

Registered number: 07105793

**DOWNING PUB EIS ONE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

RPG CROUCH CHAPMAN LLP  
Chartered Accountants  
62 Wilson Street  
London  
EC2A 2BU

MONDAY



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COMPANIES HOUSE

# **DOWNING PUB EIS ONE LIMITED**

## **COMPANY INFORMATION**

Directors	S M Kenée M N Crowther
Registered number	07105793
Registered office	6th Floor St Magnus House 3 Lower Thames Street London EC3R 6HD
Independent auditor	RPG Crouch Chapman LLP Chartered Accountants & Statutory Auditors 62 Wilson Street London EC2A 2BU

# **DOWNING PUB EIS ONE LIMITED**

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# **DOWNING PUB EIS ONE LIMITED**

## **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

### **Introduction**

The directors present their strategic report on the group for the year ended 31 December 2018.

### **Business review**

The group acquired 2 Pubs in 2017 and is consolidating its position with turnover increasing by £153k to £7.70m, Ebitda increasing by £2.58m to £676k, and profit before tax has improved from a loss of £2,141k in 2017 to a £297k profit in 2018. The directors are pleased with the current results as the markets in which the group operates continues to remain competitive and fast changing.

The group will continue to invest in its pubs as the directors believe this is integral to the future success of the group.

## **DOWNING PUB EIS ONE LIMITED**

### **GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Principal risks and uncertainties**

##### **Regulatory risks**

The Group operates in a highly regulated sector where government legislation impacts much of the way the group trades and therefore the business model. Any significant changes in policy affecting the sale of alcohol could lead to a sudden change or the long term decline of the business.

The directors carefully monitor legislative developments and review sales trends and consumer habits to gauge the impact on the business. The directors continue to monitor ongoing dialogue between the Government and industry bodies and ensure staffs are properly trained to apply existing regulations.

##### **Health and safety**

The health and safety of the Group's employees and customers is a key concern. The Group is required to comply with health and safety legislation, including fire safety and food hygiene.

The Group endeavours to ensure that all reasonable standards of health and safety are met, by regularly updating its policies and training programme to ensure all risks are identified and properly assessed and that relevant regulation is adhered to. All accidents and near misses are reported and investigated. All staff receive food hygiene training as standard and regular kitchen audits/ checks ensure they comply with the standards expected from them.

##### **Economic outlook**

The Group aims to improve its customer offering continually, so that it remains competitively placed in the market in which it operates. Adverse economic conditions can theoretically have an effect on the Group's performance, although, historically, these effects have been muted.

##### **Cost increases**

Inflationary pressures on the Group's costs pose a risk to profits, although to date the group has been able to achieve satisfactory arrangements with its suppliers and expects to continue to do so in the future.

##### **Capital risk management**

The Group aims to maintain reasonable levels of capital and debt and whilst debt always involves risk, the group has been able to fulfil its obligations under its loan agreements and expects to continue to do so in the future. Sales, profitability, debt requirements and cash flow are regularly reviewed by the directors.

##### **Liquidity risk**

The Group regularly monitors cash flow forecasts and endeavours to ensure that there are enough funds to meet its business requirements and comply with banking covenants.

## DOWNING PUB EIS ONE LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### Principal risks and uncertainties (continued)

##### Credit risk

The Group does not have a significant concentration of credit risk, as the majority of its revenue is in cash.

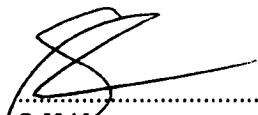
##### Interest rate risk

The objective is to minimise the group's interest cost and provide protection from adverse movements in interest rates. The Board does this by negotiating fixed interest rates loans.

#### Financial key performance indicators

	2018	2017
Turnover	£7.70m	£7.55m
Gross profit %	69.7%	69.3%
Ebitda	£0.67m	£(1.91m)

This report was approved by the board on 27 September 2019 and signed on its behalf.

  
.....  
**S M Kenne**  
Director

## DOWNING PUB EIS ONE LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

#### Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Results and dividends

The profit for the year, after taxation, amounted to £248,506 (2017 - loss £2,236,882).

There were no dividends paid and proposed during the year (2017: £nil).

