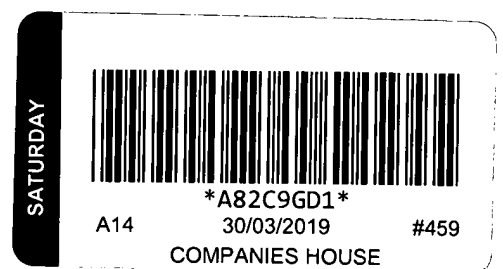


**Provenance Brands Limited**  
**Annual Report and Consolidated Financial Statements**  
**Year Ended 30 June 2018**  
Registration number: 08140845



# **Provenance Brands Limited**

## **Contents**

Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9 to 11
Consolidated Profit and Loss Account	12
Consolidated Balance Sheet	13
Balance Sheet	14
Consolidated Statement of Changes in Equity	15
Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17 to 18
Notes to the Financial Statements	19 to 48

# **Provenance Brands Limited**

## **Company Information**

<b>Directors</b>	M Sullivan S D Toft S Skerry N B Straw L Moye
<b>Registered office</b>	Ocean House Lower Quay Gweek Helston Cornwall TR12 6UD
<b>Solicitors</b>	Foot Anstey LLP High Water House Malpas Road Truro Cornwall TR1 1QH
<b>Bankers</b>	Santander The Senate Southernhay Gardens Exeter Devon EX1 1UG
<b>Auditors</b>	PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro Cornwall TR1 2NA

# **Provenance Brands Limited**

## **Strategic Report**

**Year Ended 30 June 2018**

The directors present their strategic report for the year ended 30 June 2018.

### **Principal activity**

The principal activity of the company is to act as the holding company for food and drink companies based primarily in the South West.

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

Provenance Brands Limited is a holding company and strategic partner for a group of premium brands in the food and consumer sectors, which are linked through products and staffing synergies.

Warrens Bakery Limited, as been a subsidiary of Provenance Brands Limited since 25 June 2016. Its results have been fully consolidated for both the year ends 30 June 2017 and 30 June 2018.

Cornish Sea Salt Company Limited became a subsidiary of Provenance Brands Limited on 13 September 2016. As a result the profit and loss of this company has been included from 13 September 2016 whilst the balance sheet has been fully consolidated at both year ends.

Warrens Bakery Franchise Limited is also a 100% subsidiary set up to franchise Warrens Bakery shops nationwide.

There is also an investment in an associate company, The Cornish Seaweed Company Limited, in which Provenance Brands Limited owns a 33% shareholding.

Further details can be found in note 15 to the financial statements in relation to investments.

We offer the highest quality ingredients sourced locally, in the South West of Britain, renowned for its unparalleled food quality. Our traditions are both rich and colourful, with authentic heritage extending back through the centuries.

We are passionate about our sourcing, from our mineral-rich sea salt derived from the purest Atlantic waters, to our sustainably harvested nutritious seaweeds, including our celebrated Cornish potatoes, as well as baked goods that include the very best local produce. Sourcing, supply chain integrity and artisan skills ensure that our award-winning products also adhere to this ethos of excellence. We produce affordable luxuries and premium products for global customers. Our facilities are accredited to the highest standards and we are renowned for our creativity and innovation.

Provenance Brands aims to harness group-wide talents, cross-fertilising businesses and concepts, delivering the very best of individual brands and products that combine these. An example of this was the launch in May 2017 of our Living Sea Therapy range of body care and beauty products based on a unique cocktail of ingredients from both Cornish Sea Salt Company Limited and The Cornish Seaweed Company Limited.

From one of the World's most dynamic condiments and ingredients businesses, taking in one of the UK's top three craft bakeries, including the World's oldest pasty producer, through to a highly innovative snacking business, we are proud of our roots and our growing position on the international stage, where we supply 35 countries with premium British produce.

# Provenance Brands Limited

## Strategic Report

### Year Ended 30 June 2018

The company's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Turnover	£	21,312,878	18,994,498
Turnover growth	£	2,318,380	18,717,780
Earnings before interest, tax, depreciation and amortisation (EBITDA)	£	(127,391)	835,227

The year was exceptional for a variety of factors:

Warrens Bakery achieved 'Retail' growth of 2.7% in the year, while 'Trade & Wholesale' turnover grew by 32.1%, with the benefit of sales to our expanding franchise business.

Retail turnover was affected by the prolonged and extreme heat wave, as well a reduction in consumer activity on the high street, arising from a challenging Brexit environment.

The gross margin fell due to a significant increase in ingredients costs, as well as the increases in National Living Wage and pension contributions. These costs were subsequently passed on by price increases towards the end of the year.

In addition, the company experienced start-up costs associated with several new strategic retail stores. Since the year-end these have become profitable overall and are on target to achieve a turnover of over £1.4m in the coming year.

Company margins have also improved and action has been taken to reduce the cost structure which will result in a significant improvement this year.

Warrens Bakery Franchise continued to incur planned development costs to allow for the future growth of the business. Warrens Bakery Franchise is currently the UK's fastest growth food franchise brand, with several hundred stores in the pipeline. The increasing number of shops will reduce losses this year.

Cornish Sea Salt achieved sales growth of 10% with a significant increase in the new range of salt blends. The loss for the year was a result of the planned initial marketing spend on the launch of the Living Sea Therapy range of bath and spa products. Sales growth is continuing in the current year and with marketing spend on Living Sea Therapy now reduced to a more normal level the Company has returned to profit.

The Group is on target to achieve an EBITDA of over £700,000 in the year to June 2019.

Further information on going concern can be found in the Directors report and note 2 of the accounts.

#### Principal risks and uncertainties

As a manufacturer the company is exposed to price fluctuations both in key overheads such as power and also in ingredient prices such as movements in the price of flour. The directors seek to manage these risks by negotiating robustly with suppliers to obtain the most advantageous terms possible within the limitation of the company's working capital constraints.

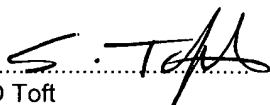
As a retailer the company is exposed to the risks and uncertainties posed by general economic conditions and the effect that this has on consumer spending as well as general consumer trends. The directors seek to manage these risks via close monitoring of shops performance and by taking appropriate action based upon this performance.

