

Tossed Holdings Limited

Report and Financial Statements

Year Ended

31 March 2018

Company Number 08422056

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Tossed Holdings Limited

**Report and financial statements
for the year ended 31 March 2018**

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Directors

V D Mckevitt
N Sebba
B C Davis
R W McKie

Registered office

31-33 Baker Street, London, W1U 8EJ

Company number

08422056

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Tossed Holdings Limited

Strategic report for the year ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

Business review

Overview

The group operates healthy-eating retail outlets under the brand "Tossed". Our stores offer a range of fresh, made-to-order salads, wraps, hot food, smoothies and juices and breakfast. Our view is that healthy eating doesn't have to be boring, and we present our offer within a likeable, eye-catching brand. The business is built on the "Tossed Square" which outlines its ethos and areas of focus: service, quality, people and fun.

Whilst healthy eating in the UK is still relatively underdeveloped in the mainstream consumer market, particularly when compared to the US, it is regularly identified as a growing area of interest in the trade press and analysis. The commercial team review our product range regularly against the competition to ensure that we balance being current and on-trend against remaining mainstream enough to appeal to the general public. Long-term trends in consumer tastes should support the offering that we provide, being a quality healthier eating alternative to mainstream fast-food.

In March, the company acquired Vital 1 Limited, a company trading as "Vital Ingredient" from thirteen stores, a similar healthy-eating concept. This further established the group's position as a leading player in the sub-sector.

"Cashless" stores

Since Tossed launched Europe's first cashless stores in March 2016, the business has become increasingly technology-led. Diverting capital to the rollout of this solution and implementing successful change management in its operating systems had been the group's primary focus, and all Tossed-branded stores outside of the shopping centres are cashless.

Store portfolio developments

The group operated from seventeen company-owned Tossed-branded stores at the start of the year, opened one more and closed two during the year. The sixteen Tossed stores in operation at the end of the year comprise thirteen high street stores in London which each serve the local working population, and three island units in the food courts at Westfield London, Westfield Stratford, and Fulham Broadway tube. The new store opening was Horseferry Road, whilst the store at Bluewater was sold back to the landlord and the store on Leadenhall Street was closed when the lease finished as the area is being redeveloped.

The acquisition of Vital adds thirteen stores to the London estate. These stores were not cashless when acquired, but this change was made shortly after the year end, enabling us to streamline the business operations and remove risks associated with holding significant cash balances in stores.

During the year, our franchise partner in Dubai, Vivanta General Trading LLC operated from three store, whilst the Welcome Break estate grew from five to six, with the reopening of Fleet South services following a major fire.

Financing

Further shareholder lending of £3.5m was extended to the group, predominantly in March to fund the acquisition of Vital 1 Limited, and a further £0.5m remains undrawn on the facilities. Whilst trading has meant the covenants are not met at year end, the business continues to be supported by a debt package from Santander UK plc, and has seen a significant improvement in this position post year-end and continues to meet its repayments.

Share options

There were 27,400 new options issued in the Tossed Employee Share Option Plan during the year, whilst 600 options lapsed. At the balance sheet date, there were 49,900 shares under option. No director participates in the plan. The scheme is Enterprise Management Incentives compliant.

Tossed Holdings Limited

Strategic report for the year ended 31 March 2018 *(continued)*

Principal risks and uncertainties

UK macro-economy / “Brexit”

As a London-based consumer and office-facing business, the group is exposed to general economic risks, in particular how they may impact on the headcount and disposable incomes of the London office-worker and shopper populations. The business is protected to some extent by the long-term positive trends toward healthier eating, but the economy remains fragile, fuelled by political uncertainties. Understandably, the risks and uncertainties in this area have been exacerbated following the confusion and political turmoil since the “Brexit” vote, the effects of which have so far been confined to exchange-rate driven cost inflation and heightened concerns over potential shortage of labour. Retaining sufficient cash headroom to protect the business remains imperative in uncertain times.

