

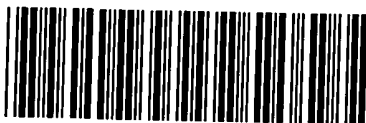
# **The Brighton Pier Group PLC**

**Registered Number 08687172**

**Consolidated Financial Statements**

**For the period ended 25 June 2017**

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COMPANIES HOUSE

## Directors, officers and advisers

Directors	Luke Johnson	Executive Chairman
	Anne Martin	Chief Executive Officer
	John Smith	Chief Financial Officer
	Leigh Nicolson	Managing Director – Bars Division
	James (Jim) Fallon	Non-Executive Director
	Paul Viner	Non-Executive Director
	Joe Tager	Non-Executive Director
Company Secretary	John Smith	
Registered Office	36 Drury Lane London WC2B 5RR	
Financial Adviser, Nominated Adviser and Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF	
Joint Broker	Arden Partners plc Highfield House Edgbaston, Birmingham B15 3DV	
Auditors	Grant Thornton UK LLP Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW	
Lawyers to the Group	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA	
Bankers	Barclays Bank 1 Churchill Place London E14 5HP	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	

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# Strategic report

## Chairman's Statement

This set of results includes the first full 12 months of trading by The Brighton Marine Palace and Pier Company, acquired by The Brighton Pier Group PLC ('Group') towards the end of April 2016.

Brighton Palace Pier is an iconic landmark and leisure attraction in Brighton, offering a wide variety of seaside entertainment including rides, amusement arcades, bars, a restaurant and other food and retail kiosks. Free of charge to enter, the pier provides a nostalgic, recreational environment, with spectacular views of Brighton and the English Channel. According to Visit Britain, it is the fifth most popular free visitor destination in the UK, drawing over 4.65 million visitors in 2016, and making it the UK's most visited attraction outside of London.

I believe this acquisition capitalised on a significant opportunity for the Group to acquire the freehold of a valuable asset, while at the same time broadening its business base. The enlarged Group has also benefited from the extensive experience of the pier's management team, led by Anne Martin. Revenue generated has transformed the existing business during the current financial year, providing substantial free cash flow for use within the enlarged Group and enabling the possibility of funding further acquisitions across the leisure and entertainment sector, as and when opportunities arise.

During the first financial year of ownership, the pier business has traded in line with our expectations. The pier continues to attract visitors to Brighton seafront in substantial numbers, many of whom come by rail. Reduced disruption to the services will benefit both the City of Brighton and the pier in the coming years if a final resolution to the dispute can be achieved.

The Group continues to make good progress rationalising the bars division together with driving operational and financial improvements across the estate. During the 52 week period, we have disposed of six marginal sites and in the last few days, we have successfully let the lower floors of our freehold site in Derby to a new restaurant owner on a 20 year lease. Whilst these actions have resulted in reduced sales and closure costs, EBITDA losses from these venues during the period equated to £0.2 million, the elimination of which will benefit trading in the coming financial year.

At the end of this financial period, the combined Group improved profitability, doubling its basic adjusted earnings to 10.9 pence per share (4.2 pence per share for the same period last year). This financial success demonstrates what results the Group can continue to accomplish through effort and application.

I am equally delighted to report that the Board has decided to approve an ambitious plan to upgrade the catering and bars facilities on the pier. Over the coming winter season, Palm Court and Victoria's Bar will close to undergo a full refit. This upgrade will involve a substantial modernisation of the restaurant and bar, as well as creating flexibility to provide either one large or two smaller conference and events space(s) throughout the year. Combining the main restaurant and takeaway kitchens will enhance efficiency and increase internal and external seating capacity by 60%.

At the same time, but over a shorter period, similar work will take place on the refit of Horatio's. Opening up the walls to extend this bar to the outside will enable customers to benefit from its enviable position on the pier, with views over Brighton and the sea front. The upgrade to Horatio's and its outside terraces will increase overall capacity as well as enhancing the bar's ability to offer food, live music and other events throughout the year. There will inevitably be some sales and profit impact from these closures during the winter months; however, the upgrade to the facilities, will give flexibility to seat more visitors during the peak summer trading season and offer improved conference and event spaces, which should significantly benefit the pier over the longer term.

The financial highlights are included in the Business Review.

### **Board**

Finally, I am delighted to report the appointment of Anne Martin in a newly created role as Chief Executive Officer of the Brighton Pier Group, which took effect from the start of the new financial year on 26 June 2017. Anne has brought a wealth of experience to the Group since she joined following the acquisition of The Brighton Marine Palace and Pier Company. Under her leadership over the course of the last 11 years, The Brighton Palace Pier has continued to grow year-on-year. As the Group purchases more businesses, her unique knowledge and experience will be invaluable in helping to evaluate, acquire and manage these new assets.

### **Dividend**

The Board does not propose to pay a dividend during the year.

**Luke Johnson**

*Executive Chairman*

29 September 2017

# Strategic review

## Business Review

The Group owns and trades Brighton Palace Pier as well as 14 (2016:18) premium bars in major towns and cities across the UK.

Brighton Palace Pier offers a wide range of attractions including 2 amusement arcades and 18 rides, together with a variety of on-site hospitality and catering facilities. The attractions, product offering and layout of the pier are focused on creating a family-friendly atmosphere that aims to draw a wide demographic of visitors. The pier is free to enter, with revenue generated from the pay-as-you-go purchase of products on the rides, in the arcades, in the hospitality facilities and at the retail kiosks.

The bars trade under a variety of concepts including Embargo Republica, Lola Lo, Po Na Na, Fez Club, Lowlander, Smash and Coalition. The Group predominantly targets a customer base of sophisticated students midweek and stylish over 21s and professionals at the weekend. The division focuses on delivering added value to its customers through premium product ranges, high quality music and entertainment, and a commitment to exceptional service standards. The Bars estate is nationwide, incorporating key university cities and towns that provide a vibrant night-time economy and the demographics to support premium bars.

## Full year results

The trading results include the 52 week period for both the Pier division and the Bars division. While the Bars division has a full comparative in the same period last year, the acquisition of the Pier division completed on 27 April 2016 and as a result has only 9 week in its comparatives.

The Group is pleased to report continuing profitability with profit before tax and highlighted items of £3.5 million (2016: £0.9 million).

Adjusted earnings per share (basic) on all operations was 10.9 pence (2016: 4.2 pence).

Adjusted earnings per share (diluted) on all operations was 10.4 pence (2016: 4.1 pence).

Profit before tax and after highlighted items was £1.9 million (2016: £47,000).

Basic earnings per share was 5.9 pence (2016: loss per share of 0.5 pence).

Diluted earnings per share was 5.7 pence (2016: loss per share of 0.5 pence).

## Review of the Group's activities for the year

### Pier Division

The Pier division manages all the trading of The Brighton Marine Palace and Pier Company, owner of the iconic landmark and leisure attraction in Brighton.

The Pier has now completed its first financial year under new ownership. We are pleased to report that trading has been in line with expectations announced at the time of acquisition and that integration into the Group was completed considerably quicker than expected.

Since the end of the financial year, trading on the pier during August and September has been mixed and has not matched the strong trading performance of financial year 2016, owing to rain and strong winds. The management team at the pier has shown itself adept at generating revenue when the sun shines and saving costs when possible.

In September 2016, we reported on the new soft play trial in the Glitter Bar, the new takeaway fish & chip shop on the pier head, and the launch of the new website. The success of the soft play trial gave us the confidence to launch the largest soft play area in Brighton, with the creation of 'Palace Play' in the Dome, totalling 231m2 with a capacity for 140 children. A new café has also opened in the Dome, providing an area for parents and friends to relax whilst their children play. Both facilities opened in March 2017, enabling us to increase the price of the children's wristband and thus, contributing positively to trading at the pier. Palace Play also has the advantage of offering a leisure space all year round and an activity for local Brighton families and guests to enjoy in the winter months.

The new takeaway fish & chip shop opened in June 2016 and has been a notable success, repaying its investment by the end of the first summer of trading.

The new website has been a strong tool in driving online sales of wristbands and has helped to offset some of the negative effects caused by the disruption of train services over much of the summer. The quick and easy train service into Brighton from London is a major benefit to all businesses in Brighton, as well as the wider local population, and whilst there have recently been some improvements in the service, a resolution to these disputes would be welcomed to allow it to return to full service.

In December, we launched our first Christmas market on the pier. Incorporating 20 stalls, it provided an incentive to visit the pier during its winter season. The additional footfall created by the market benefited the restaurants, arcades and rides during what would otherwise be a quiet period. The plan next year is to develop the market further and consider whether there may be similar events that could be added to the pier's calendar during the quieter off-peak season.

# Strategic review

## *Review of the Group's activities during the year (continued)*

As always, the months between September and March are an opportunity to catch up on general maintenance and embark on new projects ready for the busy period from Easter onwards. This year has been no exception; the dive survey and annual survey were both completed, resulting in no additional maintenance needs other than the budgeted requirements and, thereby allowing us to commence a number of new projects. The first of these involved the move and replacement of the 'Dolphin Derby', a game that is a big favourite on the pier but is now 25 years old. At the end of February, the brand new Dolphin Derby was installed in its new location next to the 'Wild River Ride'. This move made way for the new 'i-220' children's ride (opened in March) and for the improvements planned for Horatio's Bar this winter. The i-220 will elevate visitors' skywards, offering scenic views of the seafront – however, unlike its namesake (the 'i360'); the new i-220 ride will take visitors to a less-dizzying height of 8 metres.

Finally, on 1 July 2016 we reported the plan to reclaim the Brighton Pier name, restoring the Palace back to its original title of 'Brighton Palace Pier'. A competition was held to design the new sign for the pier, and our chosen winner was Lucy Williams, a local Brighton resident. Her design creates an archway of the word 'Brighton' representative of the pier's dome, with the remaining words 'Palace Pier' on the facade of the building. Work is underway to construct the first of these three new signs.

### **The Bars division**

The division has continued to focus on reducing operating costs, maintaining gross margins, reviewing the potential disposal of marginal and unprofitable sites (where the opportunity arises), minor refurbishments to three venues, and the launch of 'Smash', a new venue within the Group's Reading Sakura site. Progress continued to be made in these areas during the period.

Gross margin has improved by 200 basis points against the same period last year, despite cost increases, which have been filtering through from the weak pound. Focus has been on regular reviews of competitor pricing, targeting customers into more profitable products, and supplier support. Labour and controllable costs continue to be tightly managed, with unprofitable nights being closed and underperforming or marginal venues being disposed of. Six sites have been disposed of since June 2016.

The street level bar of Reading Sakura was re-developed and reopened at the end of May 2016 as Smash. The bar trades during post-work hours and in the evening with a menu that includes fresh-dough pizza and craft beer. In addition, the venue provides activity areas for customers to enjoy games of ping pong with friends and to watch major events on large screens. Work is now underway to open our second Smash in Wimbledon with the conversion of the existing Po Na Na venue; this will open on 30 September 2017.

In December 2016, we started a programme to install new EPOS, and now all sites have been fully installed. This upgrade provides integrated chip and pin, which massively reduces the risk of defalcation, as well as improved end of day routines that allow the General Manager to spend less time on back office duties and more time driving sales and improving the customer experience. The new software and hardware simplify the connectivity of new apps, improves speed of service and reduce annual maintenance costs.

During the period, the Bars division undertook a rebuild of the Eclectic websites. These were all completed at the end of February, improving online bookings, mobile functionality and creating a single content management system for all the brands.

At the end of January 2017, Manchester Lola Lo underwent an upgrade to develop and modernise its offering, with the addition of media screens, a dedicated 'Master Class' bar and changed seating areas. The new media screens enable Lola Lo to display major sporting and other events throughout the venue. A similar upgrade was completed to Cambridge Lola Lo at the end of April 2017.

Since the year end, a further minor refit has taken place to convert the second floor of Reading Sakura to a Coalition, thus concluding a full upgrade to the whole site during the year.

### **Bars disposals**

The Group has continued to rationalise its estate, disposing of some of the smaller marginal sites together with any underperforming sites.

#### *Sheffield*

The lease on this non trading unit was assigned on 8 July 2016. All costs associated with this venue were provided for in prior periods.

#### *Brighton Dirty Blonde.*

A surrender of the lease was agreed on 23 November 2016 at no cost to the Group. No residual risk remains on this site.

# Strategic review

## *Review of the Group's activities during the year (continued)*

### *Lincoln Lola Lo*

The lease for this business was held in a separate company. This company was sold on 23 November 2016 for a nominal sum. No residual risk remains to the Group from the disposal of this company.

