              | 1,398            | 261                       | 1,659         |

All assets transferred to held for sale in the period have been disposed of at 30 September 2017.

Goodwill arose on the acquisition of 190 houses on 13 December 2008. It represents the difference between the fair value of the net assets acquired and the consideration paid.

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 9. Property, plant and equipment

#### Critical accounting judgements

The carrying value of short leasehold properties are reviewed for impairment annually. Management use judgement to determine the most appropriate method of reviewing properties for impairment. When a review for impairment is conducted, the recoverable amount is determined based on fair value less costs to sell.

#### Critical accounting estimates

The application of valuation methodology to determine fair value includes estimation of income levels for each outlet and valuation multiples. A sensitivity to changes in fair values is provided within the impairment section below.

|  | Land & buildings<br>£000 | Fixtures, fittings & equipment<br>£000 | Total<br>£000 |
|--|--------------------------|--|---------------|
| <b>Cost or valuation</b>                       |                          |  |               |
| At 24 September 2016 (restated*)               | 28,713                   | 41,325                                 | 70,038        |
| Impairment                                     | (4,251)                  | (3,651)                                | (7,902)       |
| Additions                                      | 3,059                    | 6,142                                  | 9,201         |
| Disposals <sup>a</sup>                         | (280)                    | (1,337)                                | (1,617)       |
| Transfers to assets held for sale <sup>b</sup> | (368)                    | (1,023)                                | (1,391)       |
| <b>At 30 September 2017</b>                    | <b>26,873</b>            | <b>41,456</b>                          | <b>68,329</b> |
| <b>Depreciation</b>                            |                          |  |               |
| At 24 September 2016 (restated*)               | 9,608                    | 7,300                                  | 16,908        |
| Provided in the period                         | 2,024                    | 5,564                                  | 7,588         |
| Disposals <sup>a</sup>                         | (152)                    | (1,224)                                | (1,376)       |
| Transfers to assets held for sale <sup>b</sup> | (395)                    | (470)                                  | (865)         |
| <b>At 30 September 2017</b>                    | <b>11,085</b>            | <b>11,170</b>                          | <b>22,255</b> |
| <b>Carrying amount</b>                         |                          |  |               |
| At 30 September 2017                           | <b>15,788</b>            | <b>30,286</b>                          | <b>46,074</b> |
| At 24 September 2016 (restated*)               | 19,105                   | 34,025                                 | 53,130        |

\*An amount of £3,135,000 (cost of £3,581,000 less depreciation of £446,000) at 24 September 2016 has been reclassified to fixtures and fittings from land and buildings. This reclassification has no impact on the total value of property, plant and equipment.

- Includes assets which are fully depreciated and have been removed from the fixed asset register.
- £526,000 of properties were reclassified to held for sale in November 2016. An impairment of £1,846,000 was recognised prior to reclassification, as the fair value less costs to sell of the group of properties was below the carrying value. Subsequently, all properties were sold in July 2017, leaving no assets held for sale at the balance sheet date of 30 September 2017.

#### Impairment

The carrying values of property, plant and equipment have been reviewed for impairment by comparing the carrying value to the fair value less costs to sell. An impairment of £6,056,000 (2016 £7,325,000) has been recognised in the period. This impairment relates to outlets with poor trading performance, that are unlikely to generate sufficient cash in the future to justify their current net book value.

#### Sensitivity

If the fair value less costs to sell of the properties declined by 10%, this would result in an additional impairment of £1,584,000.

#### Assets in the course of construction

Cost at 30 September 2017 includes £603,000 (2016 £1,147,000) of assets in the course of construction.

### 10. Commitments

#### Capital commitments

The total amount contracted for but not provided in the financial statements in relation to property, plant and equipment was £1,178,000 (2016 £1,384,000).

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 11. Inventories

|                                     | 30 September<br>2017<br>£000 | 24 September<br>2016<br>£000 |
|-------------------------------------|------------------------------|------------------------------|
| Finished goods and goods for resale | <u>1,548</u>                 | <u>1,723</u>                 |

### 12. Trade and other receivables

|                                       | 30 September<br>2017<br>£000 | 24 September<br>2016<br>£000 |
|---------------------------------------|------------------------------|------------------------------|
| Trade receivables                     | 59                           | 11                           |
| Amounts owed from group undertakings* | 613                          | 41                           |
| Prepayments                           | 693                          | 627                          |
| Other receivables                     | <u>672</u>                   | <u>923</u>                   |
| Total trade and other receivables     | <u>2,037</u>                 | <u>1,602</u>                 |

\* Amounts owed from fellow subsidiary undertakings are non-interest bearing.