Cost inflationary pressures

The market landscape in which we operate is presently subject to a combination of legislative pressures on wages and rating reforms, and an increasing scarcity of the high-quality raw materials that we source for our menu. To some extent, these pressures can be mitigated by economies of scale, and we have enjoyed further benefits after the balance sheet date from the consolidation of Vital Ingredient into the purchasing structure. We utilise fixed price contracts to ensure that volatility is minimised whilst quality is maintained. However, as margins come under increased pressure, it has become increasingly important to drive sale growth in order to ensure EBITDA is maintained, and market uncertainty in the second half of the year unfortunately meant that could not be delivered.

Property prices and competition

Despite market uncertainty and a spate of company voluntary arrangements in the casual dining sector, there is ongoing upward pressure on rental gearing, particularly from upwards-only rent reviews. The challenge remains to deliver consistent and continued growth in top line in the face of increased competitive tension and rental pressure to ensure that stores convert profitably, and we remain an attractive tenant to landlords. When we return the expansion trail following the Vital Ingredient integration, we will be a better-known brand with improved covenant strength and should be a more sought-after offering for landlords to have in their tenant mix as a result.

Reputational risk

Following the crowdfunding in September 2015 and as we open into new locations and franchise to third-party operators we are becoming an increasingly high-profile brand. This has implicit upside in protecting the business against other risks such as a macro-economic downturn, but we need to ensure that quality standards continue to be delivered. Our guests trust us to provide a high standard of quality food and drinks in a welcoming environment, and we implement standards and controls to ensure this is delivered well across the estate. These include training programmes, store audits, mystery guest visits and ensuring that our supply chain sourcing is consistent.

Technology

The business seeks to push the boundaries of technological development, primarily with its pioneering of cashless stores, but also supported by paperless back-of-house systems. There is therefore a requirement to ensure that we have the right IT partners who are providing the correct levels of support. All partners are engaged on support contracts and we have fail-safes built into the connectivity of the kiosks to minimise downtime.

Financial structuring and liquidity

With inflationary pressures looming it is expected that interest rates will rise in the coming year, although we expected the same last year and they moved by just 0.25%. As a group with bank and shareholder lending on variable rates, shareholder equity value may become eroded as this happens. We must ensure that there is enough headroom available to ensure liquidity, particularly around the rental quarter date when cash flow is at its tightest, which we do by stress-testing our cash forecasts on a regular basis to ensure that the business is well funded. This will be increasingly important if we increase the pace of rollout of new stores.

Tossed Holdings Limited

Strategic report for the year ended 31 March 2018 (continued)

Performance summary

	FY18	FY17
Operational KPIs		
Team headcount (average over the year)	222	217
Store numbers (trading at year-end):		
Company owned – branded Tossed	16	17
Company owned – branded Vital Ingredient	13	-
Franchised	8	8
	37	25
Financial KPIs		
Group turnover	£9,872k	£10,042k
Normalised EBITDA *	-£107k	£389k
Banking Leverage Multiple **	n/a	1.73x

Due to market uncertainty, which has been well-reported in the national and industry press, there was considerable downward pressure on the sales. Like-for-like sales fell into decline from the end of the summer of 2017 and remained negative until the end of the financial year which, along with the net closure of one store, has led to a fall in group turnover of 1.6% to £9,872k, despite the consolidation of the Vital Ingredient stores for fourteen days' trading. Reassuringly however, the Tossed stores have shown significant like-for-like growth subsequent to the year-end and, combined with the stores acquired as Vital Ingredient, we expect to report a materially increased turnover figure at the end of the next financial year.

Head count appears to have increased by five on an average basis, but the timing of the acquisition of Vital 1 in March 2018 meant that the impact of these stores is pro-rated as it is with turnover. On a whole-year basis, the employee head count would have reported as 408.

Cost inflationary pressures meant stores are converting the lower turnover at reduced margin and, whilst head office overheads were reduced, this was not sufficient to prevent the business reporting a negative normalised EBITDA for the year to 31 March 2018 which makes the Banking Leverage Multiple incalculable. Since the year-end, this position has reversed, and we have been enjoying a steady period of growth in Normalised EBITDA, supported both by increased sales in the Tossed stores and the incremental performance from the Vital Ingredient stores. We also continue to reduce our Banking Leverage Multiple with scheduled repayments.