# Provenance Brands Limited

## Strategic Report

Year Ended 30 June 2018

Approved by the Board on 29/3/19 and signed on its behalf by:



S D Toft  
Director

# **Provenance Brands Limited**

## **Directors' Report**

### **Year Ended 30 June 2018**

The directors present their report and the for the year ended 30 June 2018.

#### **Directors of the group**

The directors who held office during the year were as follows:

M Sullivan

S D Toft

S Skerry

N B Straw

The following director was appointed after the year end:

L Moye (appointed 11 January 2019)

#### **Financial instruments**

##### ***Objectives and policies***

The group's principal financial instruments comprise bank balances, bank overdraft, trade creditors, trade debtors and finance lease agreements. The main objective of these instruments is to raise funds for the group's operations and to finance these operations.

##### ***Price risk, credit risk, liquidity risk and cash flow risk***

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned are shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

The group has funded the purchase of assets by the use of hire purchase agreements. The liquidity risk is managed by ensuring there are sufficient funds to meet the repayments.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

# **Provenance Brands Limited**

## **Directors' Report**

**Year Ended 30 June 2018**

### **Employment of disabled persons**

The group provides employees with information considering the group's results and regular meetings are held to discuss other matters of interest to them as employees through the Company Employee Forum. Full and fair consideration is given to suitable applications from disabled persons for employment, and opportunities also exist for employees who become disabled to continue in their employment or to be retrained for other positions so far as it is practicable.

We continue to have an equal opportunities employment policy. Within the limitations of its trading activities, the group's policy is that all employees, including disabled persons, are treated equally in matters relating to recruitment, training, personal development and promotion. The group seeks to take all reasonably practicable precautions to ensure the health, safety and welfare at work of its employees. It is the policy of the company that training and career development are fundamental to our employment strategy. The group's policy is to consult and discuss with employees, by way of meetings, and through personal contact by directors and management, matters likely to affect employees' interests. Information concerning the group on matters of interest and concern to employees is communicated through normal management channels.

### **Going concern**

At the balance sheet date the group had net current liabilities of £1,423,606 (2017 - £1,536,828) and during the year ended 30 June 2018 incurred a loss for the financial period of £1,260,097 (2017 - 293,980).

The results of the group have been significantly affected by the results of one of its subsidiaries Warrens Bakery Limited. As referred to in the strategic report the company experienced challenging trading conditions during the year. Whilst the company achieved increases in both retail and wholesale turnover these increases were more than offset by increased costs.

A number of new retail outlets were opened during the year and the company experienced significant start up costs relating to these. However, the directors are satisfied with the performance of these new outlets and they have subsequently become profitable making a positive contribution to the company's performance.

Substantial increases were experienced in the cost of certain ingredients and whilst the directors did all that they could so mitigate these and pass them on by increased pricing there was an adverse effect on the company's performance.

With a significant element of the company's turnover coming from its retail shops employment costs make up a large proportion of its cost base and these increased due to increases in the National Living Wage and associated pension costs.



## Provenance Brands Limited

### Directors' Report

#### Year Ended 30 June 2018

The directors have taken steps to reduce the cost structure of the business and have remained in active dialogue with the company's bankers and other funders who have been supportive in agreeing new and extended terms to facilities where appropriate.

Subsequent to the balance sheet date approximately £185,000 (2017 - £550,000) of cash was raised by Provenance Brands Limited from individual investors including associates of directors and advanced to Warrens Bakery Limited via unsecured loans.

Furthermore, on 11 January 2019, Provenance Brands Limited issued a further 1,621,401 B Ordinary shares to raise finance of £324,737 and these monies were also advanced to Warrens Bakery Limited.

Following this support the director's projections and cash flow forecasts indicate that Warrens Bakery Limited can continue to trade within its current bank facilities. However, the achievement of these projections is partly dependent on external factors such as consumer confidence and stability in the company's supply chain. The group has indicated its intention to continue to support Warrens Bakery Limited as appropriate.

The group's other significant trading entity Cornish Sea Salt Limited has been performing strongly, exceeding forecasts and providing a positive cash input to the group. Future forecasts indicate continued strong cash generation which the directors believe will leave the group well placed to support activities across its subsidiaries.

Given the factors above, these financial statements are prepared on the going concern basis.

#### **Important non adjusting events after the financial period**

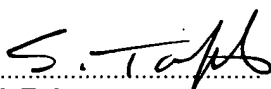
Subsequent to the balance sheet date approximately £185,000 (2017 - £550,000) of cash was introduced to the company via unsecured loans from a group that includes directors, employees and shareholders.

Furthermore, on 11 January 2019, Provenance Brands Limited issued a further 1,621,401 B Ordinary shares to raise finance of £324,737.

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

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 29/3/19 and signed on its behalf by:

  
S D Toft  
Director

## **Provenance Brands Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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.

## **Provenance Brands Limited**

### **Independent Auditor's Report to the Members of Provenance Brands Limited**

#### **Opinion**

We have audited the financial statements of Provenance Brands Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 the parent company's affairs as at 30 June 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **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.

## **Provenance Brands Limited**

### **Independent Auditor's Report to the Members of Provenance Brands Limited**

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 matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

## Provenance Brands Limited

### Independent Auditor's Report to the Members of Provenance Brands Limited

#### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 8], 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.

*PKF Francis Clark*

Michael Bentley ACA DChA (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor

Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA

Date: 29/3/19

## Provenance Brands Limited

### Consolidated Profit and Loss Account

Year Ended 30 June 2018

	Note	2018 £	2017 £
Turnover	3	21,312,878	18,994,498
Cost of sales		<u>(11,795,464)</u>	<u>(9,579,727)</u>
Gross profit		9,517,414	9,414,771
Distribution costs		(7,798,187)	(7,169,162)
Administrative expenses		(2,804,001)	(2,316,144)
Other operating income		<u>110,062</u>	<u>124,368</u>
Operating (loss)/profit	4	(974,712)	53,833
Other interest receivable and similar income	10	15	55
Interest payable and similar charges	11	(388,282)	(308,786)
Other exceptional item	5	<u>-</u>	<u>(59,262)</u>
Loss before tax		(1,362,979)	(314,160)
Taxation	12	<u>102,882</u>	<u>20,180</u>
Loss for the financial year		<u><u>(1,260,097)</u></u>	<u><u>(293,980)</u></u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		(1,251,094)	(284,594)
Non-controlling interest		<u>(9,003)</u>	<u>(9,386)</u>
		<u><u>(1,260,097)</u></u>	<u><u>(293,980)</u></u>

The above results were derived from continuing operations.