### *Edinburgh Lola Lo*

This venue was sub-let to an existing Scottish operator on 31 January 2017. This lease expires on 6 June 2021.

### *Brighton Lola Lo*

The lease for this business was held in a separate company. This company was sold on 13 March 2017 for a nominal sum. No residual risk remains to the Group from the disposal of this company.

### *Oxford Lola Lo*

This venue was assigned to another operator on 17 March 2017. This lease expires on 9 February 2021.

### *Manchester Sakura*

This site remains closed. The landlord is in the process of making repairs to fix the water ingress from the railway track above the venue. No rent or rates are currently being paid on this closed site. We will seek to dispose of this site once the repairs are complete.

### *Derby Lola Lo*

Since the end of the year, the Group has granted a twenty-year lease over the lower floors of our venue in Derby to a new tenant at an annual passing rent of £90,000.

These disposal sites (including Derby) together make up £1.9 million of the sales shortfall versus the same period last year. The trading loss from all of the above disposed sites in the period equated to a loss of £0.2 million. The write-offs associated with the disposals, including goodwill and fixed asset write-offs, legal and other costs, less any proceeds, totalled £0.5 million. These costs are included in highlighted items (see Note 5).

## ***Outlook for the coming year and strategy of the combined Group***

We are confident of another year of progress.

The pier continues to attract visitors to Brighton seafront in substantial numbers, despite the weather since the end of the financial year not matching that enjoyed in the previous year.

In the short to medium term, the Group sees development opportunities for the pier business, including the potential to improve its catering and hospitality offering. An ambitious investment plan will be underway shortly to create more capacity within the Palm Court restaurant and in Victoria's Bar, both inside and outside. These changes are intended to improve the surroundings and provide more flexible space for conferences, functions, and weddings on the pier, as well as extra seating during the busy summer months. At the same time, we are also developing plans for Horatio's Bar, utilising the broader Group's expertise of bar management. These exciting developments will start in October and November of this calendar year, and are anticipated to impact trading in the coming financial year, with an immediate benefit expected to be generated next summer.

In terms of the Bars division, the Group will continue to focus on providing quality service and delivery in respect of the Group's existing sites, whilst also continuing to undertake selective investment to improve the estate, dispose of the remaining two closed sites, and target developments and acquisitions when opportunities arise. The successful disposal of the six loss-making sites in this period, and the development to convert our Wimbledon site to a Smash will benefit trading in the coming financial year.

The long-term strategy of the enlarged Group is to capitalise on the skills of both the Bars and the Pier divisions to create a growth company operating across a diverse portfolio of leisure and entertainment assets in the UK. The Group will achieve this objective by way of organic revenue growth across the whole estate, together with the active pursuit of future potential strategic acquisitions of and entertainment destinations, thus enhancing the Group's portfolio to realise synergies by leveraging scale. It is the Board's longer-term strategy to position the Company as a consolidator within this sector.

## ***Significant events that have taken place since the year end***

There have been no significant events to report arising between the end of the financial year and the date of signing of the financial statements.

# Strategic review

## *Review of The Group's activities during the year (continued)*

### **Financial highlights**

The Group remains strongly cash generative and profitable: the key financial highlights are:

- revenue for the period was £31.3 million (2016: £22.6 million)
- Group EBITDA before highlighted items was £5.2 million (2016: £2.3 million)
- Group EBITDA after highlighted items was £4.6 million (2016: £1.4 million)
- profit before tax and highlighted items was £3.5 million (2016: £0.9 million)
- profit before tax and after highlighted items was £1.9 million (2016: £0.05 million)
- adjusted earnings per share (basic) was 10.9 pence (2016: 4.2 pence)
- adjusted earnings per share (diluted) was 10.4 pence (2016: loss per share of 4.1 pence)
- profit after tax and highlighted items was £1.9 million (2016: loss of £0.1 million)
- Basic earnings per share was 5.9 pence (2016: loss per share of 0.5 pence)
- Diluted earnings per share was 5.7 pence (2016: loss per share of 0.5 pence)

### **Cash Flow**

Cash flow generated from operations (after interest and tax payments) available for investment was £3.7 million (2016: £1.9 million).

### **Balance Sheet**

#### **Fixed assets**

The Group invested £1.7 million in capital expenditure during the period (2016: £1.2 million).

- £0.7 million was spent on the Pier division - which primarily included new arcade machines, the Palace soft play and café in the dome, new pizza and fish & chip takeaways, Dolphin Derby, i-220 and other minor capital maintenance.
- £0.9 million on the Bars division - which primarily included the upgrades of Manchester and Cambridge Lola Los, Reading Coalition, new EPOS installation and other minor capital maintenance.

During the period, the Group disposed of a number of sites resulting in fixed assets with a net book value of £0.3 million being written down. This cost appears in highlighted items (see Note 5).

#### **Bank debt**

At the period end, the Group had:

- an outstanding term facility of £11.3 million (2016: £12 million), with repayments of £1.2 million due to be repaid within the next 12 months (2016: £1.2 million);
- an RCF facility of £1.0 million with £nil million drawn at the year-end (2016: £0.5 million);
- cash balances of £4.1 million (2016: £3.1 million).



# Strategic review

## *Review of the Group's activities during the year (continued)*

### *Key performance indicators*

The Group's key performance indicators are focused on the continued expansion of the Group to drive revenues EBITDA and earnings growth.

### *New acquisitions and developments*

The long-term strategy of the enlarged Group continues to capitalise on the skills of the Group to create a growth company operating across a diverse portfolio of leisure and entertainment assets in the UK. The Group will achieve this objective by way of organic revenue growth across the whole estate, together with the active pursuit of future potential strategic acquisitions of leisure and entertainment destinations that could enhance the Group's portfolio realising synergies by leveraging scale. It is the Board's longer-term strategy to position the Group as a consolidator within this sector:

- The successful acquisition of the Brighton Marine and Palace Pier Company in April 2016 is the first example of this strategy. The cash flow generated by the pier from its first full 12 months of trading has been transformative, bringing substantial additional revenues and free cash flow for potential utilisation by the enlarged Group. This could include the possible funding of further acquisitions across the leisure and entertainment sector.
- Significant developments are planned for the coming financial year in terms of refurbishing the restaurant and bars on the pier. In addition, we continue to invest in the bars estate with three small refits during the year and a major refit planned with the conversion of Wimbledon to Smash in the coming financial year.
- We continue to focus on the long-term quality of acquisitions.

### *Group performance versus the prior period*

The Group will continue to drive sales through acquisitions and development, together with a strong focus over the coming year to increase revenues from a broader mix of activities. The Group continues to review its operations and, where appropriate, dispose of less profitable businesses. During the period, the Group has disposed of six sites. Although these disposals have impacted sales in the short term by £1.9 million in this financial year, it will improve profitability by £0.2 million in the coming financial year.

- Revenue was up 39% at £31.3 million (2016: £22.6 million)
- Group EBITDA before highlighted items was up 126% at £5.2 million (2016: £2.3 million).
- Group EBITDA after highlighted items was up 303% at £4.6 million (2016: £1.4 million).
- Group profit before tax and highlighted items was up 278% at £3.5 million (2016: £0.9 million)
- Group profit before tax and after highlighted items was £1.9 million (2016: £0.05 million)

# Strategic review

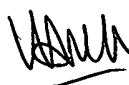
## Principal risks and uncertainties

Key Risks	Risk description	Mitigating actions and achievements during the year
<p><i>Business and resulting financial risk</i></p> <p><i>Failure to acquire and / or develop new acquisitions and sites</i></p>	<p>The Group's ability to acquire new businesses, to operate these businesses on a profitable basis and to integrate these operations into the Group is a major part of the future success of the Group.</p> <p>Failure to acquire or develop new businesses would financially impact the future earnings growth of the Group.</p>	<p>During the year the Group has:</p> <ul style="list-style-type: none"> <li>successfully integrated The Brighton Marine and Palace Pier Company into the organisation. This was a substantial transaction involving a reverse take-over under the AIM rules. This Company has delivered transformational increases in revenues and EBITDA in its first financial year of trading;</li> <li>continued to undertake regular reviews of the Group's bar estates, disposing of six venues during the period.</li> </ul>
<p><i>Business and resulting financial risk</i></p> <p><i>Increased competition and changing consumer habits</i></p>	<p>The experiential leisure and entertainment market in the UK is vibrant, exciting and continuously changing.</p> <p>There is no certainty that the Group will continue to achieve the market penetration it seeks.</p> <p>There is no certainty that the Group will be able to respond to changes in consumer habits.</p> <p>Failure to respond to changing market conditions and consumer habits could impact the future earnings of the Group.</p>	<p>During the year we have continued to focus on:</p> <ul style="list-style-type: none"> <li>the mystery shopper programme, to ensure each activity gives the experience our customers have come to expect;</li> <li>staff development and training to improve delivery at the point of sale across all operations;</li> <li>refining our concepts and activities to broaden our appeal to a wider audience, demonstrated by the successful launch of Smash, our new 'ping pong' business in Reading and the launch of soft play and a new café on the pier;</li> <li>improving the variety and quality of products that we sell;</li> <li>developing significantly the Group's engagement via digital platforms and social media channels. We see this as a continuing key part of our marketing and communication strategy with our consumers. New websites have been launched across the Group, giving new mobile functionality for the Bars and improved communication of the wide variety of activities available on the pier, which have driven increases in online sales of wristbands and other offers.</li> </ul>
<p><i>Business risk</i></p> <p><i>Failure to recruit the best management for our businesses</i></p>	<p>The market for the best people is fiercely competitive.</p>	<p>The Group continues to focus on its training programmes across all its businesses, covering management development, stock administration, marketing and health and safety training, as well as the 'Pier Proud' and 'Bar Academy' programmes. These are all examples of training being essential to the Group's campaign to attract and retain new staff.</p> <p>The Group offers competitive remuneration, which also includes profit sharing and share option schemes for staff.</p>

## Strategic review

Key Risks	Risk description	Mitigating actions and achievements during the year
<p><i>Regulatory Risk</i></p> <p><i>Failure to comply with the complex regulatory frameworks in place in the UK</i></p>	<p>The Group's operations are subject to laws and regulations that affect their operations, including in relation to employment, minimum wages, premises and personal licenses, maintenance of the pleasure rides, gambling licenses, alcoholic drinks control, entertainment licences, competition, health and safety, sanitation and data protection.</p>	<p>The focus over the year has been on regular and ad-hoc visits across all our businesses:</p> <ul style="list-style-type: none"> <li>regular control visits, together with follow ups to ensure training and compliance at a local level;</li> <li>annual health and safety checks from outside agencies to ensure each venue we trade complies with current regulations;</li> <li>regular audits and training on fire and safety for all our staff, as well as an online reporting system to gather important information on a daily basis that relates to incidents or regulatory visits.</li> </ul> <p>The Group's focus on operational 'rituals and routines' helps to protect it in this highly regulated market place.</p>
<p><i>Brexit risk</i></p> <p><i>The process to leave the European Union will, over the coming years, present risks to the UK and its economy</i></p>	<p>The risk that Brexit could adversely affect the Group's business.</p>	<p>Current uncertainty over the timing and outcome of Brexit negotiations makes longer term planning for this risk difficult. In the short to medium term, we will continue to monitor developments, in particular in relation to staff and supply chain. Given that all the Group's operations are based in the UK, the major risk will be the impact the separation will ultimately have on the economy of the United Kingdom. It is encouraging to see, continued high employment and forecasts indicating growth in the UK economy for the coming year.</p>
<p><i>Specific risks relating to the operations of the Brighton Palace Pier</i></p> <p><i>The Group's financial performance is very dependent on a number of very specific risks related to the pier</i></p>	<p>The risk of:</p> <ul style="list-style-type: none"> <li>catastrophic events;</li> <li>structural integrity of the pier.</li> </ul>	<p>The Group spends significant amounts of money each year to ensure the structural integrity of the pier is maintained to a high standard. A full survey of the substructure is performed annually and every 5 to 6 years there is a further survey using divers to inspect the areas below the water line.</p> <p>Both surveys have been completed during the last year and no significant issues have emerged to indicate anything other than normal levels of annual maintenance being required.</p> <p>In addition, significant investment has taken place in recent years on one-off projects to protect the pier from catastrophic events such as fire. Over £4 million has been spent to upgrade a number of areas of the Pier's structure, including improvements to fire and safety with the introduction of high-pressure pumps and deluge systems, as well as improved electric and water supplies. Cathodic protection has also been introduced to the steel piles under the main rides area of the pier, to reduce the impact of seawater corrosion.</p>

By order of the Board  
J.A. Smith, Company Secretary and Director



29 September 2017

# Directors' report

The Directors present their report and the audited financial statements for the 52 week period ended 25 June 2017.