* The directors consider that earnings before interest, tax, depreciation and amortisation adjusted for store pre-opening and closure costs and other exceptional costs is one of the group's key performance indicators, and this is a view shared by the group's bankers for the purposes of covenant testing. This metric is adjusted to remove the performance of the company itself, which is not included in the banking group, and presented as "Normalised Trading EBITDA", which is calculated at a Tossed Limited group level as that is the group for banking purposes..

** Similarly, the "Banking Leverage Multiple" reflects this adjustment and shows the ratio of the group's non-shareholder debt to its Normalised Trading EBITDA, which is calculated at a Tossed Limited group level as that is the group for banking purposes.

Approval

This strategic report was approved on behalf of the Board on 21 December 2018.


N Sebba
Director

Tossed Holdings Limited

Directors' report for the year ended 31 March 2018

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

Results and dividends

The consolidated statement of comprehensive income is set out on page 9 and shows the loss for the year.

Principal activities

The principal activity of the group is to operate healthy eating retail outlets under the "Tossed" and "Vital Ingredient" brands through company owned stores in the UK and franchise agreements in the UK and overseas.

The principal activity of the company is that of investment holding and financing company. The company is a private company limited by shares.

Directors

The directors of the company during the year were:

V D Mckevitt
N Sebba
B C Davis
R W McKie

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

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

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

Tossed Holdings Limited

Directors' report for the year ended 31 March 2018 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board



N Sebba
Director

Date: 21 December 2018

Tossed Holdings Limited

Independent auditor's report

TO MEMBERS OF TOSSED HOLDINGS LIMITED

Opinion

We have audited the financial statements of Tossed Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the 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 of the Parent Company's affairs as at 31 March 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 and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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 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.

Tossed Holdings Limited

Independent auditor's report (*continued*)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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.

Tossed Holdings Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

As explained more fully in the Directors' report, 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 determines 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 at the Financial Reporting Council's website at: <https://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.

BDO LLP

Mark RA Edwards (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 21 December 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Tossed Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	9,872,352	10,041,695
Cost of sales		(3,104,041)	(3,116,534)
Gross profit		6,768,311	6,925,161
Underlying administrative expenses		(8,354,666)	(8,027,866)
Exceptional profit on disposal of stores		-	586,349
Exceptional legal costs	4	(314,152)	(73,114)
Administrative expenses		(8,668,818)	(7,514,631)
Other income		30,698	132,717
Group operating loss	4	(1,869,809)	(456,753)
Other interest receivable and similar income	7	149	893
Interest payable and similar charges	8	(313,260)	(258,505)
Loss on ordinary activities before taxation		(2,182,920)	(714,365)
Tax on loss on ordinary activities	9	-	-
Loss and total comprehensive income for the year		(2,182,920)	(714,365)

All activities relate to continuing operations.

The notes on pages 15 to 28 form part of these financial statements.

Tossed Holdings Limited

Consolidated statement of financial position at 31 March 2018

<i>Company number 08422056</i>	<i>Note</i>	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	11		4,238,348		2,166,323
Tangible assets	12		1,639,983		1,742,985
Lease Premiums	13		108,489		-
			<hr/>		<hr/>
			5,986,820		3,909,308
Current assets					
Lease Premiums	13	23,664		-	
Stock	15	174,768		109,170	
Debtors	16	2,310,090		975,467	
Cash at bank and in hand		727,682		428,926	
		<hr/>		<hr/>	
		3,236,204		1,513,563	
Creditors: amounts falling due within one year	17	(4,616,548)		(1,874,579)	
		<hr/>		<hr/>	
Net current liabilities			(1,380,344)		(361,016)
Total assets less current liabilities			<hr/>		<hr/>
			4,606,476		3,548,292
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	18		7,342,880		4,101,776
Capital and reserves					
Called up share capital	20	11,478		11,478	
Share premium account		3,851,555		3,851,555	
Profit and loss account		(6,599,437)		(4,416,517)	
		<hr/>		<hr/>	
			(2,736,404)		(553,484)
			<hr/>		<hr/>
			4,606,476		3,548,292
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2018.