The group has no recognised gains or losses for the year other than the results above.

# Provenance Brands Limited

## Consolidated Balance Sheet

30 June 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	13	1,088,115	1,194,524
Tangible assets	14	5,186,553	5,142,055
Investments	15	53,785	53,785
Other financial assets	16	360	360
		<u>6,328,813</u>	<u>6,390,724</u>
<b>Current assets</b>			
Stocks	17	1,066,468	808,048
Debtors	18	2,046,266	1,688,471
Cash at bank and in hand		94,683	77,952
		<u>3,207,417</u>	<u>2,574,471</u>
<b>Creditors: Amounts falling due within one year</b>	20	<u>(4,631,023)</u>	<u>(4,111,299)</u>
<b>Net current liabilities</b>		<u>(1,423,606)</u>	<u>(1,536,828)</u>
<b>Total assets less current liabilities</b>		4,905,207	4,853,896
<b>Creditors: Amounts falling due after more than one year</b>	20	(4,050,730)	(2,680,868)
<b>Deferred income</b>	6	<u>(570,450)</u>	<u>(628,904)</u>
<b>Net assets</b>		<u>284,027</u>	<u>1,544,124</u>
<b>Capital and reserves</b>			
Called up share capital	27	1,576,192	1,576,192
Profit and loss account	26	<u>(1,366,135)</u>	<u>(115,041)</u>
Equity attributable to owners of the company		210,057	1,461,151
Non-controlling interests		<u>73,970</u>	<u>82,973</u>
<b>Total equity</b>		<u>284,027</u>	<u>1,544,124</u>

Approved and authorised by the Board on 27/3/19 and signed on its behalf by:

  
S D Toft  
Director

Company Registration Number: 08140845

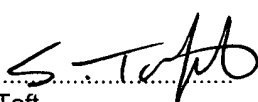
# Provenance Brands Limited

## Balance Sheet

30 June 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	13	5,570	5,570
Tangible assets	14	7,076	6,725
Investments	15	<u>2,004,737</u>	<u>2,004,737</u>
		<u>2,017,383</u>	<u>2,017,032</u>
<b>Current assets</b>			
Debtors	18	1,075,120	516,488
Cash at bank and in hand		<u>14,475</u>	<u>34,519</u>
		1,089,595	551,007
<b>Creditors: Amounts falling due within one year</b>	20	<u>(394,069)</u>	<u>(861,648)</u>
<b>Net current assets/(liabilities)</b>		<u>695,526</u>	<u>(310,641)</u>
<b>Total assets less current liabilities</b>		2,712,909	1,706,391
<b>Creditors: Amounts falling due after more than one year</b>	20	<u>(1,084,994)</u>	<u>(100,000)</u>
<b>Net assets</b>		<u>1,627,915</u>	<u>1,606,391</u>
<b>Capital and reserves</b>			
Called up share capital	27	1,576,192	1,576,192
Profit and loss account		<u>51,723</u>	<u>30,199</u>
<b>Total equity</b>		<u>1,627,915</u>	<u>1,606,391</u>

Approved and authorised by the Board on ~~21/3/19~~ and signed on its behalf by:

  
 .....  
 S D Toft  
 Director

Company Registration Number: 08140845



## Provenance Brands Limited

### Consolidated Statement of Changes in Equity

Year Ended 30 June 2018

	Share capital £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 July 2017	1,576,192	(115,041)	1,461,151	82,973	1,544,124
Total comprehensive income	-	(1,251,094)	(1,251,094)	(9,003)	(1,260,097)
At 30 June 2018	<u>1,576,192</u>	<u>(1,366,135)</u>	<u>210,057</u>	<u>73,970</u>	<u>284,027</u>

	Share capital £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 July 2016	878,777	2,149	880,926	290	881,216
Total comprehensive income	-	(284,594)	(284,594)	(9,386)	(293,980)
New share capital subscribed	697,415	-	697,415	-	697,415
Acquisition of increased interest in subsidiary	-	(95,471)	(95,471)	-	(95,471)
Non-controlling interest arising on business combinations	-	-	-	354,944	354,944
Decrease in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	(262,875)	(262,875)
Acquisition of non-controlling interest	-	262,875	262,875	-	262,875
At 30 June 2017	<u>1,576,192</u>	<u>(115,041)</u>	<u>1,461,151</u>	<u>82,973</u>	<u>1,544,124</u>

The notes on pages 19 to 48 form an integral part of these financial statements.

## Provenance Brands Limited

### Statement of Changes in Equity

Year Ended 30 June 2018

	Share capital £	Profit and loss account £	Total £
At 1 July 2017	1,576,192	30,199	1,606,391
Total comprehensive income	-	21,524	21,524
At 30 June 2018	<u>1,576,192</u>	<u>51,723</u>	<u>1,627,915</u>

	Share capital £	Profit and loss account £	Total £
At 1 July 2016	878,777	2,149	880,926
Total comprehensive income	-	28,050	28,050
New share capital subscribed	<u>697,415</u>	-	<u>697,415</u>
At 30 June 2017	<u>1,576,192</u>	<u>30,199</u>	<u>1,606,391</u>

## Provenance Brands Limited

### Consolidated Statement of Cash Flows

Year Ended 30 June 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Loss for the year		(1,260,097)	(293,980)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	847,321	784,363
Loss on disposal of tangible assets		691	-
Finance income	10	(15)	(55)
Finance costs	11	388,282	308,786
Corporation tax	12	(102,882)	(20,180)
		(126,700)	778,934
Working capital adjustments			
Increase in stocks	17	(258,420)	(198,973)
Increase in trade debtors	18	(299,757)	(294,660)
Increase in trade creditors	20	835,809	509,293
(Decrease)/increase in deferred income, including government grants	6	(58,454)	274,552
Cash generated from operations		92,478	1,069,146
Corporation tax received	12	44,844	180
Net cash flow from operating activities		<u>137,322</u>	<u>1,069,326</u>