## *Principal activities*

The Brighton Pier Group consists of two divisions:

**The Brighton Marine Palace and Pier Company** owns and operates Brighton Palace Pier, an iconic landmark and leisure attraction in Brighton, which was acquired on 27 April 2016. The pier spans 1,722 feet, offering a wide variety of seaside entertainment options in a nostalgic and safe environment, with unparalleled views of Brighton and the English Channel. Attractions include rides, amusement arcades, bars, food and retail kiosks and a restaurant. Entry to Brighton Palace Pier is free of charge, attracting a wide demographic of customers, including both national and international tourists and local residents. According to Visit Britain, it is the fifth most popular free attraction in the UK, with over 4.6 million visitors in 2016, making it the UK's most visited landmark outside of London, and;

**Eclectic Bars Limited**, a leading operator of 14 (2016: 18) premium bars trading in major towns and cities across the UK. The Eclectic Group trades across its estate under a variety of business concepts including Embargo Republica, Lola Lo, Po Na Na, Fez Club, Lowlander, Smash and Coalition. These business concepts predominantly target a customer base of sophisticated students midweek and stylish over 21s and young professionals at the weekend. The Group focuses on delivering added value to its customers, with premium product ranges, high quality music and entertainment and a commitment to exceptional service standards.

## *Business review and future developments*

A review of the business and its future developments, including principal risks and uncertainties, is presented within the Strategic Report, the Chairman's Statement on page 3 and within the Business Review on pages 4 to 10.

## *Dividends*

The Directors do not propose to pay a dividend for the current year (2016: £nil).

## *Going concern*

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months since the Board approved these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors' assessment of going concern can be found in Note 1 to the financial statements.

## *Directors*

Detail of the Group's Directors, their roles and backgrounds are as follows:

### *Luke Johnson (Executive Chairman)*

Luke joined The Brighton Pier Group PLC in June 2015 as Executive Chairman and has been involved in nightclub, bar and restaurant businesses since the age of 18. He was Chairman of Pizza Express Plc during the 1990s, co-founded the Strada restaurant chain and was Chairman of Giraffe for nine years until it was sold to Tesco for £50 million in 2013. He also served on the Board of My Kinda Town and currently chairs Bread Limited, the owner of the artisan bakery chain Gail's, and Patisserie Holdings Plc. Luke is also part owner of Laine's Pub Company and Draft House.

Luke is Chairman of the Remuneration and Nominations Committee.

### *Anne Martin (Chief Executive Officer)*

Anne has been the General Manager of The Brighton Marine Palace and Pier Company for over 12 years. Prior to this, she was Operations Director for Bourne Leisure Limited, a group of holiday parks, where she was responsible for all park entertainment programmes and retail shops across a 57-site estate. Anne was previously the first female Area Director at Welcome Break, a position she held for over four years, managing a large service area and coordinating national training initiatives during periods of the company's expansion. In April 2016, she was appointed to the Board of The Brighton Pier Group. In July 2017, she was appointed as Chief Executive Officer of the Group.

## Directors' Report

### *John Smith (Chief Financial Officer)*

Since qualifying as a Chartered Accountant with Touche Ross & Co in 1985, John has held a variety of senior finance roles. Starting out as Head of Finance at International Currency Exchange Plc, he then became Group Finance Director at Vision Express until it was sold to Grand Vision in 1997. After two years as Joint UK Managing Director of Vision Express, post-acquisition, John became Finance Director of First Leisure Corporation Plc in 1999, before taking over as Chief Executive in 2003. He then took on the role of Chief Executive at The Nightclub Company, created via the purchase of 22 nightclubs from the receiver of First Leisure.

John has been the Chief Financial Officer of the Group since June 2006.

### *Leigh Nicolson (Managing Director – Bars division)*

Leigh has held a variety of operational roles in the UK bar market for approximately 20 years. After four years working for Yates Group Plc at site level, he moved to Fuller, Smith & Turner Plc in London, with responsibility across their high street branded bars business. He then spent two years with Inventive Leisure Plc before joining SFI Group Plc as a New Openings Manager for their new template brand, where he was responsible for a number of new site openings nationwide. Leigh then joined The Nightclub Company in 2005 where he worked on the introduction of the Cantaloupe bar brand and a year later joined Eclectic Bars Limited as Area Manager for London. His role developed into that of National Operations Manager and he was subsequently appointed Operations Director for Eclectic Group in 2010.

Leigh has served on the Board of Brighton Pier Group PLC since June 2014.

### *James (Jim) Fallon (Non-Executive Director)*

Since 1994, Jim has worked almost exclusively within the leisure sector as a lender, adviser, owner, operator and business consultant. Jim worked for Imperial Chemical Industries in electrical engineering for eight years, prior to joining HSBC (formerly Midland Bank) in 1991. He remained at HSBC for 11 years, latterly leading the leisure team, before leaving to set up a consumer sector corporate finance advisory business, McQueen Limited. He was specifically responsible for the leisure sector within McQueen as well as much of the day-to-day running of the business. Jim works as a consultant to a variety of UK leisure businesses through his Company, Graybridge Solutions Limited.

Jim is a member of the Remuneration and Nominations Committee and a member of the Audit Committee.

### *Paul Viner (Non-Executive Director)*

Paul is a Chartered Accountant, having worked predominantly in the leisure sector. He was previously Finance Director at Tottenham Hotspur Plc. Paul subsequently moved to Riva Gaming Group, where he was involved in both an MBI and later an MBO. He then spent several years in the property sector as CFO of Residential Land before being appointed CFO of Giraffe Concepts Limited in March 2009. Paul was a key part of the management team that sold Giraffe to Tesco Plc for £50 million. Paul left Giraffe in late 2014 to set up his own business, Intelligent Goat Limited, which, amongst other services, provides mentoring advice for Finance Directors and CEOs. He was also CEO of Feng Sushi leaving in 2017 after its sale. Paul currently holds a number of Non-Executive Director positions in the arts, culture and bingo sectors.

Paul is Chairman of the Audit Committee.

### *Joe Tager (Non-Executive Director)*

Joe began his career at PricewaterhouseCoopers in the Business Restructuring Group, qualifying as an accountant in 2006. His main responsibility at PwC was to assist on large corporate insolvencies (including Enron and Sea Containers) and independent reviews on distressed businesses and public bodies. Joe also spent six months seconded to PwC New York, working for transaction services across the US, with a focus on private equity transactions for Apollo Group. He later joined Bread Limited and Gail's bakery chain in 2007, identifying acquisition and retail opportunities and running new businesses for the company. In 2010, Joe moved on to become a Partner on Luke Johnson's personal investment portfolio, focusing primarily on the leisure and hospitality industry. Investments on which Joe advises (and holds Board positions) include 3Sixty Restaurants, Genuine Dining Contract Caterers, Draft House Pubs and Majestic Bingo Clubs.

Joe is a member of the Nominations and Remuneration Committee.

# Directors' Report

## *Directors and related party transactions*

Internal controls are in place to ensure that any related party transactions involving Directors or other connected persons are carried out on an arm's length basis and are properly recorded by the Group.

### *Leigh Nicolson*

Leigh Nicolson had a loan balance of £nil (2016: £5,087) payable to the Group at the period end. This loan is repayable at £400 per month plus interest of 3.25%. The loan expired in May 2017.

### *Joe Tager*

Joe Tager is a Director and shareholder of Twin Capital Limited. During the prior period, Joe provided support and assistance in relation to potential acquisitions and corporate restructuring projects to the Group; the amount paid during the year for these services amounts to £nil (2016: £25,000).

## *Financial instruments*

The Group's financial risk management objectives and policies, together with details of the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk, are outlined in Note 13.

## *Disabled employees*

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment, wherever practical, in the same or alternative position and to provide appropriate training to achieve this aim.

## *Employee involvement*

The Group operates a framework for employee information and consultation that complies with the requirements of the Information and Consultation of Employees Regulation 2005.

Information for all employees under a contract of service with the Group is available via the Group's intranet, employee handbook and through their direct Line Manager. Management meetings take place quarterly, at which information relevant to the Group's financial performance is communicated. Conferences are held on a regular basis, which celebrate the performance of outstanding individuals and help to showcase important developments in the Group.

Employees are encouraged to participate in a variety of schemes enabling them to benefit from the commercial success of the Group. At the date of listing in 2013, the Group introduced a Share Option Scheme in which long-serving managers were awarded with options over shares in the Group's parent company. All management teams and head office staff participate in profit sharing schemes, which reward performance in excess of budgets.

# Directors' Report

## Directors' remuneration

The remuneration of the Directors for the year ended 25 June 2017 is as follows:

	Basic salary & fees	Bonus	Benefits	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000
Reuben Harley ( <i>resigned 26 April 2016</i> )	-	-	-	-	364
Anne Martin ( <i>appointed 26 April 2016</i> )	140	40	1	181	24
John Smith	136	-	33	169	148
Leigh Nicolson	105	-	16	121	101
Joe Tager ( <i>appointed 27 April 2016</i> )	30	-	-	30	30
Jim Fallon	30	-	-	30	30
Paul Viner	30	-	-	30	22
<b>Total</b>	<b>471</b>	<b>40</b>	<b>50</b>	<b>561</b>	<b>719</b>

The above figures represent the due proportion of each Director's annual salary, reflecting the period during the year for which each Director was a member of the Board.

Luke Johnson (Chairman) does not take any remuneration from the Group.

Payments totalling £376 (2016: £1,090) were paid on behalf of Directors into the Group's auto-enrolment scheme with the 'People's Pension Scheme'.

On 16 June 2016, John Smith agreed to take a voluntary salary reduction of £20,000 for a period of 12 months.

## Directors' interests in the share capital of the Company

At the date of publication of this report, the Directors held the following beneficial interests in the share capital of the Company.

Director	Percentage of share capital	Number of ordinary shares	Note
Luke Johnson	23.76%	7,545,455	(i)
John Smith	3.95%	1,253,719	(ii)
Leigh Nicolson	0.46%	144,750	(iii)
Jim Fallon	1.33%	422,116	
Paul Viner	0.17%	54,000	(iv)
Joe Tager	0.23%	72,727	(v)
Anne Martin	-	-	(vi)

## Note

- (i) Luke Johnson Holds warrants to subscribe for 1,622,274 ordinary shares at 60 pence per ordinary share. These can be exercised in two tranches, but must be exercised by 30 June 2019, after which these warrants lapse. These are not included in the above table.
- (ii) John Smith 1,179,031 shares are held by his pension scheme  
40,625 share options in the Company Share Option Scheme not included in the table
- (iii) Leigh Nicolson 190,000 share options in the Company Share Option Scheme not included in the table
- (iv) Paul Viner 40,625 non-approved share options not included in the table
- (v) Joe Tager 40,625 non-approved share options not included in the table
- (vi) Anne Martin 227,273 non-approved share options not included in the table

Further information regarding share option schemes can be found in Note 18 to the consolidated financial statements.

## Directors' liabilities

The Group has not granted any indemnity to any of its Directors against liability in respect of proceedings by third parties. The Group does have in place directors and officers' liability insurance.

# Directors' Report

## *Political and charitable donations*

The Group made no political or charitable donations during the year.

## *Share capital*

The Group's issued ordinary share capital as at 25 June 2017 comprised a single class of £0.25 ordinary shares of which 31,672,457 shares were in issue and listed on AIM (2016: 31,677,287 £0.25 ordinary shares).

Options over a further 1,477,097 shares (2016: 1,290,350 shares) exist within the Employee Share Option Scheme (see Note 18 to the financial statements), as well as 1,622,274 exercisable warrants held by Luke Johnson.

Non-approved options over 308,523 ordinary shares have been granted to members of the Board (2016: 308,523).

Of the issued share capital, no shares were held in treasury.

Details of movements in the issued share capital can be found in Note 17 to the financial statements.

Each share carries the right to one vote at general meetings of the Group.

## *Interests in voting rights*

As at the date of publication of this report, the Company was aware of the following significant holdings of voting rights (3% or more) in its shares:

<i>Other major shareholders</i>	<i>Percentage of share capital</i>	<i>Number of ordinary shares</i>
Canaccord Genuity Group Inc	14.66%	4,654,814
Schroder Investment Management	9.50%	3,016,797
Soros Fund Management	9.31%	2,958,155
Legal & General Investment Management	8.89%	2,824,405
Blackrock Investment Management	4.59%	1,458,155
Mitton Asset Management	4.59%	1,458,155
Helium Special Situations Fund	4.51%	1,433,165

## *Annual General Meeting*

The notice convening the Annual General Meeting is contained in a circular sent to shareholders with this report and includes full details of the resolutions proposed.