N Sebba
Director

The notes on pages 15 to 28 form part of these financial statements.

Tossed Holdings Limited

Consolidated statement of changes in equity for the year ended 31 March 2018

	Share capital £	Share premium account £	Profit and loss account £	Total equity £
1 April 2017	11,478	3,851,555	(4,416,517)	(553,484)
Comprehensive income for the year				
Loss for the year	-	-	(2,182,920)	(2,182,920)
Total comprehensive income for the year	-	-	(2,182,920)	(2,182,920)
31 March 2018	11,478	3,851,555	(6,599,437)	(2,736,404)
1 April 2016				
Comprehensive income for the year	11,478	3,851,555	(3,702,152)	160,881
Loss for the year	-	-	(714,365)	(714,365)
Total comprehensive income for the year	-	-	(714,365)	(714,365)
31 March 2017	11,478	3,851,555	(4,416,517)	(553,484)

The notes on pages 15 to 28 form part of these financial statements.

Tossed Holdings Limited

Consolidated statement of cash flows for the year ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss before taxation	(2,182,920)	(714,365)
Adjustments for:		
Depreciation, impairment and amortisation of fixed assets	1,218,542	1,202,337
Increase in trade and other debtors	(1,106,742)	(172,484)
(Increase)/Decrease in stocks	(6,455)	3,722
Increase in trade and other creditors	1,189,487	185,706
Loss/(Profit) on disposal	36,141	(578,503)
Net interest expense	313,111	257,612
	<hr/>	<hr/>
Net cash generated from operating activities	(538,836)	184,025
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	(2,725)	625,050
Purchases of tangible fixed assets	(544,087)	(1,063,755)
Purchases of intangible assets	(30,934)	(26,942)
Interest received	149	893
	<hr/>	<hr/>
Net cash from investing activities	(577,597)	(464,754)
	<hr/>	<hr/>
Acquisitions and disposals		
Acquisition of subsidiary (gross of net debt on acquisition)	(2,329,991)	-
	<hr/>	<hr/>
Net cash from acquisitions and disposals	(2,329,991)	-
	<hr/>	<hr/>
Cash flows from financing activities		
New bank loans	300,000	688,236
Shareholder loan	3,500,000	-
Bank loan repaid	(100,000)	(535,083)
Capital element of lease repaid	(18,562)	(59,963)
Interest paid	(36,563)	(46,577)
	<hr/>	<hr/>
Net cash from financing activities	3,644,875	46,613
	<hr/>	<hr/>
Net increase in cash and cash equivalents	198,451	(234,116)
Cash and cash equivalents at beginning of year	428,926	663,042
	<hr/>	<hr/>
Cash and cash equivalents at end of year	627,377	428,926
	<hr/>	<hr/>

The notes on pages 15 to 28 form part of these financial statements.

Tossed Holdings Limited

Company statement of financial position at 31 March 2018

Company number 08422056	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	11		1,275		1,418
Investments	14		8,874,822		6,114,831
			8,876,097		6,116,249
Current assets					
Debtors	16	713,491		100,502	
Cash at bank and in hand		303,753		170,469	
		1,017,244		270,971	
Creditors: amounts falling due within one year	17	(45,600)		(13,230)	
Net current assets			971,644		257,741
Total assets less current liabilities			9,847,741		6,373,990
Creditors: amounts falling due after more than one year	18		7,342,880		3,578,387
Capital and reserves					
Called up share capital	20	11,478		11,478	
Share premium account		3,851,555		3,851,555	
Profit and loss account		(1,358,172)		(1,067,430)	
			2,504,861		2,795,603
			9,847,741		6,373,990

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 loss after tax of the parent company for the year was £290,742 (2017 - £189,577).