## Provenance Brands Limited

### Consolidated Statement of Cash Flows

Year Ended 30 June 2018

	Note	2018 £	2017 £
<b>Cash flows from investing activities</b>			
Interest received		15	55
Acquisitions of tangible assets	14	(306,066)	(1,072,793)
Proceeds from sale of tangible assets		3,783	-
Acquisition of intangible assets	13	(36,962)	(111,304)
Proceeds from sale of intangible assets		170	-
Acquisition of subsidiary		-	(12,300)
Cash subsumed on acquisition of subsidiary		-	69,957
Net cash flows from investing activities		<u>(339,060)</u>	<u>(1,126,385)</u>
<b>Cash flows from financing activities</b>			
Interest paid	11	(388,282)	(308,786)
Proceeds from bank borrowing draw downs		244,592	496,137
Repayment of bank borrowing		(66,667)	(16,667)
Proceeds from other bank facilities		148,932	37,205
Proceeds from other borrowing draw downs		450,738	100,000
Repayment of other borrowing		(7,015)	(55,261)
Payments to finance lease creditors		<u>(243,319)</u>	<u>(124,333)</u>
Net cash flows from financing activities		<u>138,979</u>	<u>128,295</u>
Net (decrease)/increase in cash and cash equivalents		(62,759)	71,236
Cash and cash equivalents at 1 July		<u>(60,475)</u>	<u>(131,711)</u>
Cash and cash equivalents at 30 June	19	<u><u>(123,234)</u></u>	<u><u>(60,475)</u></u>

# **Provenance Brands Limited**

## **Notes to the Financial Statements**

**Year Ended 30 June 2018**

### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Ocean House  
Lower Quay  
Gweek  
Helston  
Cornwall  
TR12 6UD

### **2 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 years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency of the company is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

# **Provenance Brands Limited**

## **Notes to the Financial Statements**

### **Year Ended 30 June 2018**

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2018.

The company made a profit after tax for the financial year of £21,524 (2017 - £28,050).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

#### **Year Ended 30 June 2018**

##### **Summary of disclosure exemptions**

FRS102 allows a qualifying entity certain disclosure exemptions subject to certain conditions which the company has complied with. On this basis the company has taken advantage of the following exemptions:

- (i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in these financial statements includes the company's cash flows;
- (ii) From the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statement disclosures.
- (iii) From disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7.

The group has also taken advantage of the exemption under FRS102 paragraph 33.1A in respect of transactions between members of the group, where the group companies are 100% owned.

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

#### **Year Ended 30 June 2018**

##### **Going concern**

At the balance sheet date the group had net current liabilities of £1,423,606 (2017 - £1,536,828) and during the year ended 30 June 2018 incurred a loss for the financial period of £1,260,097 (2017 - 293,980).

The results of the group have been significantly affected by the results of one of its subsidiaries Warrens Bakery Limited. As referred to in the strategic report the company experienced challenging trading conditions during the year. Whilst the company achieved increases in both retail and wholesale turnover these increases were more than offset by increased costs.

A number of new retail outlets were opened during the year and the company experienced significant start up costs relating to these. However, the directors are satisfied with the performance of these new outlets and they have subsequently become profitable making a positive contribution to the company's performance.

Substantial increases were experienced in the cost of certain ingredients and whilst the directors did all that they could so mitigate these and pass them on by increased pricing there was an adverse effect on the company's performance.

With a significant element of the company's turnover coming from its retail shops employment costs make up a large proportion of its cost base and these increased due to increases in the National Living Wage and associated pension costs.

The directors have taken steps to reduce the cost structure of the business and have remained in active dialogue with the company's bankers and other funders who have been supportive in agreeing new and extended terms to facilities where appropriate.

Subsequent to the balance sheet date approximately £185,000 (2017 - £550,000) of cash was raised by Provenance Brands Limited from individual investors including associates of directors and advanced to Warrens Bakery Limited via unsecured loans.

Furthermore, on 11 January 2019, Provenance Brands Limited issued a further 1,621,401 B Ordinary shares to raise finance of £324,737 and these monies were also advanced to Warrens Bakery Limited.

Following this support the director's projections and cash flow forecasts indicate that Warrens Bakery Limited can continue to trade within its current bank facilities. However, the achievement of these projections is partly dependent on external factors such as consumer confidence and stability in the company's supply chain. The group has indicated its intention to continue to support Warrens Bakery Limited as appropriate.

The group's other significant trading entity Cornish Sea Salt Limited has been performing strongly, exceeding forecasts and providing a positive cash input to the group. Future forecasts indicate continued strong cash generation which the directors believe will leave the group well placed to support activities across its subsidiaries.

Given the factors above, these financial statements are prepared on the going concern basis.



# Provenance Brands Limited

## Notes to the Financial Statements

### Year Ended 30 June 2018

#### Revenue recognition

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers.

Rental income is recognised on an accruals basis.

Management charges, net of value added tax, are recognised when services have been provided to subsidiary and associated companies.

#### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

#### Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### Goodwill

Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

#### Intangible assets

Intangible assets are stated in the statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10% per annum on cost
Other intangible assets	10% per annum on cost

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	2% per annum on cost
Leasehold property	By equal instalments over the remaining period of the lease. Due to the number of sites this is estimated at 10% per annum on cost
Plant and equipment	10% to 20% per annum on cost
Motor vehicles	10% to 20% per annum on cost
Office equipment	20% to 50% per annum on cost

#### Investments

Investments represent the company's investment in subsidiary undertakings, which are held in the financial statements at cost and reviewed for impairment on an annual basis.

#### Inventories

The cost of stocks comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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. Cost is determined using the first-in, first-out (FIFO) method.

#### Leases

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 are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

**Year Ended 30 June 2018**

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

#### **Related parties**

The group discloses transactions with related parties which are not wholly owned within the same group.

Transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is required in order to understand the transactions and their impact on the financial statements of the group.

#### **Exceptional items**

Items which are material either because of their size or their nature, or which are non-recurring, are presented within their relevant income statement category. The separate reporting of exceptional items helps provide a better picture of the group's underlying performance.