### 13. Trade and other payables

|                                     | 30 September<br>2017<br>£000 | 24 September<br>2016<br>£000 |
|-------------------------------------|------------------------------|------------------------------|
| Accrued expenses                    | 4,022                        | 4,561                        |
| Social security and other taxes     | 606                          | 485                          |
| Other payables                      | 1,827                        | 1,081                        |
| Amounts owed to group undertakings* | 120,316                      | 99,103                       |
| Bank overdrafts                     | <u>-</u>                     | <u>7,622</u>                 |
| Total trade and other payables      | <u>126,771</u>               | <u>112,852</u>               |

\*Amounts owed to fellow subsidiary undertakings are non-interest bearing and repayable on demand.

### 14. Lease commitments

#### Operating leases

#### Company as lessee

The Company's leases relate to property leased from Midco 1 Limited (another Company within the Mitchells and Butlers plc Group).

#### Company as lessor

The Company leases a small proportion of its unlicensed properties to tenants. The majority of lease agreements have terms of 50 years or less and are classified as operating leases. Where sublet arrangements are in place, future minimum lease payments and receipts are presented gross.



# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 14. Lease commitments (continued)

#### **Operating lease commitments – Company as lessee**

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

|                            | 30 September<br>2017<br>£000 | 24 September<br>2016<br>£000 |
|----------------------------|------------------------------|------------------------------|
| Within one year            | 14,178                       | 15,034                       |
| Between one and five years | 56,711                       | 60,135                       |
| After five years           | 203,227                      | 230,530                      |
|                            | <u>274,116</u>               | <u>305,699</u>               |

#### **Operating lease receivables – Company as lessor**

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

|                            | 30 September<br>2017<br>£000 | 24 September<br>2016<br>£000 |
|----------------------------|------------------------------|------------------------------|
| Due within one year        | 121                          | 66                           |
| Between one and five years | 432                          | 150                          |
| After five years           | 878                          | 261                          |
|                            | <u>1,431</u>                 | <u>477</u>                   |

### 15. Deferred tax

The deferred tax assets and liabilities recognised in the balance sheet are as follows:

|   | 30 September<br>2017<br>£000                             | 24 September<br>2016<br>£000                             |
|---|--|--|
| <b>Deferred tax liability</b>                     |  |  |
| Accelerated tax depreciation                      | -  | 746  |
| Depreciated non-qualifying assets                 | -  | (746)  |
| <b>Deferred tax asset</b>                         |  |  |
| Share-based payments                              | 19   | 19   |
|   | <u>19</u>  | <u>19</u>  |
|   | <b>53 weeks ended<br/>30 September<br/>2017<br/>£000</b> | <b>52 weeks ended<br/>24 September<br/>2016<br/>£000</b> |
| <b>Deferred tax in the income statement</b>       |  |  |
| Share-based payments                              | -  | (13)   |
| Total deferred tax credit in the income statement | <u>-</u>   | <u>(13)</u>  |

# Orchid Pubs & Dining Limited

## Notes to the Financial Statements for the 53 weeks ended 30 September 2017 (continued)

### 16. Share capital

|                                    | 30 September 2017 |                  | 24 September 2016 |                  |
|------------------------------------|-------------------|------------------|-------------------|------------------|
| Allotted, called up and fully paid | No.               | £                | No.               | £                |
| A Ordinary shares                  | 2                 | 2                | 2                 | 2                |
| Ordinary shares                    | <u>1,572,176</u>  | <u>1,572,176</u> | <u>1,572,176</u>  | <u>1,572,176</u> |
|                                    | <u>1,572,178</u>  | <u>1,572,178</u> | <u>1,572,178</u>  | <u>1,572,178</u> |

The A ordinary shares are entitled to 99.9% of the vote on a poll, 100% of any dividends or distributions declared and 100% of any capital to be returned on winding up or any reduction or return of capital.

The ordinary shares are entitled to 0.1% of the vote on a poll, and will not be entitled to any dividends or distributions declared, nor of any capital to be returned on winding up nor on any reduction or return of capital.

### 17. Contingent liabilities

The Company is party to a composite guarantee with other Group companies which also participate in its day-to-day cash pooling arrangements. Any potential liability is the aggregate gross overdraft of every participant, capped at the amount of cash held within the pooling arrangement by the Company. At 30 September 2017, the Company held cash within the pooling arrangement of £5,415,000 (2016 £nil) which is less than the aggregate gross overdraft of all the participant companies. Therefore, at 30 September 2017, the Company had a contingent liability of £5,415,000 (2016 £nil) under the composite guarantee.

### 18. Ultimate parent undertaking

The Company's immediate parent is Mitchells & Butlers Retail (No.2) Limited.

The Company's ultimate parent and controlling party is Mitchells & Butlers plc.

#### Relationship between entity and parents

The parent of the largest and smallest group in which these financial statements are consolidated is Mitchells & Butlers plc, incorporated in the United Kingdom.

The consolidated financial statements of Mitchells & Butlers plc are available from the Company Secretary, 27 Fleet Street, Birmingham, B3 1JP, which is the registered address of the Company.

All undertakings, including the Company, are companies incorporated in the United Kingdom and registered in England.