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2018.



N Sebba
Director

The notes on pages 15 to 28 form part of these financial statements.

Tossed Holdings Limited

Company statement of changes in equity for the year ended 31 March 2018

	Share capital £	Share premium account £	Profit and loss account £	Total equity £
1 April 2017	11,478	3,851,555	(1,067,430)	2,795,603
Comprehensive income for the year				
Loss for the year	-	-	(290,742)	(290,742)
Total comprehensive income for the year	-	-	(290,742)	(290,742)
31 March 2018	11,478	3,851,555	(1,358,172)	2,504,861
1 April 2016				
Comprehensive income for the year	11,478	3,851,555	(877,853)	2,985,180
Loss for the year	-	-	(189,577)	(189,577)
Total comprehensive income for the year	-	-	(189,577)	(189,577)
31 March 2017	11,478	3,851,555	(1,067,430)	2,795,603

The notes on pages 15 to 28 form part of these financial statements.

Tossed Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2018

1 Accounting policies

Tossed Holdings Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 judgement in applying the Group's accounting policies.

Basis of consolidation

The consolidated financial statements incorporate the results of Tossed Holdings Limited and all of its subsidiary undertakings as at 31 March 2018 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Going concern

The directors have prepared the financial statements on a going concern basis having prepared forecasts showing the group has more than adequate cash and bank loan facility headroom to fund its ongoing activities. The group has a positive relationship with its bank and while the group is currently in default of covenants the bank remains supportive of the growth plans of the group.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised at the moment the goods or services are delivered.

Turnover from franchised operations represents recurring royalties receivable from franchises of the Group, commission receivable from third parties on supplies to franchises, together with franchise and development fees.

Fixed assets, depreciation and amortisation

Fixed assets are classified by reference to their use in the business and amortised/depreciated over their useful economic life. Amortisation/depreciation is provided to write off the cost of all fixed assets other than investments, evenly over their expected useful lives. It is calculated at the following rates:

Trademarks	- 10% straight line
Website	- 33.33% straight line
Leasehold improvements	- 20% straight line
Plant and machinery	- 20%-50% straight line
Motor vehicles	- 33.33% straight line

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Tossed Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

1 Accounting policies (*continued*)

Intangible assets - goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 5 years. Goodwill is being amortised to 'administrative expenses' over 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Stock

Stocks are valued at the lower of cost and net realisable value.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or 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 reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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

- 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 timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

Tossed Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

1 Accounting policies (*continued*)

Finance leases

Where leases are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of the estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduced the finance liability.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 12)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

3 Turnover

	2018 £	2017 £
Analysis by class of business		
Restaurant Operator	9,601,499	9,801,868
Restaurant Franchising	270,853	239,827
	<u>9,872,352</u>	<u>10,041,695</u>
Analysis of turnover by country of destination		
United Kingdom	9,734,216	9,940,263
Rest of the World	138,136	101,432
	<u>9,872,352</u>	<u>10,041,695</u>

4 Operating loss

	2018 £	2017 £
This is arrived at after charging/(crediting):		
Amortisation of intangible fixed assets	383,674	390,419
Depreciation of tangible fixed assets	638,565	681,150
Depreciation leasehold premiums	2,847	-
Impairment of tangible fixed assets	193,456	130,768
(Profit)/Loss on disposal of tangible assets	36,141	(578,503)
Hire of other assets - operating leases	1,607,639	1,434,635
Auditors' remuneration:		
- fees payable to the group's auditor for the audit of the group's annual accounts	24,385	19,885
- tax compliance	14,700	10,700
- other tax services	8,056	7,406
	<u></u>	<u></u>

Exceptional legal costs

During the year £314,152 (2017 - £73,114) was incurred in a group company in respect of a claim served on 3 September 2015 by agents acting on behalf of a former franchisee. In the prior year, a significant part of the claim was struck out and a court order was issued to the claimant to repay a portion of the costs incurred by the group to date. Despite this, the agents proceeded with the claim and, whilst the Directors remained of the belief that the claim was unmeritorious, they deemed it preferable for the group's ongoing activities to settle the claim rather than proceed with the significant expense and uncertainty of a court case. The costs incurred in the current year represent the final legal costs and settlement relating to the matter.