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

**Year Ended 30 June 2018**

#### **Financial instruments**

##### ***Classification***

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

##### ***Recognition and measurement***

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade and other receivables, cash and bank balances, and loans to related parties, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other payables, loans and borrowings, and loans from related parties are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

##### ***Impairment***

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# Provenance Brands Limited

## Notes to the Financial Statements

### Year Ended 30 June 2018

#### Critical accounting judgements and estimation uncertainty

Management evaluate estimates and judgements on an annual basis, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates applied by management are as outlined below:

#### Fair values on acquisition of subsidiary companies

On acquisition of a subsidiary undertaking the directors consider the need for there to be an adjustment to the carrying value of assets and liabilities of the acquired entity in order to recognise them at fair value upon consolidation.

In the current year and preceding year no fair value adjustments have arisen as a result of this review process.

#### Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable values requires estimation of the recoverable value of the cash generating units (CGU's). This requires estimation of the future cash flows of the CGU's and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

No impairment of intangible assets has been recognised in the current or preceding year.

#### Depreciation and useful economic lives of tangible assets

Management have carefully considered the depreciation estimates applied on the tangible assets held by the company. This assessment is performed on an annual basis, and would be amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of each asset.

### 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2018 £	2017 £
Sale of goods	21,309,278	18,924,599
Management charges receivable and expenses recharged	3,600	69,899
	<u>21,312,878</u>	<u>18,994,498</u>

The analysis of the group's turnover for the year by market is as follows:

	2018 £	2017 £
UK	20,102,113	18,056,922
Europe	753,880	488,806
Rest of world	456,885	448,770
	<u>21,312,878</u>	<u>18,994,498</u>

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 4 Operating loss

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation expense	704,121	666,476
Amortisation expense	143,200	117,887
Foreign exchange losses/(gains)	18,268	(2,968)
Loss on disposal of property, plant and equipment	<u>691</u>	<u>-</u>

#### 5 Exceptional items

During the prior year a subsidiary had a VAT inspection that highlighted certain retail products were incorrectly being sold as zero rated as oppose to standard rated for VAT purposes. The total VAT due as a result of this inspection amounted to £59,262 of which £51,044 related to sales made in prior to 1 July 2016.

#### 6 Government grants

Provenance Brands Limited subsumed government grants on the acquisition of a subsidiary in the prior year of £354,352. In addition government grants of £328,657 were received against the cost of tangible fixed asset additions acquired in the prior year. No further government grants have been received during the current year.

During the year government grants of £58,454 (2017 - £54,105) were amortised and released to the profit and loss account.

At the balance sheet date the amount held in deferred income was £570,450 (2017 - £628,904).

#### 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	8,618,856	7,489,307
Social security costs	593,936	481,362
Pension costs, defined contribution scheme	<u>91,674</u>	<u>76,765</u>
	<u>9,304,466</u>	<u>8,047,434</u>

## Provenance Brands Limited

### Notes to the Financial Statements

#### Year Ended 30 June 2018

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Production	192	165
Administration and support	31	27
Sales, marketing and distribution	405	372
	<u>628</u>	<u>564</u>

#### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	As restated 2017 £
Remuneration	<u>169,385</u>	<u>162,868</u>

#### Key management personnel

The directors have considered the definition of key management, and regard 3 (2017 - 3) individuals across the group as meeting this definition. Total remuneration paid to key management in the year was £219,424 (2017 - £213,296).

#### 9 Auditor's remuneration

	2018 £	2017 £
Audit of these financial statements	1,250	1,200
Audit of the financial statements of subsidiaries	<u>12,050</u>	<u>11,500</u>
	<u>13,300</u>	<u>12,700</u>
<b>Other fees to auditors</b>		
All other non-audit services	<u>5,622</u>	<u>1,530</u>

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

**Year Ended 30 June 2018**

#### **10 Other interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest income on bank deposits	<u>15</u>	<u>55</u>

#### **11 Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest on bank overdrafts and borrowings	255,151	214,189
Interest on obligations under finance leases and hire purchase contracts	22,553	17,065
Interest expense on other finance liabilities	97,786	65,451
Other finance costs	<u>12,792</u>	<u>12,081</u>
	<u><b>388,282</b></u>	<u><b>308,786</b></u>



## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 12 Taxation

Tax charged/(credited) in the profit and loss account

	2018 £	2017 £
<b>Current taxation</b>		
UK corporation tax	(27,581)	(20,000)
UK corporation tax adjustment to prior periods	<u>(24,844)</u>	<u>(180)</u>
	(52,425)	(20,180)
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>(50,457)</u>	<u>-</u>
Tax receipt in the income statement	<u>(102,882)</u>	<u>(20,180)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19%).

The differences are reconciled below:

	2018 £	2017 £
Loss before tax	<u>(1,362,979)</u>	<u>(314,160)</u>
Corporation tax at standard rate	(258,966)	(59,690)
Effect of expense not deductible in determining taxable profit (tax loss)	24,204	37,723
Effect of tax losses	(50,457)	(48,661)
Tax (decrease)/increase from effect of capital allowances and depreciation	(60,960)	15,849
Tax (decrease)/increase from other short-term timing differences	(24,844)	5,715
Tax increase from effect of unrelieved tax losses carried forward	295,722	8,884
Tax (decrease)/increase from effect of adjustment in research and development tax credit	<u>(27,581)</u>	<u>20,000</u>
Total tax credit	<u>(102,882)</u>	<u>(20,180)</u>

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### Deferred tax

##### Group

Deferred tax assets and liabilities

	<b>Asset £</b>
<b>2018</b>	
Tax losses available for future periods	145,612
Capital allowances in excess of depreciation	(120,612)
Tax losses utilised	50,457
	<u>75,457</u>
<b>2017</b>	
Tax losses available for future periods	190,810
Capital allowances in excess of depreciation	(165,810)
Tax losses utilised	-
	<u>25,000</u>

The group has an unrecognised deferred tax asset arising on tax losses carried forward. The amount not recognised in the period was £364,643 (2017 - £341,404).