#### Directors

The directors who served during the year were:

S M Kenee  
M N Crowther

DOWNING PUB EIS ONE LIMITED

DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

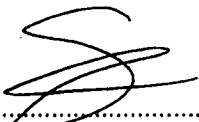
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, RPG Crouch Chapman LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 September 2019 and signed on its behalf.

  
.....  
S M Kenee  
Director



## DOWNING PUB EIS ONE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOWNING PUB EIS ONE LIMITED

#### Opinion

We have audited the financial statements of Downing Pub EIS One Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 of the parent Company's affairs as at 31 December 2018 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 United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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.

#### 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.

## DOWNING PUB EIS ONE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOWNING PUB EIS ONE LIMITED (CONTINUED)

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.

Opinion 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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

## DOWNING PUB EIS ONE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOWNING PUB EIS ONE LIMITED (CONTINUED)

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, 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.

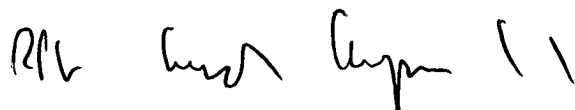
#### Auditor's responsibilities for the audit of the financial statements

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: [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.



Paul Randall ACA (Senior Statutory Auditor)

for and on behalf of  
RPG Crouch Chapman LLP

Chartered Accountants  
Statutory Auditors

62 Wilson Street  
London  
EC2A 2BU

27 September 2019

# DOWNING PUB EIS ONE LIMITED

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	7,704,852	7,552,114
Cost of sales		(2,333,324)	(2,317,815)
<b>Gross profit</b>		<b>5,371,528</b>	<b>5,234,299</b>
Administrative expenses		(4,875,336)	(7,316,641)
Other operating income	5	52,378	49,507
<b>Operating profit/(loss)</b>		<b>548,570</b>	<b>(2,032,835)</b>
Interest receivable and similar income	8	2,133	85
Interest payable and expenses	9	(254,066)	(108,617)
<b>Profit/(loss) before taxation</b>		<b>296,637</b>	<b>(2,141,367)</b>
Tax on profit/(loss)	10	(48,131)	(95,515)
<b>Profit/(loss) for the financial year</b>		<b>248,506</b>	<b>(2,236,882)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the parent Company		248,506	(2,236,882)
		<u>248,506</u>	<u>(2,236,882)</u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 15 to 30 form part of these financial statements.

# DOWNING PUB EIS ONE LIMITED

## **CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	503,220	503,220
Tangible assets	12	15,503,018	15,289,141
		<u>16,006,238</u>	<u>15,792,361</u>
<b>Current assets</b>			
Stocks	14	145,490	115,870
Debtors: amounts falling due within one year	15	291,172	317,450
Cash at bank and in hand	16	592,141	896,097
		<u>1,028,803</u>	<u>1,329,417</u>
Creditors: amounts falling due within one year	17	(1,638,170)	(1,666,667)
<b>Net current liabilities</b>		<u>(609,367)</u>	<u>(337,250)</u>
<b>Total assets less current liabilities</b>		<u>15,396,871</u>	<u>15,455,111</u>
Creditors: amounts falling due after more than one year	18	(7,672,482)	(7,979,228)
<b>Provisions for liabilities</b>			
Deferred tax	21	(47,440)	(47,440)
<b>Net assets</b>		<u><u>7,676,949</u></u>	<u><u>7,428,443</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	7,478,862	7,478,862
Share premium account	23	1,969,273	1,969,273
Profit and loss account	23	(1,771,186)	(2,019,692)
<b>Equity attributable to the owners of the company</b>		<u><u>7,676,949</u></u>	<u><u>7,428,443</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019.

  
 .....  
**S M Kenne**  
 Director

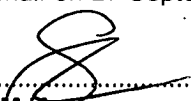
The notes on pages 15 to 30 form part of these financial statements.