Tossed Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

5 Employees

	2018 £	2017 £
Team costs (including directors) consist of:		
Wages and salaries	3,515,299	3,490,683
Social security costs	256,536	258,737
Cost of defined contribution scheme	13,572	12,260
	<u>3,785,407</u>	<u>3,761,680</u>
The average monthly number of employees, (including directors) during the year was:	Number	Number
Central team	18	17
Store team	204	200
	<u>222</u>	<u>217</u>

A defined contribution pension scheme is operated by the group on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions amounting to £3,616 (2017 - £1,507) were payable to the fund at year end.

On 31 August 2016, the board approved the adoption of the Tossed Employee Share Option Plan, and Enterprise Management Incentives compliant share option scheme for employees of the group. At the balance sheet date, there were 49,900 shares under option. No director participates in the plan. The share-based payments charge is not material and so has not been recorded.

6 Directors' remuneration

	2018 £	2017 £
Directors' remuneration consists of:		
Emoluments	<u>288,764</u>	<u>287,105</u>

There were no (2017 - Nil) directors in the company's defined contribution scheme during the year.

Emoluments of the highest paid director were £133,081 (2017 - £131,010).

During the year no director (including the highest paid director) received shares under the long term incentive schemes (2017 - Nil). During the year, no directors exercised shares (2017 - Nil).

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

7 Interest receivable and similar income

	2018 £	2017 £
Other interest	149	893

8 Interest payable and similar charges

	2018 £	2017 £
Bank loans and overdrafts	47,207	47,051
Loan notes	264,493	205,396
Finance leases	1,560	6,058
	313,260	258,505

9 Taxation on loss on ordinary activities

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(2,182,920)	(714,365)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(414,754)	(142,873)
Effects of:		
Expenses not deductible for tax purposes	70,113	109,248
Fixed asset differences	49,998	-
Income not taxable for tax purposes	-	(61,425)
R&D tax credit	-	(1,781)
Deferred tax not recognised	294,643	96,831
Total tax charge for the year	-	-

The group has gross tax losses of £3,850,294 available for use against future trading profits. A deferred tax asset has not been recognised in respect of these losses due to the uncertainty around the timing of recovery.

10 Parent company profit for the year

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 profit after tax of the parent company for the year was £290,742 (2017 - £189,577).

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

11 Intangible fixed assets

Company	Trademarks £
<i>Cost</i>	
At 1 April 2017	1,430
Additions	-
	<hr/>
At 31 March 2018	1,430
	<hr/>
<i>Amortisation</i>	
At 1 April 2017	12
Provision for the year	143
	<hr/>
At 31 March 2018	155
	<hr/>
<i>Net book value</i>	
At 31 March 2018	1,275
	<hr/>
At 31 March 2017	1,418
	<hr/>

Group	Goodwill on consolidation £	Trademarks £	Website £	Total £
<i>Cost</i>				
At 1 April 2017	3,533,991	9,743	99,102	3,642,836
Additions	2,424,764	2,751	28,182	2,455,697
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	5,958,755	12,494	127,284	6,098,533
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 1 April 2017	1,413,596	1,710	61,207	1,476,513
Provision for the year	353,399	1,213	29,060	383,672
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	1,766,995	2,923	90,267	1,860,185
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2018	4,191,760	9,571	37,017	4,238,348
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	2,120,395	8,034	37,895	2,166,323
	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation is charged to administrative expenses in the consolidated statement of comprehensive income.