## *Auditor*

Grant Thornton UK LLP was appointed auditor of the Group during the period and has expressed its willingness to continue in office as auditor of the Group. Its reappointment will be put to shareholders at the AGM.

## *Disclosure of information to auditor*

Having made the requisite enquiries, as far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Group's auditor is unaware and each Director has taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board  
J.A. Smith, Company Secretary and Director  
29 September 2017





## Directors' responsibility statement

The Directors are responsible for preparing the Strategic Report, Directors' Report, 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 group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the Parent Company financial statements in accordance with FRS 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and United Kingdom Accounting Standards in respect of the Group and Parent Company financial statements respectively, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of The Brighton Pier Group PLC

## Opinion

### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of The Brighton Pier Group PLC (the 'parent company') and its subsidiaries (the 'group') for the 52-week period ended 25 June 2017, which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated statement of cash flows, the consolidated and parent company statements of changes in equity and the notes to the financial statements, including a summary of the significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (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 25 June 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 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 as applied to listed entities, 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.

## **Who we are reporting to**

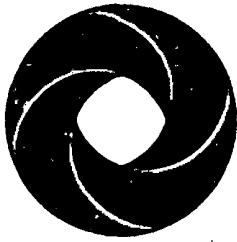
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other 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.

## **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.

## Independent auditor's report to the members of The Brighton Pier Group PLC (continued)

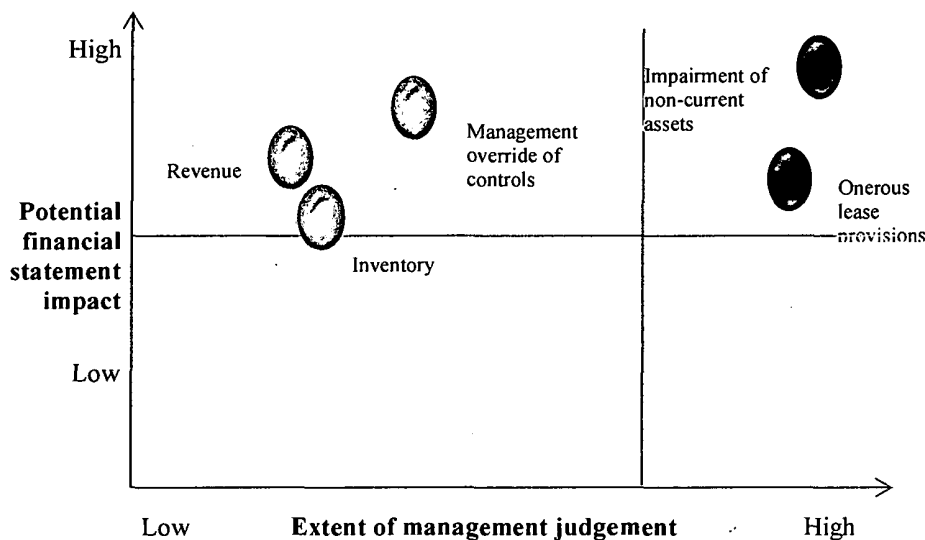


### Overview of our audit approach

- Overall materiality: £265,000, which represents 5% of the group's earnings before interest, taxation, depreciation, amortisation and highlighted items ("adjusted EBITDA")
- Key audit matters were identified as impairment of non-current assets and onerous lease provisions
- We have performed full scope audit procedures for The Brighton Pier Group Plc, Eclectic Bars Limited, Barclub Trading Limited and Brighton Marine Palace & Pier Company (The)
- Targeted scope audit procedures have been performed for Brighton Palace Pier (Holdings) Limited and Brighton Palace Pier (Assets) Limited

### Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent auditor's report to the members of The Brighton Pier Group PLC (continued)

## Key Audit Matter – Group

### Impairment of non-current assets

At the period end the group had £3.6m of goodwill and £22.5m of property, plant and equipment (2016: £4.3m and £22.8m respectively) included in the consolidated balance sheet.

#### International Accounting Standard (IAS) 36

"Impairment of Assets" requires management to test goodwill for impairment at least annually, and to test other assets for impairment where potential triggers for impairment are identified.

The assessment of impairment of the group's non-current assets incorporates significant estimates for key assumptions, such as the forecast performance of identified cash generating units ("CGUs") and the discount rate applied.

We therefore identified the impairment of non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

## How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Consideration of the appropriateness of the judgements made in the identification of CGUs and assessment of management's process for identifying triggers for the performance of impairment reviews
- consideration of the appropriateness of the accounting policy and methodology applied in the impairment testing against the requirements of the accounting framework;
- testing of the value in use calculations by:
  - checking the arithmetic accuracy of the models, including the sensitivity analysis, and application of the discount rate;
  - benchmarking terminal growth rate and considering the appropriateness of the discount rate used; and
  - testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and reviewing the cash flows for exceptional or unusual items or assumptions.

The group's accounting policy on impairment is shown in note 2 to the financial statements and related disclosures are included in note 12.

### Key observations

Based on our audit work, we found the identification of CGUs for impairment testing and the methodology applied by management for impairment testing to be in accordance with the accounting framework, and the assumptions inherent within them to be balanced. We consider that the group's disclosures in Note 12 describe the assumptions made. We found no errors in the calculations.

### Onerous lease provisions

The group has entered into a number of commercial property leases as a lessee, two of which relate to sites that are no longer trading and therefore meet the definition of onerous under IAS 37 "Provisions, contingent liabilities and contingent assets".

The measurement of provisions for onerous leases incorporates significant estimates in determining the future unavoidable costs of the lease, such as the probability and timing of future sub-lets.

We therefore identified onerous lease provisions as a significant risk, which was one of the most significant risks of material misstatement.

Our audit work included, but was not restricted to:

- consideration of the appropriateness of the accounting policy and methodology applied in the recognition and measurement of the onerous lease provision against the requirements of the accounting framework;
- testing the arithmetic accuracy of management calculations and agreeing the underlying key lease terms to supporting documents;
- testing the unwinding or discharge of brought forward provisions to supporting documentation; and
- challenging management assumptions in respect of future costs and projected income from sub-letting arrangements, including a review of historical experience.

The group's accounting policy on onerous lease provisions is shown in note 2 to the financial statements and related disclosures are included in note 21.

### Key observations

We found that the assumptions made and the estimates used by management in arriving at a provision of £0.4m in respect of onerous lease provisions were balanced. Note 2 also discloses appropriately the degree of imprecision in the estimate. We found no errors in the calculations.

## Independent auditor's report to the members of The Brighton Pier Group PLC (continued)

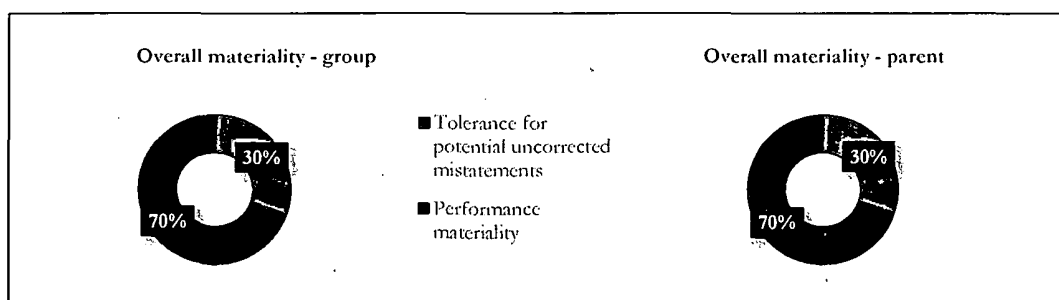
### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	<p>Financial statement materiality is £265,000 which is 5% of the group's earnings before interest, taxation, depreciation, amortisation and highlighted items ("adjusted EBITDA"). This benchmark is considered the most appropriate because this metric is a key performance indicator measured by the Board of Directors and used to report to investors on the financial performance of the Group.</p> <p>Materiality for the current year is higher than the level that we determined for the 52-week period ended 26 June 2016 to reflect the higher adjusted EBITDA for the period.</p>	<p>£185,000 which is 2% of the company's total assets, capped at 70% of group materiality. This benchmark is considered the most appropriate because The Brighton Pier Group PLC as an entity does not trade and serves to hold the investments in the trading subsidiaries, and therefore in our view, is the most appropriate benchmark.</p> <p>Materiality for the current year is higher than the level that we determined for the 52 week period ended 26 June 2016 to reflect the increase in the 70% of group materiality at which it is capped.</p>
Performance materiality used to drive the extent of our testing	70% of financial statement materiality	70% of financial statement materiality
Specific materiality	For directors' remuneration and related party transactions, a materiality of £500 has been used, calculated on the basis of what could be judged to be material to either transacting party	For directors' remuneration and related party transactions, a materiality of £500 has been used, calculated on the basis of what could be judged to be material to either transacting party
Communication of misstatements to the audit committee	£13,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



## **Independent auditor's report to the members of The Brighton Pier Group PLC (continued)**

### **An overview of the scope of our audit**

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality considering each as a percentage of total Group assets, liabilities, revenues and profit before taxes;
- For those components that were evaluated as significant components, either a full scope or targeted audit approach was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full scope approach we evaluated and tested controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters;
- In order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, The Brighton Pier Group Plc, and of its subsidiaries Eclectic Bars Limited, Barclub Trading Limited and Brighton Marine Palace & Pier Company (The). We performed targeted procedures over Brighton Palace Pier (Holdings) Limited and Brighton Palace Pier (Assets) Limited. The operations that were subject to full-scope or targeted audit procedures made up 100 per cent of consolidated revenues and 100 per cent of operating profit. The remaining operations of the group were subjected to analytical procedures over the balance sheet and income statements of the related entities with a focus on applicable risks identified above and the significance to the Group's balances; and
- The group operates from two locations with accounting functions at both. The Group's management is responsible for all judgemental processes. All audit work has been undertaken by the group audit team with both locations visited.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3 to 16, 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.

### **Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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

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

### **Matters on which we are required to report under the Companies Act 2006**

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 or the directors' report.

## **Independent auditor's report to the members of The Brighton Pier Group PLC (continued)**

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

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.

### **Responsibilities of directors for the financial statements**

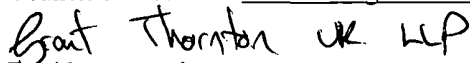
As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to 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.



David Newstead

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

29 September 2017

# Consolidated statement of comprehensive income

For the 52 week period ended 25 June 2017

		52 weeks ended 25 June 2017	52 weeks ended 26 June 2016
	Notes	£'000	£'000
Revenue		31,304	22,592
Cost of sales		(5,540)	(4,365)
Gross profit		25,764	18,227
Operating expenses - excluding highlighted items	7	(21,971)	(17,151)
Highlighted items	5	(1,584)	(873)
<b>Total operating expenses</b>		<b>(23,555)</b>	<b>(18,024)</b>
Operating profit - before highlighted items		3,793	1,076
Highlighted items	5	(1,584)	(873)
<b>Operating profit</b>		<b>2,209</b>	<b>203</b>
Finance cost	7	(315)	(156)
Profit before tax and highlighted items		3,478	920
Highlighted items	5	(1,584)	(873)
<b>Profit on ordinary activities before taxation</b>		<b>1,894</b>	<b>47</b>
Taxation on ordinary activities	8	(19)	(143)
<b>Profit/(loss) and total comprehensive income for the year</b>		<b>1,875</b>	<b>(96)</b>
Earnings/(loss) per share – basic**	9	5.9	(0.5)
Adjusted* earnings per share – basic**	9	10.9	4.2
Earnings/(loss) per share - diluted	9	5.7	(0.5)
Adjusted earnings per share - diluted	9	10.4	4.1

\* Adjusted basic and diluted earnings per share are calculated based on the profit for the period adjusted for highlighted items.

\*\* 2017 basic weighted average number of shares in issue is 31.73 million (2016: 18.50 million).

No other comprehensive income was earned during the year (2016: £nil).