# DOWNING PUB EIS ONE LIMITED

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	13	14,768,996	14,768,996
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	276,818	441,958
Cash at bank and in hand	16	79,186	157
		<u>356,004</u>	<u>442,115</u>
Creditors: amounts falling due within one year	17	(984,343)	(418,592)
<b>Net current (liabilities)/assets</b>		<u>(628,339)</u>	<u>23,523</u>
<b>Total assets less current liabilities</b>		<u>14,140,657</u>	<u>14,792,519</u>
Creditors: amounts falling due after more than one year	18	(7,065,466)	(7,372,212)
<b>Net assets</b>		<u><u>7,075,191</u></u>	<u><u>7,420,307</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	7,478,862	7,478,862
Share premium account	23	1,969,273	1,969,273
Profit and loss account carried forward		<u>(2,372,944)</u>	<u>(2,027,828)</u>
		<u><u>7,075,191</u></u>	<u><u>7,420,307</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019.

  
 .....  
**S M Kenne**  
 Director

The notes on pages 15 to 30 form part of these financial statements.

# **DOWNING PUB EIS ONE LIMITED**

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Equity attributable to owners of parent Company £	Total equity £
<b>At 1 January 2017</b>	19,998	1,969,273	217,190	2,206,461	2,206,461
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	(2,236,882)	(2,236,882)	(2,236,882)
Shares issued during the year	7,458,864	-	-	7,458,864	7,458,864
<b>At 1 January 2018</b>	7,478,862	1,969,273	(2,019,692)	7,428,443	7,428,443
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	248,506	248,506	248,506
<b>At 31 December 2018</b>	<u>7,478,862</u>	<u>1,969,273</u>	<u>(1,771,186)</u>	<u>7,676,949</u>	<u>7,676,949</u>

The notes on pages 15 to 30 form part of these financial statements.

# **DOWNING PUB EIS ONE LIMITED**

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>At 1 January 2017</b>	19,998	1,969,273	590,079	2,579,350
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(2,617,907)	(2,617,907)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	7,458,864	-	-	7,458,864
<b>At 1 January 2018</b>	7,478,862	1,969,273	(2,027,828)	7,420,307
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(345,116)	(345,116)
<b>At 31 December 2018</b>	<u>7,478,862</u>	<u>1,969,273</u>	<u>(2,372,944)</u>	<u>7,075,191</u>

The notes on pages 15 to 30 form part of these financial statements.



# DOWNING PUB EIS ONE LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit/(loss) for the financial year	248,506	(2,236,882)
<b>Adjustments for:</b>		
Depreciation of tangible assets	127,035	128,663
Interest paid	254,065	108,617
Interest received	(2,133)	(85)
Taxation charge	48,131	95,515
(Increase) in stocks	(29,620)	(115,870)
Decrease/(increase) in debtors	68,374	(17,970)
(Increase)/decrease in amounts owed by connected parties	(42,039)	-
(Decrease)/increase in creditors	(64,454)	382,189
Increase/(decrease) in amounts owed to connected parties	159,426	-
Corporation tax (paid)/received	(171,959)	26,215
<b>Net cash generated from operating activities</b>	<u>595,332</u>	<u>(1,629,608)</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	-	(503,220)
Purchase of tangible fixed assets	(340,913)	15,417,804
Interest received	2,133	85
<b>Net cash from investing activities</b>	<u>(338,780)</u>	<u>15,920,939</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	7,458,864
New secured loans	-	7,666,520
Repayment of loans	(306,443)	-
Other new loans	-	607,016
Loans due from third party repaid	-	2,499,296
Interest paid	(254,065)	(108,617)
<b>Net cash used in financing activities</b>	<u>(560,508)</u>	<u>18,123,079</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(303,956)</u>	<u>572,532</u>
Cash and cash equivalents at beginning of year	896,097	323,565
<b>Cash and cash equivalents at the end of year</b>	<u>592,141</u>	<u>896,097</u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>592,141</u>	<u>896,097</u>

The notes on pages 15 to 30 form part of these financial statements.

## DOWNING PUB EIS ONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. General information

The company and its subsidiaries are all private limited companies incorporated in the UK. The registered office for the Group is 6th Floor St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

The principal activity of the group is that of operating public houses.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

## DOWNING PUB EIS ONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### 2.4 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

##### 2.5 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 2.6 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

## DOWNING PUB EIS ONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### 2.8 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

###### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

## DOWNING PUB EIS ONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	See below
Plant and machinery	-	20%
Fixtures and fittings	-	20%
Computer equipment	-	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Freehold land is not depreciated. Freehold buildings are depreciated so as to write off the difference between their carrying value and residual value over their useful economic life. An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, the book value. Residual values are based on the estimated amount that would be currently obtainable from disposal of the asset net of disposal costs if the asset were already at the age and condition expected at the end of its useful life.