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

12 Tangible fixed assets

Group	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 April 2017	2,056,121	2,102,108	4,341	4,162,570
Additions	231,871	290,639	-	522,510
On acquisition	145,526	94,397	-	239,923
Disposals	(189,900)	(136,133)	-	(326,033)
At 31 March 2018	2,243,618	2,351,011	4,341	4,598,970
<i>Depreciation</i>				
At 1 April 2017	1,208,257	1,206,987	4,341	2,419,585
Provision for the year	256,944	381,620	-	638,564
Disposals	(172,533)	(120,085)	-	(292,618)
Impairment	117,255	76,201	-	193,456
At 31 March 2018	1,409,923	1,544,723	4,341	2,958,987
<i>Net book value</i>				
At 31 March 2018	833,695	806,288	-	1,639,983
At 31 March 2017	847,864	895,121	-	1,742,985

The net book value of tangible fixed assets includes £8,622 (2017 - £74,427) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £65,805 (2017 - £82,111) for the year.

Depreciation is charged to administrative expenses in the consolidated statement of comprehensive income.

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

13 Leasehold premiums

	Total £
Group	
<i>Cost</i>	
On acquisition	135,000
	<hr/>
At 31 March 2018	135,000
	<hr/>
<i>Depreciation</i>	
Provision for the year	2,847
	<hr/>
At 31 March 2018	2,847
	<hr/>
<i>Net book value</i>	
At 31 March 2018	132,153
	<hr/> <hr/>

Of the above lease premiums an amount of £23,664 relates to amounts which will be amortised within one year, with the remaining £108,489 being amortised after more than one year.

14 Fixed asset investments

Company	2018 £	2017 £
Shares in group undertakings and participating interest	8,874,822	6,114,831
	<hr/>	<hr/>

During the year, the company purchased 62,586 shares in Tossed Limited, at a price of £11.21, as well as the 1 share in issue in Vital 1 Limited at a price of £1,992,839.

The principal undertakings in which the company has an interest at the year-end are as follows:

Name	Country of registration or incorporation	Class	Shares held %	Nature of business
<i>Subsidiary undertakings:</i>				
Tossed Limited	UK	Ordinary	100	Holding company
Vital 1 Limited	UK	Ordinary	100	Restaurant operator
<i>The following investments are held indirectly:</i>				
Zest Food Ltd	UK	Ordinary A & B	100	Restaurant operator
Tossed Partners Ltd	UK	Ordinary	100	Restaurant franchising
Tossed Overseas Operations Limited	UK	Ordinary	100	Restaurant franchising

The registered address for all direct and indirect subsidiaries is 31-33 Baker Street, London, W1U 8EJ.

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

15 Stock

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Raw materials and consumables	174,768	109,170	-	-

16 Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	152,839	84,200	-	-
Prepayments	1,700,066	443,633	18	-
Amounts owed by group undertakings	-	-	700,904	100,000
Taxation and social security	68,603	-	12,569	502
Other debtors	388,582	447,634	-	-
	2,310,090	975,467	713,491	100,502

17 Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Overdraft	100,305	-	-	-
Bank loans	835,827	103,173	-	-
Obligations under finance lease and hire purchase contracts	2,421	18,562	-	-
Trade creditors	2,432,730	729,063	33,600	1,230
Taxation and social security	101,996	176,235	-	-
Accruals	879,739	666,746	12,000	12,000
Other creditors	263,530	180,800	-	-
	4,616,548	1,874,579	45,600	13,230

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

18 Creditors: amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Loan notes	7,342,880	3,578,387	7,342,880	3,578,387
Bank loans	-	520,970	-	-
Obligations under finance lease and hire purchase contracts	-	2,419	-	-
	<u>7,342,880</u>	<u>4,101,776</u>	<u>7,342,880</u>	<u>3,578,387</u>

Maturity of debt:

Group	Loans and Overdrafts 2018 £	Loans and overdrafts 2017 £
In one year or less, or on demand	277,523	121,735
In more than one year but not more than two years	201,880	125,968
In more than two years but not more than five years	459,150	397,423
In more than five years	7,342,880	3,578,385
	<u>8,281,433</u>	<u>4,403,551</u>

Loans and overdrafts shown above includes obligations under finance leases and hire purchase contracts. A total of £661,030 debt owed to Santander UK plc has been shown as being a current liability on the face of the balance sheet due to a technical covenant breach, but shown with its underlying maturity in the table above. The group continues to meet its repayments as they fall due and the bank remain supportive of its growth plans.