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 13 Intangible assets

##### Group

	Goodwill £	Trademarks, patents and licenses £	Website and software development costs £	Product development costs £	Total £
<b>Cost or valuation</b>					
At 1 July 2017	1,168,630	19,294	44,221	80,576	1,312,721
Additions acquired separately	-	7,010	13,419	16,533	36,962
Disposals	-	-	-	(170)	(170)
Transfers	-	(9,140)	-	9,140	-
At 30 June 2018	<u>1,168,630</u>	<u>17,164</u>	<u>57,640</u>	<u>106,079</u>	<u>1,349,513</u>
<b>Amortisation</b>					
At 1 July 2017	110,960	-	4,123	3,115	118,198
Amortisation charge	<u>116,863</u>	<u>-</u>	<u>8,517</u>	<u>17,820</u>	<u>143,200</u>
At 30 June 2018	<u>227,823</u>	<u>-</u>	<u>12,640</u>	<u>20,935</u>	<u>261,398</u>
<b>Carrying amount</b>					
At 30 June 2018	<u>940,807</u>	<u>17,164</u>	<u>45,000</u>	<u>85,144</u>	<u>1,088,115</u>
At 30 June 2017	<u>1,057,671</u>	<u>19,294</u>	<u>40,098</u>	<u>77,461</u>	<u>1,194,524</u>

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### Company

	Trademarks, patents and licenses £	Total £
<b>Cost or valuation</b>		
At 1 July 2017	<u>5,570</u>	<u>5,570</u>
At 30 June 2018	<u>5,570</u>	<u>5,570</u>
<b>Amortisation</b>		
At 1 July 2017	<u>-</u>	<u>-</u>
At 30 June 2018	<u>-</u>	<u>-</u>
<b>Carrying amount</b>		
At 30 June 2018	<u>5,570</u>	<u>5,570</u>
At 30 June 2017	<u>5,570</u>	<u>5,570</u>

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 14 Tangible assets

##### Group

	Land and buildings £	Short leasehold land and buildings £	Motor vehicles £	Plant and equipment £	Furniture, fittings and equipment £	Total £
<b>Cost or valuation</b>						
At 1 July 2017	1,019,514	3,025,722	141,087	7,891,976	63,050	12,141,349
Additions	11,146	230,077	13,750	490,496	7,624	753,093
Disposals	-	(147,554)	(63,277)	-	(3,775)	(214,606)
At 30 June 2018	1,030,660	3,108,245	91,560	8,382,472	66,899	12,679,836
<b>Depreciation</b>						
At 1 July 2017	66,150	935,781	105,972	5,848,965	42,426	6,999,294
Charge for the year	20,614	183,227	9,289	482,895	8,096	704,121
Eliminated on disposal	-	(147,554)	(61,218)	-	(1,360)	(210,132)
At 30 June 2018	86,764	971,454	54,043	6,331,860	49,162	7,493,283
<b>Carrying amount</b>						
At 30 June 2018	943,896	2,136,791	37,517	2,050,612	17,737	5,186,553
At 30 June 2017	953,364	2,089,942	35,115	2,043,011	20,623	5,142,055

## Provenance Brands Limited

### Notes to the Financial Statements

#### Year Ended 30 June 2018

##### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2018 £	2017 £
Plant and equipment	891,095	530,323
Motor vehicles	31,703	25,945
Leasehold improvements	23,520	-
	<u>946,318</u>	<u>556,268</u>

##### Company

	Furniture, fittings and equipment £	Total £
<b>Cost or valuation</b>		
At 1 July 2017	7,907	7,907
Additions	3,652	3,652
Disposals	(865)	(865)
At 30 June 2018	<u>10,694</u>	<u>10,694</u>
<b>Depreciation</b>		
At 1 July 2017	1,181	1,181
Charge for the year	2,743	2,743
Eliminated on disposal	(306)	(306)
At 30 June 2018	<u>3,618</u>	<u>3,618</u>
<b>Carrying amount</b>		
At 30 June 2018	<u>7,076</u>	<u>7,076</u>
At 30 June 2017	<u>6,725</u>	<u>6,725</u>

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 15 Investments

##### Company

	2018 £	2017 £
Investments in subsidiaries	1,950,952	1,950,952
Investments in associates	53,785	53,785
	<u>2,004,737</u>	<u>2,004,737</u>

##### Subsidiaries

£

##### Cost or valuation

At 1 July 2017 1,950,952

At 30 June 2018 1,950,952

##### Carrying amount

At 30 June 2018 1,950,952

At 30 June 2017 1,950,952

##### Associates

£

##### Cost

At 1 July 2017 53,785

At 30 June 2018 53,785

##### Carrying amount

At 30 June 2018 53,785

At 30 June 2017 53,785

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Warrens Bakery Limited	England and Wales	Ordinary and Ordinary B Share Capital	100%	100%
Cornish Sea Salt Company Limited	England and Wales	Ordinary and Ordinary A Share Capital	91.7%	91.7%
Warrens Bakery Franchise Limited	England and Wales	Ordinary Share Capital	100%	100%
Associates				
The Cornish Seaweed Company Limited	England and Wales	Ordinary Share Capital	33.33%	33.33%

The principal activity of Warrens Bakery Limited is the production and supply of bakery products to both wholesalers and the public via its chain of retail outlets.

The principal activity of Cornish Sea Salt Company Limited is the production and sale of sea salt, salt based seasonings, and Living Sea Therapy products.

The principal activity of Warrens Bakery Franchise Limited is management of the franchising of Warrens Bakery outlets.

The principal activity of The Cornish Seaweed Company Limited is the production and supply of seaweed based products to both wholesalers and other third parties.

For the year ending 30 June 2018 the subsidiary Warrens Bakery Franchise Limited was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.



## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 16 Other financial assets

	Group 2018 £	2017 £
<b>Non-current financial assets</b>		
Financial assets at cost less impairment	<u>360</u>	<u>360</u>

#### 17 Stocks

	Group 2018 £	2017 £
Raw materials and consumables	322,165	329,808
Finished goods and goods for resale	<u>744,303</u>	<u>478,240</u>
	<u>1,066,468</u>	<u>808,048</u>

#### Group

The cost of stocks recognised as an expense in the year amounted to £6,865,989 (2017 - £5,456,447).