Property, fixtures and fittings are reviewed annually for indications of impairment. Where any indications are identified, assets are assessed fully for impairment. Impairment occurs where the recoverable amount of the asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is treated as a revaluation decrease to the extent that a surplus exists for the same asset, and thereafter as an expense in the profit and loss account.

##### 2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

## DOWNING PUB EIS ONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### 2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

##### 2.16 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-

## DOWNING PUB EIS ONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2. Accounting policies (continued)

##### 2.16 Financial instruments (continued)

puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Group makes judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision effects both current and future periods.

The estimates and assumptions that have a significant effect on the amounts recognised in the financial statements are those related to establishing depreciation periods, and the estimates in relation to future cash flows and discount rates utilised in the impairment testing of property, plant and equipment and goodwill.

#### 4. Turnover

	2018 £	2017 £
Sales	<u>7,704,852</u>	<u>7,552,114</u>

All turnover arose within the United Kingdom.

# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 5. Other operating income

	2018 £	2017 £
Other operating income	38,878	46,857
Net rents receivable	13,500	2,650
	<u>52,378</u>	<u>49,507</u>

### 6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>10,250</u>	<u>10,250</u>
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	8,250	8,250
Taxation compliance services	2,000	2,000
	<u>10,250</u>	<u>10,250</u>

### 7. Employees

Staff costs were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	<u>2,304,774</u>	<u>2,265,201</u>	<u>-</u>	<u>-</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2018 No.	Group 2017 No.	Company 2018 No.	Company 2017 No.
Management	<u>152</u>	<u>125</u>	<u>2</u>	<u>2</u>



DOWNING PUB EIS ONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Interest receivable

	2018 £	2017 £
Other interest receivable	2,133	85

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	206,027	39,461
Other loan interest payable	47,989	68,675
Other interest payable	50	481
	<u>254,066</u>	<u>108,617</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	48,131	44,203
Adjustments in respect of previous periods	-	39,432
Total current tax	<u>48,131</u>	<u>83,635</u>
Deferred tax		
Origination and reversal of timing differences	-	11,880
Total deferred tax	<u>-</u>	<u>11,880</u>
Taxation on profit on ordinary activities	<u>48,131</u>	<u>95,515</u>

# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 10. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	296,638	(2,141,367)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	56,361	(412,213)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7,361	481,114
Capital allowances for year in excess of depreciation	(9,564)	(31,828)
Utilisation of tax losses	(6,027)	10,601
Other timing differences leading to an increase (decrease) in taxation	-	(9,577)
Unrelieved tax losses carried forward	-	6,106
Adjustment to prior year tax	-	39,432
Deferred tax	-	11,880
Total tax charge for the year	48,131	95,515

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

DOWNING PUB EIS ONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 January 2018	503,220
At 31 December 2018	<u>503,220</u>
Net book value	
At 31 December 2018	<u>503,220</u>
At 31 December 2017	<u>503,220</u>

12. Tangible fixed assets

Group

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2018	14,285,876	689,083	686,765	820	15,662,544
Additions	148,159	105,939	86,815	-	340,913
At 31 December 2018	<u>14,434,035</u>	<u>795,022</u>	<u>773,580</u>	<u>820</u>	<u>16,003,457</u>
Depreciation					
At 1 January 2018	-	-	372,644	759	373,403
Charge for the year on owned assets	-	-	126,975	61	127,036
At 31 December 2018	<u>-</u>	<u>-</u>	<u>499,619</u>	<u>820</u>	<u>500,439</u>
Net book value					
At 31 December 2018	<u>14,434,035</u>	<u>795,022</u>	<u>273,961</u>	<u>-</u>	<u>15,503,018</u>
At 31 December 2017	<u>14,285,876</u>	<u>689,083</u>	<u>314,121</u>	<u>61</u>	<u>15,289,141</u>

DOWNING PUB EIS ONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Fixed asset investments