Company	Loans and overdrafts 2018 £	Loans and overdrafts 2017 £
In one year or less, or on demand	-	-
In more than five years	7,342,880	3,578,387
	<u>7,342,880</u>	<u>3,578,387</u>

Loans and overdrafts shown above includes obligations under finance leases and hire purchase contracts.

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

19 Financial instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2018 £	Group 2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,337,704	960,760
Financial liabilities		
Financial liabilities measured at amortised cost	11,959,436	5,976,355

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise convertible loan notes, bank loans and overdrafts, trade creditors, other creditors and accruals.

20 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
1,147,793 (2017 - 1,147,793) ordinary shares of 1p each	11,478	11,478

Tossed Holdings Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

21 Business combinations

Acquisition of Vital 1 Limited

On 7 March 2018, the company acquired the entire shareholding of Vital 1 Limited, a business that traded as "Vital Ingredient" from thirteen stores in London.

7 March 2018	Book value £	Fair value adjustment £	Fair value £
Fixed assets			
Lease premiums	-	135,000	135,000
Tangible assets	218,347	-	218,347
	<u>218,347</u>	<u>135,000</u>	<u>353,347</u>
Current assets			
Stocks	59,141	-	59,141
Cash at bank and in hand	159,682	-	159,682
Prepayments and other debtors	86,981	-	86,981
Deposits	86,439	54,460	140,899
	<u>610,590</u>	<u>189,460</u>	<u>800,050</u>
Current liabilities			
Trade creditors	463,850	-	463,850
Accruals and deferred income	157,697	-	157,697
Parent company loans	431,273	-	431,273
Other creditors	113,595	-	113,595
	<u>(555,825)</u>	<u>189,460</u>	<u>(366,365)</u>
Net assets			
	<u>(555,825)</u>	<u>189,460</u>	<u>(366,365)</u>
Acquisition cost			2,058,400
Fair value of net liabilities			(366,365)
			<u>2,424,764</u>
Goodwill on acquisition			<u>2,424,764</u>

Vital 1 Limited revenues for the period since acquisition are £541,721 which have been consolidated in the group accounts. It made a loss of £65,267 during the same period. It is not possible to disclose the annualised turnover and profitability of Vital Limited, as it only commenced trading of the "Vital Ingredient" stores in January having acquired them in a pre-pack administration from Outbrand Retail Limited.

Tossed Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

22 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2018 £	Other 2018 £	Land and buildings 2017 £	Other 2017 £
Not later than 1 year	2,629,000	43,944	1,387,750	60,624
Later than 1 year and not later than 5 years	9,637,666	16,910	4,908,750	61,529
Later than 5 years	12,313,375	-	5,194,875	-
	<u>24,580,041</u>	<u>60,854</u>	<u>11,491,375</u>	<u>122,153</u>

23 Related party transactions

V D McKeivitt is also a director of Chelsea Fine Foods Limited. Sales of £1,840 (2017 - £247) were made to Chelsea Fine Foods Limited during the year, whilst purchases of £18,292 (2017 - £1,611) were made in the same period. All transactions were conducted on an arm's length basis on normal trading terms. At 31 March 2018, £nil (2017 - £Nil) was owed to Chelsea Fine Foods Limited and £286 (2017 - £Nil) was owed by Chelsea Fine Foods Limited.

24 Post balance sheet events

In September 2018, following an assessment of the strategic options available to Vital 1 Limited, transactions were undertaken to transfer most of its leases along with the associated Vital Ingredient trade to group companies at fair value. Of the thirteen leases acquired with Vital 1 Limited, ten were transferred to Zest Food Ltd, two were sold and one remained. Unfortunately, negotiations with the remaining landlord were unsuccessful and, on 9 November 2018, Vital 1 Limited was placed into creditors voluntary liquidation.