#### 18 Debtors

	2018 £	Group 2017 £	2018 £	Company 2017 £
Note				
Trade debtors	1,078,064	800,083	4,320	-
Amounts due from group undertakings	30 -	-	1,068,435	490,750
Other debtors	158,841	160,903	2,365	25,738
Prepayments	733,904	702,485	-	-
Deferred tax assets	<u>75,457</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
	<u>2,046,266</u>	<u>1,688,471</u>	<u>1,075,120</u>	<u>516,488</u>

#### Company

Amounts owed by related parties includes £815,000 (2017 - £382,671) falling due after more than one year.

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 19 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash on hand	32,128	13,237	351	-
Cash at bank	62,555	64,715	14,124	34,519
	94,683	77,952	14,475	34,519
Bank overdrafts	(217,917)	(138,427)	-	-
Cash and cash equivalents in statement of cash flows	(123,234)	(60,475)	14,475	34,519

#### 20 Creditors

		Group		Company	
	Note	2018	2017	2018	2017
		£	£	£	£
<b>Due within one year</b>					
Loans and borrowings	21	1,118,085	1,421,638	150,000	684,256
Trade creditors		2,221,261	1,512,616	95,712	58,485
Amounts due to related parties	30	-	12,000	-	12,000
Social security and other taxes		305,103	243,060	61,880	48,181
Outstanding defined contribution pension costs		9,189	3,887	1,427	-
Other creditors		136,053	148,142	24,481	3,519
Accrued expenses		841,332	769,956	60,569	55,207
		4,631,023	4,111,299	394,069	861,648
<b>Due after one year</b>					
Loans and borrowings	21	4,005,210	2,647,879	1,084,994	100,000
Other creditors		45,520	32,989	-	-
		4,050,730	2,680,868	1,084,994	100,000

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 21 Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
<b>Current loans and borrowings</b>				
Bank borrowings	515,214	366,281	-	-
Bank overdrafts	217,917	138,427	-	-
Finance lease liabilities	230,862	175,659	-	-
Other borrowings	154,092	741,271	150,000	684,256
	<u>1,118,085</u>	<u>1,421,638</u>	<u>150,000</u>	<u>684,256</u>

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
<b>Non-current loans and borrowings</b>				
Bank borrowings	2,296,057	2,118,132	-	-
Finance lease liabilities	374,159	225,656	-	-
Other borrowings	1,334,994	304,091	1,084,994	100,000
	<u>4,005,210</u>	<u>2,647,879</u>	<u>1,084,994</u>	<u>100,000</u>

The finance lease liabilities are secured against the underlying assets.

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

#### **Year Ended 30 June 2018**

##### **Group**

##### **Bank borrowings**

Bank borrowings at the year end comprise of the following arrangements:

Invoice discounting facility denominated in pound sterling with no fixed repayment terms. The carrying amount at the year end is £448,546 (2017 - £299,614).

Interest only bank loan 1 denominated in pounds sterling, with a nominal interest rate of 10.0%, and the final instalment has been renegotiated with the bank subsequent to the balance sheet date to be due on 24 April 2021. The carrying amount at the year end is £1,178,603 (2017 - £1,121,622).

Interest only bank loan 2 denominated in pounds sterling, with a nominal interest rate of 10.0%, and the final instalment is due on 24 April 2021. The carrying amount at the year end is £817,456 (2017 - £629,844).

Term loan 1 is denominated in pounds sterling and has been renegotiated with the bank subsequent to the balance sheet date. Repayment of the loan will consist of consecutive instalments of £4,167 commencing on 24 December 2019 and an outstanding amount is to be paid on the revised termination date of 24 April 2021. The carrying amount at the year end is £191,666 (2017 - £208,333).

Term loan 2 is denominated in pounds sterling and has also been renegotiated with the bank subsequent to the balance sheet date. Repayment of the loan will consist of consecutive instalments of £12,500 commencing on 16 December 2019 with a revised termination date of 16 December 2021. A sum of £50,000 will be repayable on this date. The carrying amount at the year end is £175,000 (2017 - £225,000).

The bank loans and overdraft are secured by way of a debenture (including a fixed and floating charge over the leasehold premises) from the group.

##### **Other borrowings**

Other borrowings at the year end comprise of the following arrangements:

Other borrowings 1 with Cornwall Council as the lender is denominated in pounds sterling, with an interest payable expected to be approximately £33,000 over the next 12 months, and the final instalment is expected to be paid on 25 April 2021. The carrying amount at the year end is £250,000 (2017 - £250,000).

Other borrowings 1 are secured by way of debenture and charge over the assets of the group.

Other borrowings 2 (SWIG loan) denominated in pounds sterling, interest free, and the final instalment is due on 31 January 2019. The carrying amount at the year end is £4,092 (2017 - £11,107).

Other borrowings 3 (loan notes) denominated in pounds sterling, with a nominal interest rate of 5.0%, and the final instalment was due on 30 September 2018. The carrying amount at the year end is £100,000 (2017 - £200,000). Following discussions with the lender, the loan is attracting a penal rate of interest at 10%.

## Provenance Brands Limited

### Notes to the Financial Statements

#### Year Ended 30 June 2018

Other borrowings 4 (related parties) denominated in pounds sterling, with a nominal interest rate of 10.0%, and repayable on demand. The carrying amount at the year end is £50,000 (2017 - £109,261).

Other borrowings 5 (related parties) denominated in pounds sterling, with a nominal interest rate of 10.0%, and repayable on 21 February 2020. The carrying amount at the year end is £560,000 (2017 - £nil).

Other borrowings arrangements that make up the balance are referred to in note 30 related parties transactions and there is a restriction in place such that these cannot be repaid before Autumn 2020.

#### Company

Other borrowings 1 (loan notes) denominated in pounds sterling, with a nominal interest rate of 5.0%, and the final instalment is due on 30 September 2018. The carrying amount at the year end is £100,000 (2017 - £200,000). Following discussions with the lender, the loan is attracting a penal rate of interest at 10%.

Other borrowings 2 (related parties) denominated in pounds sterling, with a nominal interest rate of 10.0%, and repayable on demand. The carrying amount at the year end is £50,000 (2017 - £109,261).