**Group**

**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	14,768,996
At 31 December 2018	<u>14,768,996</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Pabulum Pubs Limited	Public house	Ordinary	100%
Augusta Pub Company Ltd	Public House	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Pabulum Pubs Limited	9,721,901	636,966
Augusta Pub Company Ltd	4,858,266	196,787

# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. Stocks

	Group 2018 £	Group 2017 £
Finished goods and goods for resale	<u>145,490</u>	<u>115,870</u>

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

### 15. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	1,252	1,247	-	-
Amounts owed by group undertakings	-	-	154,701	294,278
Amounts owed by connected parties	42,039	-	-	-
Other debtors	27,435	27,499	7,414	2,787
Prepayments and accrued income	<u>220,446</u>	<u>288,704</u>	<u>114,703</u>	<u>144,893</u>
	<u>291,172</u>	<u>317,450</u>	<u>276,818</u>	<u>441,958</u>

### 16. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	<u>592,141</u>	<u>896,097</u>	<u>79,186</u>	<u>157</u>

# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 17. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	294,612	294,308	294,612	294,308
Trade creditors	347,001	369,258	734	1,421
Amounts owed to group undertakings	-	-	651,533	-
Amounts owed to connected parties	159,426	-	-	-
Corporation tax	38,287	162,059	-	52,209
Other taxation and social security	223,730	226,414	-	-
Other creditors	379,896	403,027	932	33,530
Accruals and deferred income	195,218	211,601	36,532	37,124
	<u>1,638,170</u>	<u>1,666,667</u>	<u>984,343</u>	<u>418,592</u>

### 18. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	7,065,466	7,372,212	7,065,466	7,372,212
Other loans	607,016	607,016	-	-
	<u>7,672,482</u>	<u>7,979,228</u>	<u>7,065,466</u>	<u>7,372,212</u>

The bank loan is secured by way of a fixed and floating charge over all the property or undertaking of the company and a guarantee by way of a fixed and floating charge against the subsidiary companies properties.

Other loans are secured by way of a fixed and floating charge over all property assets of the Pabulum Pubs Limited. Interest is charged at a rate of 8% per annum.

# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 19. Loans

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loans	294,612	294,308	294,612	294,308
Amounts falling due 2-5 years				
Bank loans	7,065,466	7,372,212	7,065,466	7,372,212
Other loans	607,016	607,016	-	-
	<u>7,672,482</u>	<u>7,979,228</u>	<u>7,065,466</u>	<u>7,372,212</u>
	<u>7,967,094</u>	<u>8,273,536</u>	<u>7,360,078</u>	<u>7,666,520</u>

# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 20. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at fair value through profit or loss	592,141	896,097	79,186	157
Financial assets that are debt instruments measured at amortised cost	69,474	27,499	162,115	297,065
	<u>661,615</u>	<u>923,596</u>	<u>241,301</u>	<u>297,222</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(8,853,417)	(9,045,821)	(8,013,277)	(7,701,471)

Financial assets measured at fair value through profit or loss comprise of cash at bank.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by group undertakings, amounts owed by connected parties and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group companies, amounts owed to connected parties, other creditors, bank loans and other loans.



# DOWNING PUB EIS ONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 21. Deferred taxation

#### Group

	2018 £
At beginning of year	(47,440)
Charged to profit or loss	-
At end of year	<u>(47,440)</u>
	Group 2018 £
Accelerated capital allowances	<u>(47,440)</u>
	Group 2017 £
	<u>(47,440)</u>

### 22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
7,478,862 (2017 - 7,478,862) Ordinary shares of £1.00 each	<u>7,478,862</u>	<u>7,478,862</u>

### 23. Reserves

#### Share premium account

Share premium account represents the amount subscribed for shares capital in excess of nominal value less costs directly attributable to the issue of shares.

#### Profit and loss account

Retained profits are the cumulative net gains recognised in the statement of comprehensive income.

### 24. Related party transactions

The company has taken advantage of the exemption with FRS 102 33.1A not to disclose related party transactions with other group companies as its voting rights are wholly controlled within the group.

### 25. Controlling party

During the year and up to 25 March 2019, the controlling party was Downing Two VCT Plc. There was no controlling party as from that date.