# Consolidated balance sheet

As at 25 June 2017

	Notes	As at 25 June 2017 £'000	As at 26 June 2016 £'000
<b>Non-current assets</b>			
Intangible assets	10	3,729	4,375
Property, plant & equipment	11	22,543	22,796
		<u>26,272</u>	<u>27,171</u>
<b>Current assets</b>			
Assets held for sale	11	293	-
Inventories	14	547	666
Trade and other receivables	15	1,134	1,879
Cash and cash equivalents	16	4,073	3,064
		<u>6,047</u>	<u>5,609</u>
<b>TOTAL ASSETS</b>		<u>32,319</u>	<u>32,780</u>
<b>EQUITY</b>			
Issued share capital	17	7,941	7,920
Share premium	17	13,229	13,187
Merger reserve	17	(1,575)	(1,575)
Other reserve	17	321	180
Retained deficit		(4,171)	(6,046)
<b>Equity attributable to equity shareholders of the Parent</b>		<u>15,745</u>	<u>13,666</u>
<b>TOTAL EQUITY</b>		<u>15,745</u>	<u>13,666</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	4,619	6,129
Other financial liabilities	13	1,200	1,200
Income tax payable	8	162	143
Provisions	21	491	448
		<u>6,472</u>	<u>7,920</u>
<b>Non-current liabilities</b>			
Other financial liabilities	13	10,102	11,184
Other payables	20	-	10
		<u>10,102</u>	<u>11,194</u>
<b>TOTAL LIABILITIES</b>		<u>16,574</u>	<u>19,114</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>32,319</u>	<u>32,780</u>

Deferred tax balances as at 25 June 2017 have been presented on a net basis.

These consolidated financial statements have been approved by the Board of Directors and signed on its behalf  
by: J.A.Smith, Director



29 September 2017

Registered Company number: 08687172

# Consolidated statement of cash flows

For the period ended 25 June 2017

		52 weeks to 25 June 2017	52 weeks to 26 June 2016
	Notes	£'000	£'000
<b>Operating activities</b>			
Profit before tax		1,894	47
Finance costs	7	315	156
Amortisation of intangible assets	10	7	-
Depreciation of property, plant and equipment	11	1,265	1,178
Write off of goodwill on closed sites	10	273	-
Impairment of goodwill on other sites	10	469	-
Write off of property, plant and equipment at closed sites	11	270	-
Loss on disposal of property, plant and equipment	7	-	259
Gain on bargain purchase	3	-	(312)
Share-based payment expense	18	141	50
Movements in provisions	21	43	(290)
Decrease in inventories	14	119	26
Decrease in trade and other receivables	15	745	394
(Decrease)/increase in trade and other payables	20	(1,509)	456
Interest paid		(339)	(87)
<b>Net cash flow from operating activities</b>		<b>3,693</b>	<b>1,877</b>
<b>Investing activities</b>			
Purchase of property, plant & equipment and intangible assets		(1,687)	(1,237)
Acquisition of business	3	-	(17,038)
Proceeds from disposal of property, plant & equipment		25	-
<b>Net cash flows used in investing activities</b>		<b>(1,662)</b>	<b>(18,275)</b>
<b>Financing activities</b>			
Proceeds from borrowings		-	11,880
Repayment of borrowings		(1,076)	(3,163)
Proceeds from issue of ordinary shares		63	10,150
Share issue costs recognised directly in equity	17	-	(367)
Capital element on finance lease rental payments		(9)	(14)
<b>Net cash flows from financing activities</b>		<b>(1,022)</b>	<b>18,486</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,009</b>	<b>2,088</b>
Cash and cash equivalents at beginning of period	16	3,064	976
<b>Cash and cash equivalents at year end date</b>		<b>4,073</b>	<b>3,064</b>

## Consolidated statement of changes in equity

For the period ended 25 June 2017

		<i>Issued share capital</i>	<i>Share premium</i>	<i>Other reserves</i>	<i>Merger reserve</i>	<i>Retained earnings/ (deficit)</i>	<i>Total shareholders' equity</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>At 28 June 2015</b>		<b>3,231</b>	<b>8,093</b>	<b>130</b>	<b>(1,575)</b>	<b>(5,950)</b>	<b>3,929</b>
Loss for the period		-	-	-	-	(96)	(96)
<i>Transactions with owners:</i>							
Issue of shares	17	4,689	5,461	-	-	-	10,150
Share issue costs taken to equity	17	-	(367)	-	-	-	(367)
Share-based payments charge	18	-	-	50	-	-	50
<b>At 26 June 2016</b>		<b>7,920</b>	<b>13,187</b>	<b>180</b>	<b>(1,575)</b>	<b>(6,046)</b>	<b>13,666</b>
Profit for the period		-	-	-	-	1,875	1,875
<i>Transactions with owners:</i>							
Issue of shares	17	21	42	-	-	-	63
Share-based payments charge	18	-	-	141	-	-	141
<b>At 25 June 2017</b>		<b>7,941</b>	<b>13,229</b>	<b>321</b>	<b>(1,575)</b>	<b>(4,171)</b>	<b>15,745</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies

The Brighton Pier Group PLC (formerly Eclectic Bar Group Plc) is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market. Its registered address is 36 Drury Lane, London, WC2B 5RR. Both the immediate and ultimate Parent of the Group is The Brighton Pier Group PLC. The Brighton Pier Group PLC owns and operates Brighton Pier, one of the leading tourist attractions in the UK. The Group is also a leading operator of 14 premium bars trading in major towns and cities across the UK.

### *Basis of preparation*

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the Group for the period ended 25 June 2017 and in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 25 June 2017. These accounting policies were consistently applied for all the periods presented.

The Group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Group financial statements have been prepared under the historical cost convention.

The financial statements are prepared on a 52 or 53 week basis up to the last Sunday in June each year (2017: 52 week year ended 25 June 2017; 2016: 52 week year ended 26 June 2016). The notes to the consolidated financial statements are on this basis.

### *Going concern*

As at 25 June 2017, the Group had net current liabilities of £425,000 (2016: net current liabilities of £2,311,000). The Group meets its day-to-day working capital requirements through its bank facilities. The Group's principal sources of funding are:

- a five year term loan of £12,000,000, which was entered into in April 2016. As at the period end, £11,302,000 (net of deferred costs) remained due on this facility (2016: £11,884,000). Loan repayments of £1,200,000 are payable over the next twelve months;
- a three year Revolving Loan Facility of £1,000,000, which was entered into in April 2016 and is available for the refit of existing units and for new acquisitions.
- issue of ordinary share capital in the Parent Company on the Alternative Investment Market.

As at the period ended 25 June 2017, the Group had cash and cash equivalents of £4,073,000 (2016: £3,064,000) available to meet short term needs.

Quarterly covenant tests are in place over these bank facilities and the Group was fully compliant as at 25 June 2017. There is significant headroom on these covenant tests. Based on current and forecasted performance, the Directors expect there will continue to be significant headroom for the foreseeable future. Furthermore, based on current and forecasted performance, the Directors consider that the Group will be profitable and cash generative.

Based on the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (*continued*)

### *Basis of consolidation*

The consolidated financial statements include the financial statements of The Brighton Pier Group PLC and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these consolidated accounts, subsidiaries are those entities controlled by the Group. Control exists when the company, has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income, expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full.

Subsidiary entity accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Principle (UK GAAP) using the FRS 101 Reduced Disclosure Framework.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Leasehold improvements	-	over lease term
Furniture and fittings	-	3 - 10 years
IT equipment	-	3 years
Motor vehicles	-	4 - 5 years

Brighton Palace Pier, (the structure, including the landing stage and deck) is not depreciated. It is the Group's policy to maintain the pier, landing stage and deck building in good condition by carrying out repairs annually. An annual review is performed to assess the state of repair of the pier, supplemented by comprehensive structural surveys at regular intervals. The pier must be maintained in good condition in order for the business to operate, and therefore the Group undertakes the repair work identified by these regular reviews as part of a rolling maintenance programme. As a consequence, the residual value of the pier is deemed to be equal to the fair value as assessed on acquisition in April 2016. See Note 2 for further details.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

### *Borrowing costs*

Borrowing costs are recognised as an expense when incurred.

### *Business combinations and goodwill*

Business combinations are accounted for in accordance with IFRS 3 (revised) for acquisitions made after 1 July 2009.

For each business combination, management makes an assessment of whether any intangible assets have been acquired, and how much goodwill arose as a result of the acquisition. Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (*continued*)

### *Business combinations and goodwill (continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units, to which goodwill relates. Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. The Group performs its annual impairment test of goodwill based on the final day of the financial year.

### *Impairment of non-financial assets*

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see Note 2.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income as a highlighted item in the period in which they are incurred.

Goodwill is tested for impairment annually at the period end date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### *Intangible assets*

Intangible assets acquired separately from a business combination are initially capitalised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The initial cost recognised is the aggregate amount paid plus the fair value of any other consideration given to acquire the asset.

Amortisation is calculated to write-off the cost or fair value at acquisition (as the case may be) of each asset over their estimated useful lives shown below, and is recorded in administrative costs in the statement of comprehensive income. Amortisation is calculated on a straight-line basis over the useful life of the asset as follows:

Computer software & websites – 3 to 7 years

### *Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all cost incurred in bringing each product to its present location and condition.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (*continued*)

### *Investments and other financial assets*

Financial assets within the scope of IAS 39 are classified as financial assets held at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The Group currently holds no financial assets held at fair value through profit or loss, held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### *Assets carried at amortised cost*

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

### *Cash and cash equivalents*

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### *Financial liabilities*

#### *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### *Derecognition of liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### *Fair value measurement*

Fair value disclosures for financial instruments are provided in Note 13 (other financial assets and liabilities - risk management objectives and policies).

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (*continued*)

### *Fair value measurement (continued)*

- |         |  |
|---------|--|
| Level 1 | quoted (unadjusted) market prices in active markets for identical assets or liabilities  |
| Level 2 | valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable                      |

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the inputs into the valuations and the level of the fair value hierarchy as explained above.

### *Leases*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

#### *Lessee:*

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease rentals, together with lease incentives are charged to profit or loss on a straight line basis over the term of the lease.

#### *Lessor:*

Rental income from concessions on Brighton Palace Pier is recognised as income on a straight-line basis over the lease term.

### *Provisions*

Provisions are recognised when the Group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Group's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

### *Highlighted items*

Highlighted items are treated as such if the matters are non-recurring, material and fall within one of the categories below:

- a) acquisition costs and pre-opening costs relating to new refit sites;
- b) Impairment, site closure and other legal costs.

Acquisition and pre-opening costs are highlighted because they are one-off costs that are unique to each development. The Group only acquires new sites when appropriate opportunities arise. Therefore in any given period, acquisition costs can vary significantly depending on the number of new sites acquired and the level of investment required to bring the site into use, and so do not reflect the costs of the day-to-day operations of the business. These are therefore split out in order to aid comparability with prior periods. Similarly, pre-opening costs are incurred after the acquisition of a new site or the refurbishment of an existing site into a new concept. For the reasons outlined above, these costs have also been highlighted in order to aid comparability with prior periods.



# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (*continued*)

### *Highlighted items (continued)*

Costs relating to impairments, site closures and other legal costs are highlighted to the extent that they relate to one-off costs following any of the above activities. Impairments only occur in exceptional circumstances and are therefore highlighted. Similarly, the decision by management to close a site only occurs in exceptional circumstances; therefore, the costs associated with such an activity have also been highlighted.

### *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Concession income from the Pier is recognised on a straight-line basis over the lease term.

Marketing and sponsorship income is recognised when the Group has fulfilled its contractual requirements.

Interest income is recognised as interest accrues (using the effective interest rate method).

### *Share-based payments*

#### *Equity-settled transactions*

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated. This represents the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the statement of comprehensive income.

The Group does not currently award cash-settled share options to employees.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (*continued*)

### *Taxes*

#### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the statement of comprehensive income.

#### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 1. Accounting policies (continued)

### New standards and interpretations

The Group has not adopted any new standards or amendments that have a significant impact on the Group's results or financial position.

*Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

#### *IFRS 16 'Leases'*

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance leases and operating leases (Note 23) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- considering the IT system requirements and whether a new leasing system is needed.
- assessing the additional disclosures that will be required.

## 2. Significant accounting estimates, judgements and assumptions

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 2. Significant accounting estimates, judgements and assumptions (continued)

### *Estimates*

#### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to changes in expected future cash flows. The cash flows are derived from the budget and projections for the next three years. These projections are influenced by factors which are inherently uncertain such as footfall and non-controllable costs such as rent, rates and license costs. They do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is also sensitive to the discount rate used for the discounted cash flow model and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are disclosed further in Note 12.

#### *Fair value of Brighton Palace Pier*

*IFRS 3: Business Combinations* requires all assets and liabilities purchased as part of a business combination to be recorded at fair value. As part of the acquisition, an independent assessment of the market value of the pier was carried out by GVA Bilfinger on behalf of Barclays. This assessment concluded that the value of the pier, landing deck, stage and assets was greater than the net book value attributed to it immediately prior to the acquisition. Management has used the market value calculated in this report, which is deemed consistent with the determination of fair value under IFRS 13 and IFRS 3, to be materially equal to the fair value of the business.