Other borrowings 3 (related parties) denominated in pounds sterling, with a nominal interest rate of 10.0%, and repayable on 21 February 2020. The carrying amount at the year end is £560,000 (2017 - £nil).

Other borrowings arrangements that make up the balance are referred to in note 30 related parties transactions and there is a restriction in place such that these cannot be repaid before Autumn 2020.

#### 22 Obligations under leases and hire purchase contracts

##### Group

##### Finance leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	230,862	175,659
Later than one year and not later than five years	374,159	225,656
	<u>605,021</u>	<u>401,315</u>

##### Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	1,436,894	1,312,471
Later than one year and not later than five years	2,998,948	2,739,776
Later than five years	2,223,779	2,185,339
	<u>6,659,621</u>	<u>6,237,586</u>

## Provenance Brands Limited

### Notes to the Financial Statements

#### Year Ended 30 June 2018

The amount of operating lease payments recognised as an expense during the year was £1,670,857 (2017 - £1,538,060).

#### 23 Analysis of net debt

	At 1 July 2017 £	Cash flow £	At 30 June 2018 £
Cash at bank and on hand	77,952	16,731	94,683
Bank overdrafts	(138,427)	(79,490)	(217,917)
Cash and cash equivalents	(60,475)	(62,759)	(123,234)
Bank borrowings	(2,484,413)	(326,858)	(2,811,271)
Finance lease liabilities	(401,315)	(203,706)	(605,021)
Other borrowings	(1,045,362)	(443,724)	(1,489,086)
Net debt	<u>(3,516,571)</u>	<u>(1,037,047)</u>	<u>(4,553,618)</u>

#### 24 Deferred tax and other provisions

##### Group

	Deferred tax £
At 1 July 2017	(25,000)
Additional provisions	<u>(50,457)</u>
At 30 June 2018	<u>(75,457)</u>

#### 25 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £91,674 (2017 - £76,765).

Contributions totalling £9,189 (2017 - £3,887) were payable to the scheme at the end of the year and are included in creditors.

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 26 Reserves

##### Group and company

###### Share capital

Called up share capital represents the nominal value of shares that have been issued.

###### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

###### Non-controlling interests

The non-controlling interests represents the proportion of net assets of companies acquired in the group that are held by non-controlling interests. This also includes all current and prior period retained profits and losses attributable to non-controlling interests.

#### 27 Share capital

##### Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary Shares of £1 each	1,575,735	1,575,735	1,575,735	1,575,735
Ordinary A Shares of £0.01 each	45,666	457	45,666	457
	<u>1,621,401</u>	<u>1,576,192</u>	<u>1,621,401</u>	<u>1,576,192</u>

##### New shares allotted

During the prior year 697,415 Ordinary Shares having an aggregate nominal value of £697,415 were allotted as part of a share for share exchange. The allotment of shares occurred in order to facilitate the acquisition of a subsidiary.

#### 28 Non adjusting events after the financial period

Subsequent to the balance sheet date approximately £185,000 (2017 - £550,000) of cash was introduced to the company via unsecured loans from a group that includes directors, employees and shareholders.

Furthermore, on 11 January 2019, Provenance Brands Limited issued a further 1,621,401 B Ordinary shares to raise finance of £324,737.

## Provenance Brands Limited

### Notes to the Financial Statements

Year Ended 30 June 2018

#### 29 Financial instruments

##### Group

##### Categorisation of financial instruments

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	<u>1,172,747</u>	<u>878,035</u>
	<u>1,172,747</u>	<u>878,035</u>
	2018 £	2017 £
Financial liabilities measured at amortised cost	<u>(6,905,437)</u>	<u>(5,179,978)</u>
	<u>(6,905,437)</u>	<u>(5,179,978)</u>

Financial assets measured at amortised cost comprise of cash and trade debtors.

Financial liabilities measured at amortised cost comprise of borrowings, amounts due to related parties, trade creditors and certain other creditors.



## **Provenance Brands Limited**

### **Notes to the Financial Statements**

**Year Ended 30 June 2018**

#### **30 Related party transactions**

##### **Group**

##### **Key management personnel**

Details of directors remuneration and key management personnel is provided in note 8 to the financial statements.

##### **Companies controlled by directors**

Certain directors have a controlling interest in companies which provide consultancy services to the group. Consultancy services provided during the year amounted to £120,791 (2017 - £120,825).

One of these companies has a loan due from Provenance Brands Limited of £130,000. Interest is charged on this loan at 10% per annum and is repayable after more than one year.

At the balance sheet date the total amounts due to these companies was £208,090 (2017 - £151,858).

##### **Director and shareholder**

A director has a loan due from Provenance Brands Limited. Interest is charged on this loan at 10% per annum and is repayable on demand.

At the balance sheet date the amounts due to this director were £174,994 (2017 - £174,994).

##### **Close family members**

Close family members to certain directors and shareholders have loans due from Provenance Brands Limited. Interest is charged on these loans at 10% per annum.

At the balance sheet date the amount due to these close family members was £450,000 (2017 - £300,000) and of these amounts £400,000 (2017 - £nil) is repayable after more than one year.

## **Provenance Brands Limited**

### **Notes to the Financial Statements**

**Year Ended 30 June 2018**

#### **Company**

##### **Summary of transactions with subsidiaries**

**Cornish Sea Salt Company Limited**

A controlling interest in Cornish Sea Salt Company Limited was acquired during the prior year.

During the year the parent company made sales to this subsidiary of £359,330 (2017 - £337,227).

In addition the parent company made purchases from this subsidiary of £13,242 (2017 - £4,956).

At the balance sheet date the amount due from this subsidiary was £78,429 (2017 - £5,836).

**Warrens Bakery Limited**

During the prior year the parent company became the 100% shareholder in Warrens Bakery Limited.

Prior to the parent company becoming the 100% shareholder it made sales to this subsidiary of £151,968.

##### **Summary of transactions with associates**

During the year the parent company made sales to the associate company of £3,600 (2017 - £3,750).

At the balance sheet date amounts owed from the associate company were £4,320 (2017 - owed to the associate company were £12,000).

#### **31 Ultimate controlling party**

The ultimate controlling party is M Sullivan who is a director and the majority shareholder.