### *Judgements*

#### *Operating lease commitments*

The Group has entered into commercial property leases as a lessee. In doing so, it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to evaluate the terms and conditions of the arrangements. In particular, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

As at the period ended 25 June 2017, the Group held operating leases on non-trading sites in Liverpool and Manchester which management consider to be onerous as per *IAS 37: Provisions, contingent liabilities and contingent assets*. In order to calculate the amount of the provision required, management must assess what it considers to be the unavoidable costs of exiting each contract. In the case of the leases in Manchester and Liverpool, management has judged that the Group will have to bear remaining lease payments (where applicable) up to the date of disposal, together with certain costs associated with future sub-lets.

#### *Deferred tax assets*

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in those circumstances outlined in Note 1. Significant management judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### *Useful economic life and residual value of Brighton Palace Pier (the structure, including the landing deck and stage)*

Management judge that the residual value of the pier is equal to the fair value at acquisition. This is because the value of Brighton Palace Pier as a viable business is entirely dependent on the pier structure being maintained in good order, at least equivalent to that at the date of acquisition. This judgement means that the pier structure is not subject to depreciation, as such amounts would be insignificant. Management reassess this judgement on an annual basis.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 2. Significant accounting estimates, judgements and assumptions (continued)

### *Deferred tax on revalued asset*

IAS 12 'Income Taxes' requires that deferred tax is recognised where a difference between the tax base of an asset and its carrying value arises after initial recognition. The measurement of the deferred tax liability should reflect the tax consequences of the expected manner of recovering the carrying amount of the Pier. As the residual value of the pier has been judged to be equivalent to the book value, the expected method of recovery will principally be through sale and no deferred tax liability arises when calculated on this basis.

## 3. Business combinations

On 27 April 2016, the Group acquired 100% of the issued share capital of Brighton Marine and Palace Pier Company (The) (BMPPC), an unlisted Company based in the UK. The acquired Company owns Brighton Palace Pier, one of the most iconic and instantly recognisable attractions in the UK. The Group acquired this Company in order to expand and diversify its business.

<i>Fair value of assets acquired and liabilities assumed</i>	Fair value recognised at 27 April 2016
	£000s
<b>Assets</b>	
Tangible assets	18,394
Inventories	297
Cash	473
Trade and other receivables	772
<b>Liabilities</b>	
Trade and other payables	(3,086)
<b>Total identifiable net assets at fair value</b>	16,850
Gain arising on acquisition	(312)
<b>Purchase consideration</b>	
Cash	16,538
<b>Total purchase consideration</b>	16,538

The gain on acquisition of £312,000 has been recognised as a highlighted item in the statement of comprehensive income for the period ended 26 June 2016. The gain arose as a result of an independent assessment of the market value of the Pier by GVA Bilfinger on behalf of Barclays. This assessment concluded that the value of the pier landing deck, stage and assets was greater than the net book value attributed to it immediately prior to the acquisition.

Brighton Marine Palace Pier Company contributed £2,841,000 to revenue and £537,000 to net profit during the period from acquisition (27 April 2016) to 26 June 2016. If the combination had taken place at the start of the year, the consolidated income statement for the period ended 26 June 2016 would show pro-forma Group revenue of £33,435,000 and the profit for period would have been £772,000.

On 27 April 2016, the Group also acquired assets situated on Brighton Palace Pier with a net book value of £705,000 from Repset Limited. The fair value of these assets was deemed equal to their net book value. The combined cash consideration of the above business combinations was £17,243,000.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 4. Segmental information

The following tables' present revenue, profit and loss and certain asset and liability information regarding the Group's business segments for the period ended 25 June 2017.

IFRS 8: *Operating Segments* applies the so-called 'management approach' to segment reporting and requires the Group to report financial and descriptive information about its reportable segments. Such reportable segments are operating segments or aggregations of operating segments that meet specified criteria.

Operating segments are components of an entity which engage in business activities from which they may earn revenues and incur expenses about which discrete financial information is available that is regularly evaluated by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. The Group is required to report separate financial information about each operating segment that:

- has been identified as described above or results from aggregating two or more of those segments if they exhibit similar long-term financial performance and have similar economic characteristics; and
- exceeds certain quantitative thresholds.

The Group identified the Board of Directors as its CODM and defined operating segments based on the information provided to the Board of Directors. The Board reviews discrete financial information for each site and uses this information to allocate resources. As these sites have similar economic characteristics and long-term financial performance, using, for example, operating profit margin, gross margin and comparable site sales development as quantitative benchmarks, it was concluded that all sites with the exception of Brighton Palace Pier (acquired on 27 April 2016) should be aggregated into the segment 'Owned Bars'. As Brighton Palace Pier exceeds the quantitative thresholds for aggregation, it has been presented as a separate operating segment. This meets the requirements of IFRS 8 and is consistent with the core principle of the standard.

The segmental information is split on the basis of information provided to the CODM. The CODM does not review discrete balance sheets for each operating segment and therefore no balance sheet information is provided on a segmental basis in the following table:

	Owned Bars	Brighton Palace Pier	Total segments	Overhead	2017 consolidated total	2016 consolidated total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	16,388	14,916	31,304	-	31,304	22,592
Cost of sales	(3,204)	(2,336)	(5,540)	-	(5,540)	(4,365)
<b>Gross profit</b>	<b>13,184</b>	<b>12,580</b>	<b>25,764</b>	<b>-</b>	<b>25,764</b>	<b>18,227</b>
Gross profit %	80%	84%	82%		82%	81%
Administrative expenses (excluding depreciation)	(11,397)	(8,478)	(19,875)	(824)	(20,699)	(15,973)
Highlighted items				(1,584)	(1,584)	(873)
Depreciation and amortisation				(1,272)	(1,272)	(1,178)
Net finance cost				(315)	(315)	(156)
<b>Profit before tax</b>	<b>1,787</b>	<b>4,102</b>	<b>5,889</b>	<b>(3,995)</b>	<b>1,894</b>	<b>47</b>
Income tax				(19)	(19)	(143)
<b>Profit after tax</b>	<b>1,787</b>	<b>4,102</b>	<b>5,889</b>	<b>(4,014)</b>	<b>1,875</b>	<b>(96)</b>
EBITDA (before highlighted items)	1,787	4,102	5,889	(683)	5,206	2,304
EBITDA (after highlighted items)	1,215	4,102	5,317	(683)	4,634	1,431

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 4. Segmental information (continued)

All segment assets and liabilities are located within the United Kingdom and all revenues arose in the United Kingdom.

Segment revenues are generated from external customers. There were no inter-segment sales in the years presented. No single customer contributed more than 10% of the Group's revenues.

The accounting policies of the reportable segments have been consistently applied. Overheads have been separated out to reflect how management reviews the discrete financial information and uses it to allocate resources.

## 5. Highlighted items

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
<b>Acquisition and pre-opening costs</b>		
Acquisition costs	-	900
Gain on bargain purchase	-	(312)
Site pre-opening costs	48	285
	<b>48</b>	<b>873</b>
<b>Impairment, closure and legal costs</b>		
Impairment of intangible non-current assets	469	
Other closure costs & legal costs	1,067	-
	<b>1,536</b>	<b>-</b>
<b>Total</b>	<b>1,584</b>	<b>873</b>

The above items have been highlighted to give a better understanding of non-comparable costs included in the consolidated statement of comprehensive income for this period.

Site pre-opening costs of £48,000 relate to the one-off opening costs of redeveloped sites in Cambridge, Manchester and Reading.

Impairment of intangible non-current assets relates to additional goodwill impairments of £469,000 made on the core bars estate.

Other closure and legal costs relate to the one-off costs incurred as a result of the closure of five sites in Lincoln, Brighton, Edinburgh and Oxford. These include £273,000 of goodwill write offs and £270,000 of fixed asset disposals arising as a result of the closures. Closure costs also include £273,000 of onerous lease provisions booked in relation to sites in Manchester and Liverpool, as well as £55,000 of redundancy costs arising from the continued streamlining of the bars estate.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 6. Employee costs

### *Employee benefits expense*

	<i>Period ended</i> <b>25 June 2017</b> <i>£'000</i>	<i>Period ended</i> <b>26 June 2016</b> <i>£'000</i>
<b><i>Included in other operating costs</i></b>		
Wages and salaries	8,615	5,652
Social security costs	635	288
	<b>9,250</b>	<b>5,940</b>

### *Average number of people employed*

	<i>2017</i> <i>FTE</i>	<i>2016</i> <i>FTE</i>
Number of full time equivalent (FTE) employees	<b>410</b>	<b>246</b>
<b><i>Average number of people (including Executive Directors) employed:</i></b>		
Operational	<b>369</b>	<b>228</b>
Administration	<b>41</b>	<b>18</b>
<b>Total average headcount</b>	<b>410</b>	<b>246</b>

### *Directors*

	<i>Period ended</i> <b>25 June 2017</b> <i>£'000</i>	<i>Period ended</i> <b>26 June 2016</b> <i>£'000</i>
Aggregate remuneration in respect of qualifying services	561	719
Aggregate remuneration in respect of the highest paid Director	181	364

An analysis of Directors' remuneration is set out in the Directors' Report on page 14. Payments totalling £376 (2016: £1,090) were made on behalf of Directors into the Group's auto-enrolment 'People's Pension Scheme'. Payments totalling £40,431 were made during the period on behalf of all other employees in respect of this scheme (2016: £25,691).



# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 7. Other income and expenditure

### *Finance costs*

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
Interest on debts, borrowings and finance leases	315	156

### *Depreciation, amortisation and costs of inventories included in the consolidated statement of comprehensive income*

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
<i>Included in operating expenses</i>		
Depreciation of owned property, plant & equipment	1,255	1,158
Depreciation of assets held under finance leases	10	20
Amortisation of intangible assets	7	-
Loss on disposal of property, plant & equipment	-	259
Operating lease rentals – land and buildings	1,474	1,612
Staff costs (see Note 6)	9,250	5,940
Contract security costs	1,228	1,506
Other operating expenses	8,747	6,656
	<b>21,971</b>	<b>17,151</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 8. Income tax

### (a) Tax on profit on ordinary activities

The tax is made up as follows:

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
<i>Current tax:</i>		
UK corporation tax payable on the profit for the period	162	143
Adjustment in respect of prior periods	(143)	-
Total current tax	19	143
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	-	-
Total tax payable for the year	19	143

### (b) Factors affecting tax charge for the period

The tax charge/ (credit) for the period is different from the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
Profit on ordinary activities before tax	1,894	47
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 – 20%)	374	9
<i>Effects of:</i>		
Expenses not deductible for tax purposes	82	214
Tax losses not recognised as deferred tax asset	(166)	-
Non qualifying depreciation	(128)	(80)
Adjustment in respect of prior periods	(143)	-
Total tax payable for the period	19	143

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 8. Income tax (*continued*)

### c). Deferred tax

On 8 July 2015, the Chancellor announced that the UK main rate of corporation tax will fall to 19% from 1 April 2017 and to 18% from 1 April 2020. These rate changes had not been substantively enacted at the balance sheet date and consequently in these accounts deferred tax continues to be recorded at the 20% rate. The deferred taxation liability, using a tax rate of 19.75% (2016: 20%), comprises the following:

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
<b>Assets</b>		
Capital allowances in arrears of depreciation	444	549
Taxable losses carried forward	100	28
	<b>544</b>	<b>577</b>
<b>Recognised in the balance sheet:</b>		
Included in (payables)/receivables		
<b>Liabilities</b>		
Goodwill	(544)	(577)
<b>Total deferred tax balance</b>	-	-

Deferred tax balances as at 25 June 2017 have been presented on a net basis.

An explanation of the deferred tax treatment of Brighton Palace Pier can be found in Note 2: *Significant judgements and estimates – deferred tax on revalued assets*.

In 2016, deferred tax assets totalling £163,000 in relation to trading losses carried forward in Barclub Trading Limited were not recognised due to insufficient certainty that the Group will have future taxable profits against which the tax asset will be realised.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 9. Earnings per share

Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary shareholders of The Brighton Pier Group PLC by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<i>Basic loss per share</i>	<i>Period ended 25 June 2017</i>	<i>Period ended 26 June 2016</i>
Profit/(loss) for the period (£'000)	1,875	(96)
Basic weighted number of shares (number)	31,732,894	18,495,393
<b>Earnings/(loss) per share (pence) - Basic (pence)</b>	<b>5.9</b>	<b>(0.5)</b>

<i>Basic adjusted earnings per share</i>	<i>Period ended 25 June 2017</i>	<i>Period ended 26 June 2016</i>
Profit for the period before highlighted items (£'000)	3,459	777
Basic adjusted weighted number of shares (number)	31,732,894	18,495,393
<b>Adjusted earnings per share - Basic (pence)</b>	<b>10.9</b>	<b>4.2</b>

<i>Diluted basic earnings per share</i>	<i>Period ended 25 June 2017</i>	<i>Period ended 26 June 2016</i>
Profit/(loss) for the period (£'000)	1,875	(96)
Diluted weighted number of shares (number)	33,148,390	18,754,990
<b>Earnings/(loss) per share (pence) - Diluted (pence)</b>	<b>5.7</b>	<b>(0.5)</b>

<i>Adjusted diluted earnings per share</i>	<i>Period ended 25 June 2017</i>	<i>Period ended 26 June 2016</i>
Profit for the period (£'000)	3,459	777
Diluted weighted number of shares (number)	33,148,390	18,754,990
<b>Adjusted earnings per share (pence) - Diluted (pence)</b>	<b>10.4</b>	<b>4.1</b>

## *Diluted basic earnings per share*

The impact of dilutive shares on the weighted average number of shares is summarised below:

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of shares for Basic EPS	31,732,894	18,495,393
Dilutive effect of share options	1,415,496	259,597
<b>Weighted average number of share for Diluted EPS</b>	<b>33,148,390</b>	<b>18,754,990</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 10. Intangible assets

	<i>Goodwill</i>	<i>Computer software and websites</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost:</b>			
At 28 June 2015	8,055	-	8,055
Additions	-	67	67
At 26 June 2016	8,055	67	8,122
Additions	-	103	103
<b>At 25 June 2017</b>	<b>8,055</b>	<b>170</b>	<b>8,225</b>
<b>Amortisation &amp; impairments:</b>			
At 28 June 2015	2,591	-	2,591
At 26 June 2016	3,747	-	3,747
Charge for the year	-	7	7
Write off and impairment (Note 12)	742	-	742
<b>At 25 June 2017</b>	<b>4,489</b>	<b>7</b>	<b>4,496</b>
<b>Net book value</b>			
At 28 June 2015	4,308	-	4,308
At 26 June 2016	4,308	67	4,375
<b>At 25 June 2017</b>	<b>3,566</b>	<b>163</b>	<b>3,729</b>

Computer software and website additions relate to the creation of new revenue-generating website platforms. As these assets were in development during the period, they have not been amortised. During the period ended 25 June 2017, goodwill balances totalling £273,000 were written off following the closure of sites in Brighton, Oxford and Lincoln. Additional impairments of £469,000 were made following a review of the general performance of the core bars estate. These have been included within highlighted items in the statement of comprehensive income (see note 5).

The brought-forward goodwill balance relates primarily to the Group's acquisition of twelve sites in 2006. These sites included: Embargo, Putney Fez, Cambridge Fez, Wimbledon Po Na Na, Bath Po Na Na, Oxford Po Na Na, Bath Lola Lo, Lincoln Lola Lo, Brighton Lola Lo, Norwich Lola Lo, Edinburgh Lola Lo and Reading Sakura.

Goodwill arising from subsequent acquisitions has been allocated on an individual basis against each site acquired.

The Group only has two operating segments, however management considers each site to be a separate CGU on the basis that each site generates cash flows which are largely independent of the cash flows generated by other sites.

The value of the goodwill was tested for impairment during the current financial year by means of comparing the recoverable amount of each CGU with the carrying value of its goodwill. Based on the operating performance of the CGUs, no further impairment was identified in the current financial year (2016: £nil).

The remaining valuations indicate sufficient headroom, such that a reasonably possible change to key assumptions would not result in any impairment of goodwill. Refer to Note 12 for further information on the impairment review.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 11. Property, plant and equipment

	Computers £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Leasehold improvement £'000	Pier, landing stage and deck £'000	Buildings improvement £'000	Assets under construction £'000	Total £'000
<b>Cost:</b>								
At 28 June 2015	341	63	7,607	4,799	-	428	-	13,238
Additions	2	-	261	75	-	-	208	546
Acquired	-	-	1,809	-	17,344	-	-	19,153
Disposals	(13)	-	(298)	(498)	-	-	-	(809)
<b>At 26 June 2016</b>	<b>330</b>	<b>63</b>	<b>9,379</b>	<b>4,376</b>	<b>17,344</b>	<b>428</b>	<b>208</b>	<b>32,128</b>
Additions	26	34	1,202	323	-	-	-	1,585
Disposals	(43)	(26)	(2,150)	(926)	-	-	-	(3,145)
Reclassified as held for sale	-	-	-	-	-	(428)	-	(428)
<b>At 25 June 2017</b>	<b>313</b>	<b>71</b>	<b>8,431</b>	<b>3,773</b>	<b>17,344</b>	<b>-</b>	<b>208</b>	<b>30,140</b>
<b>Depreciation:</b>								
At 28 June 2015	248	20	5,752	2,546	-	135	-	8,701
Charge for the year	41	13	839	285	-	-	-	1,178
Disposals	(10)	-	(263)	(274)	-	-	-	(547)
<b>At 26 June 2016</b>	<b>279</b>	<b>33</b>	<b>6,328</b>	<b>2,557</b>	<b>-</b>	<b>135</b>	<b>-</b>	<b>9,332</b>
Charge for the year	40	14	964	247	-	-	-	1,265
Disposals	(41)	(24)	(2,070)	(730)	-	-	-	(2,865)
Reclassified as held for sale	-	-	-	-	-	(135)	-	(135)
<b>At 25 June 2017</b>	<b>278</b>	<b>23</b>	<b>5,222</b>	<b>2,074</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,597</b>
<b>Net Book value;</b>								
<b>25 June 2017</b>	<b>35</b>	<b>48</b>	<b>3,209</b>	<b>1,699</b>	<b>17,344</b>	<b>-</b>	<b>208</b>	<b>22,543</b>
<b>Net Book value;</b>								
<b>26 June 2016</b>	<b>51</b>	<b>30</b>	<b>3,051</b>	<b>1,819</b>	<b>17,344</b>	<b>293</b>	<b>208</b>	<b>22,796</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 11. Property, plant and equipment (*continued*)

Assets acquired relate to assets acquired as part of business combinations. As at the period ended 25 June 2017, the net book value of assets held under finance leases was £10,000 (2016: £27,000) and the gross carrying amount of fully depreciated property, plant and equipment that is still in use was £4,765,000 (2016: £6,359,000).

The value of the property, plant and equipment was tested for impairment during the current financial year by means of comparing the recoverable amount of each CGU with the carrying value of its fixed assets. Based on the operating performance of the CGUs, no impairment was identified in the current financial year (2016: £nil).

Property, plant and equipment with a net book value of £295,000 were disposed of for a consideration of £25,000 during the period, resulting in a loss on disposal of £270,000. These disposals were due to the closure of sites in Brighton, Lincoln and Oxford. This loss on disposal is included within highlighted items in the Statement of Comprehensive Income (see note 5).

## 12. Impairment review

The Group performed its annual impairment test in June 2017 and 2016. The Group considers the relationship between the trading performance of each CGU and their book value when reviewing for indicators of impairment. Based on management's review of the expected performance of the core estate, impairments of £469,000 have been recognised during the period ended 25 June 2017. These have been included within highlighted items in the statement of comprehensive income.

Each site represents a cash generating unit (CGU). Goodwill is allocated to the site on which it arose.

The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering the period to June 2022.

Cash flows for each CGU beyond June 2022 are extrapolated, assuming a terminal growth of 1.5% (2016: 1.5%) that reflects the expected growth based on market research. The pre-tax discount rate applied to cash flow projections is 10.95% (2016: 12.57%). As each CGU shares similar risks and has similar geographical characteristics, the same discount and growth rates have been applied to all CGUs.

To assess for impairment, the value in use of the CGU is compared to the carrying value of the assets of that CGU including any attributed goodwill. If the resultant net present value of the discounted cash flows is less than the carrying value of the CGU including goodwill, the difference is written off through the statement of comprehensive income.

### *Carrying amount of goodwill and property, plant and equipment allocated to each of the CGUs*

As a result of this analysis, management deemed that impairments across the core estate totalling £469,000 were required. This has been included within

The calculation of value in use for all CGUs is most sensitive to the following assumptions:

- discount rates;
- growth rates used to extrapolate cash flows beyond the forecast period;
- growth in expenses, including rent based on rent reviews.

**Discount rates** - The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

**Growth rates** - Rates are based on published industry research, market conditions and economic factors such as the changing habits of students in the towns and cities the Group operates in as well as competition faced from other businesses in these areas. Management has also considered general consumer confidence, including factors like job prospects, inflation and household disposable income. When determining the appropriate growth rates, management has also considered the regulatory environment.

**Growth in expenses including rent** - the Group's main costs are drinks, labour and rent. Estimates regarding the drink cost are based on past actual price movements as well as expected results from supplier negotiations. Labour increases have been estimated in relation to the National Minimum Wage. Rent reviews are typically every five years and budgets assume increases of between 2 to 5% annually compounded. The rate reflects the specific market locations for the related venue.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 12. Impairment review (continued)

Headroom is dependent upon sensitivities to these and other assumptions. The largest elements of goodwill are in the Embargo and Putney Fez CGUs. A fall in forecast EBITDA of 14% or an increase in the WACC to 30% would be required before the carrying value of goodwill exceeded its value in use at these sites. In the case of most other CGUs, a fall exceeding 25% of forecasted EBITDA or an increase in the WACC to greater than 30% would be required before an impairment would be needed. The exception to this is Lowlander where a decrease in forecast EBITDA of 1% or an increase in the WACC to 14% would trigger an impairment.

## 13. Other financial assets and liabilities

### Financial assets

	As at 25 June 2017	As at 26 June 2016
	Loans and receivables	Loans and receivables
<i>Group</i>	£'000	£'000
<i>Current assets as per balance sheet</i>		
Trade and other receivables excluding prepayments	626	946
Cash and cash equivalents	4,073	3,064
	4,699	4,010

There were no non-current financial assets as at 25 June 2017 (2016: £nil).

Loans and receivables are non-derivative financial assets. The carrying value may be affected by changes in the credit risk of the counterparties.

### Financial liabilities

#### Interest bearing loans and borrowings

			As at 25 June 2017	As at 26 June 2016
			Other financial liabilities at amortised cost	Other financial liabilities at amortised cost
<i>Group</i>	<i>Interest rate %</i>	<i>Maturity</i>	£'000	£'000
<i>Liabilities as per balance sheet</i>				
<b>Current:</b>				
<i>Other loans:</i>				
£12m bank loans (2016 - £12m)	LIBOR + 2.25%	Apr 2021	1,200	1,200
			1,200	1,200
<b>Non-current:</b>				
<i>Other loans:</i>				
£12m bank loans	LIBOR + 2.25%	Apr 2021	10,102	10,684
£1m revolving credit facility	LIBOR + 2.25%	Apr 2019	-	500
			10,102	11,184



# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 13. Other financial assets and liabilities (continued)

### **£12 million bank loan**

This term loan commenced on 27 April 2016. The purpose of the loan was to facilitate the acquisition of Brighton Palace Pier. The amount outstanding at the period end was £11,302,000 (2016: £11,884,000) net of unamortised arrangement fees. The loan is due for repayment in April 2021.

### **£1 million revolving credit facility**

This revolving credit facility commenced on 27 April 2016 and replaced the £5 million facility described above. The purpose of this facility is to fund capital expenditure and new site acquisitions. The amount drawn down on the facility as at 25 June 2017 was £nil (2016: £500,000).

### **Fair Values**

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's interest bearing loans and borrowings:

	<i>As at 25 June 2017</i>		<i>As at 26 June 2016</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Interest-bearing loans and borrowings	11,302	11,314	12,384	12,598
Obligations under finance leases	11	11	20	19

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The fair values of the Group's interest-bearing borrowings and loans are determined by employing the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 25 June 2017 was assessed to be insignificant.

All loans are classed as Level 2 in the fair value hierarchy. There were no Level 3 inputs during the period.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 13. Other financial assets and liabilities (*continued*)

### *Trade and other payables*

### *Other financial liabilities*

		2017	2016
<i>Group</i>	<i>Maturity</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	Payable within 1 year	1,987	2,378
Other payables, accruals and provisions	Payable within 1 year	3,123	4,189
		5,110	6,567

### *Financial risk management objectives and policies*

The Group's financial instruments comprise cash, loans, borrowings and liquid resources, as well as various items such as trade receivables and trade payables that arise directly from its operations.

The Group does not enter into derivatives or hedging transactions.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are investment risk, interest rate risk and liquidity risk. The Group does not have any exposure to foreign currency risk. The Board reviews policies for managing each of these risks, and they are summarised as follows:

### *Interest rate risk*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	<i>Increase/decrease in basis points</i>	<i>Effect on profit before tax</i>
<b>2017</b>		<b>£000</b>
<i>Sterling</i>	+ 100	(113)
<i>Sterling</i>	- 100	113
<b>2016</b>		
<i>Sterling</i>	+ 100	(119)
<i>Sterling</i>	- 100	119

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 13. Other financial assets and liabilities (*continued*)

### *Liquidity risk*

The Group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

The table below summarises the maturity profile of the Group's financial liabilities as at 25 June 2017 and 26 June 2016 based on contractual (undiscounted) payments and interest.

<i>Year ended 25 June 2017</i>	<i>Total</i>	<i>On demand</i>	<i>Up to 1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	12,502	-	1,489	1,496	9,517
Trade payables	1,987	-	1,987	-	-
Finance leases	11	-	11	-	-

<i>Year ended 26 June 2016</i>	<i>Total</i>	<i>On demand</i>	<i>Up to 1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	13,369	-	1,497	1,497	10,375
Revolving credit facility	500	-	500	-	-
Trade payables	2,378	-	2,378	-	-
Finance leases	20	-	10	10	-

The Group aims to mitigate liquidity risk by managing cash generation by its operations. Investment is carefully controlled, with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process.

### *Credit risk*

Credit risk is a risk that one or more counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is trade receivables, represented by the carrying value as at the balance sheet date.

Each business unit manages customer credit risk. Risk management of customer credit, is subject to the Group's established policies, procedures and controls. Outstanding customer receivables are regularly monitored and are approved by management. The Group evaluates the concentration of risk with respect to trade receivables as low, due to the fact that its customers are often also suppliers to the business.

There is no material difference between the fair values and book values of the Group's trade receivables and no concerns relating to credit worthiness.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 13. Other financial assets and liabilities *(continued)*

The Group manages its capital structure and adjusts it in the light of economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or perhaps issue new shares. Following the listing of the Group on AIM in November 2013, the Group's primary capital management objectives involved remaining within debt covenants whilst also seeking out suitable acquisition targets.

The movement in cash and cash equivalents is reconciled to movements in debt as follows:

	2017 £'000	2016 £'000
Increase in cash and cash equivalents	1,009	2,088
Decrease/(increase) in other borrowings	1,067	(8,717)
<b>Decrease/(increase) in debt resulting from cash flows</b>	<b>2,076</b>	<b>(6,629)</b>
Other non-cash movements	24	(21)
Decrease/(increase) in net debt in the period	2,100	(6,650)
Net debt at start of period	(9,340)	(2,690)
<b>Net debt at end of period</b>	<b>(7,240)</b>	<b>(9,340)</b>

### *Composition of net debt*

Net debt is made up as follows:

	2017 £'000	2016 £'000
Cash and cash equivalents	4,073	3,064
Short term borrowings	(1,200)	(1,200)
Long term borrowings	(10,102)	(11,184)
Finance lease payables	(11)	(20)
<b>Total net debt</b>	<b>(7,240)</b>	<b>(9,340)</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 13. Other financial assets and liabilities (continued)

Details of the significant investments in which the Company holds, directly or indirectly, 20% or more of the nominal value of any class of share capital are as follows:

	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
Brighton Palace Pier (Holdings) Limited	Ordinary shares	100%	Holding Company
Brighton Marine Palace & Pier Company (The) ±	Ordinary shares	100%	Operation of Brighton Palace Pier
Brighton Palace Pier (Assets) Limited±	Ordinary shares	100%	Operation of Brighton Palace Pier
Eclectic Icon Limited	Ordinary shares	100%	Holding Company
Eclectic Bars Limited†	Ordinary shares	100%	Funding entity
Newman Bars Limited	Ordinary shares	100%	Management of bars
Chalice Bars Limited^	Ordinary shares	100%	Operation of bars
Barclub Trading Limited*	Ordinary shares	100%	Management & operation of bars
Barclub (Bath) Limited φ	Ordinary shares	100%	Management of bars
Barclub (Cambridge) Limited φ	Ordinary shares	100%	Dormant
Barclub (Deansgate Locks) Ltd φ	Ordinary shares	100%	Dormant
Barclub (East Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (Embargo) Limited φ	Ordinary shares	100%	Dormant
Barclub (Friar Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (Liverpool) Limited φ	Ordinary shares	100%	Dormant
Barclub (Manchester) Limited φ	Ordinary shares	100%	Dormant
Barclub (Norwich) Limited φ	Ordinary shares	100%	Dormant
Barclub (Peter Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (Sidney Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (West Street) Limited φ	Ordinary shares	100%	Dormant
Sakura Bars Limited φ	Ordinary shares	100%	Dormant
HSB Clubs Limited φ	Ordinary shares	100%	Dormant

\* held indirectly by Eclectic Bars Limited

φ held indirectly by Barclub Trading Limited

† held indirectly by Eclectic Icon Limited

± held indirectly by Brighton Pier Holdings Limited

^ held indirectly by Newman Bars Limited

After the period end date, all subsidiary companies with the prefix 'Barclub' in their company name were renamed with the prefix 'Eclectic Bars' – for example Barclub Trading Limited became Eclectic Bars Trading Limited.

For the period ended 25 June 2017, the following subsidiaries were entitled to the exemption from audit under section 479A of the Companies Act 2006.

Newman Bars Limited Registered Number 07041435

Chalice Bars Limited Registered Number 07045390

Barclub (Bath) Limited Registered Number 04968281

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 14. Inventories

	<i>As at 25 June 2017 £000</i>	<i>As at 26 June 2016 £000</i>
Goods for re-sale	547	666
	<b>547</b>	<b>666</b>

The cost of inventories recognised as an expense and included in cost of sales amounted to £5,540,000 (2016: £4,365,000).

## 15. Trade and other receivables

	<i>As at 25 June 2017 £'000</i>	<i>As at 26 June 2016 £'000</i>
Trade receivables	69	239
Other receivables	556	707
Prepayments and accrued income	509	933
	<b>1,134</b>	<b>1,879</b>

Trade receivables are non-interest bearing and are payable on 30 day terms. All outstanding trade receivables are considered recoverable.

As at 25 June 2017 and 26 June 2016, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	61-90 days	91-120 days	>120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2017	69	20	1	13	4	31	-
2016	239	-	186	53	-	-	-

See Note 13 on credit risk of trade receivables which explains how the Group manages and measures credit quality of trade receivables that are neither past, due nor impaired.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 16. Cash and cash equivalents

	<i>As at 25 June 2017 £'000</i>	<i>6s at 28 June 2016 £'000</i>
Cash at bank and at hand	4,073	3,064
Cash and cash equivalents	4,073	3,064

At 25 June 2017, the Group had available £1,000,000 (2016:£500,000) of undrawn committed borrowing facilities.

## 17. Issued capital and reserves

### *Ordinary shares called up and fully paid*

	<i>Period ended 25 June 2017</i>		<i>Period ended 26 June 2016</i>	
<i>Ordinary shares issued and fully paid</i>	<i>Thousands</i>	<i>£'000</i>	<i>Thousands</i>	<i>£'000</i>
Ordinary shares at £0.25 each	31,762	7,941	31,677	7,920

During the period ended 25 June 2017 the Group issued 85,170 ordinary shares following the exercise of vested share options by employees.

During the period ended 26 June 2016, the following movements in share capital took place:

On 30 July 2015, the Group issued 3,000,000 new 25p ordinary shares, which were subscribed to by Luke Johnson at a price of 50p per share. In addition, the Self Invested Pension Plans of Reuben Harley, the Group's Chief Executive Officer (resigned 27 April 2016), and John Smith, the Group's Chief Financial Officer, subscribed to 150,000 new 25p ordinary shares (300,000 new ordinary shares in total) at the subscription price of 50p per share.

On the same date, the Group issued warrants to subscribe for up to 1,622,274 ordinary shares at a price of 60p per ordinary share to Luke Johnson, who was appointed Chairman of the Group on 15 June 2015. These warrants can be exercised in up to two tranches, but must be exercised by 30 June 2019, after which time they will lapse. The authority to issue shares and to dis-apply pre-emption rights was also presented and approved by the shareholders at the General Meeting on 30 July 2015.

The above matters were presented and approved by the shareholders at the General Meeting on 30 July 2015, raising £1.65 million to fund the future development of the Group's business.

On 27 April 2016, the Group issued a further 15,454,546 ordinary shares at 55p each. The purpose of this issue was to help fund the Group's acquisition of Brighton Palace Pier (see Note 3).

### *Share premium*

	<i>£'000</i>
<b>At 28 June 2015</b>	<b>8,093</b>
Increase on 30 July 2015	825
Increase on 27 April 2016	4,636
Directly attributable share issue costs taken to equity	(367)
<b>At 26 June 2016</b>	<b>13,187</b>
Increase on 30 October 2016	42
<b>At 25 June 2017</b>	<b>13,229</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 17. Issued capital and reserves (continued)

### *Merger reserve*

This reserve represents the value passed onto the existing shareholders of Eclectic Bars Limited, the former Parent Company of the Group, as part of the share-for-share swap with The Brighton Pier Group PLC, which took place on incorporation of the new Parent entity.

### *Other reserves*

This reserve contains the equity value of share-based payments issued to date.

## 18. Share-based payments

### *Employee Share Option Plan (ESOP)*

Under the Employee Share Option Plan (ESOP), share options of the Parent are granted to employees of the Group with more than twelve months of service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest in four annual instalments provided the employee remains in employment on the vesting date. 25% of the options issued vested on 30 June 2015. A further 25% of the options vest on 30 June 2016, with the process continuing until all options are vested.

There are no performance conditions associated with these options. The fair value of the options was estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual term of each option ranges from one to four years. There are no cash settlement alternatives.

The expense recognised for employee services during the year is shown in the following table:

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
Total expense arising from share-based payment transactions	141	50



# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 18. Share-based payments (*continued*)

### *Movements in the year*

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number	WAEP (£)
<b>Outstanding at 28 June 2015</b>	<b>624,183</b>	<b>1.60</b>
Granted during the year	919,583	0.55
Forfeited during the year	(253,416)	0.62
Exercised during the year	-	-
Expired during the year	-	-
<b>Outstanding at 26 June 2016</b>	<b>1,290,350</b>	<b>0.60</b>
Granted during the year	382,500	0.55
Forfeited during the year	(139,599)	0.62
Exercised during the year	(56,154)	0.62
Expired during the year	-	-
<b>Outstanding at 25 June 2017</b>	<b>1,477,097</b>	<b>0.73</b>
<b>Exercisable at 25 June 2017</b>	<b>235,528</b>	<b>0.61</b>

The weighted average remaining contractual life for the share options outstanding as at 25 June 2017 is 4 years (2016: four years). The weighted average fair value of options granted during the year was £0.40 (2016: £0.36).

The weighted average exercise price for all options outstanding at the end of the year was £0.73 (2016: £0.64).

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 18. Share-based payments (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	Expiry date - 30 June	Exercise price in £ per share options	Share options (thousands)
2013-14	2018	0.635	101
2013-15	2019	0.635	101
2013-16	2020	0.635	101
2013-17	2021	0.635	114
2014-14	2018	0.635	3
2014-15	2019	0.635	3
2014-16	2020	0.635	3
2014-17	2021	0.635	3
2016-16	2022	0.635	50
2016-17	2023	0.635	58
2016-18	2024	0.635	58
2016-19	2025	0.635	58
2016-16	2022	0.55	110
2016-17	2023	0.55	110
2016-18	2024	0.55	110
2016-19	2025	0.55	110
2016-17	2021	1.11	82
2017-18	2022	1.11	82
2017-19	2023	1.11	82
2017-20	2024	1.11	82
2017-17	2021	0.95	14
2017-18	2022	0.95	14
2017-19	2023	0.95	14
2017-20	2024	0.95	14

1,477

The fair value of options granted during the period ended 25 June 2017 determined using the Black-Scholes valuation model was as follows:

Variable	November 2016 1yr Scheme	November 2016 2yr Scheme	November 2016 3yr Scheme	November 2016 4yr Scheme	May 2017 1yr Scheme	May 2017 2yr Scheme	May 2017 3yr Scheme	May 2017 4yr Scheme
Stock Price	£1.11	£1.11	£1.11	£1.11	£0.95	£0.95	£0.95	£0.95
Exercise Price	£1.11	£1.11	£1.11	£1.11	£0.95	£0.95	£0.95	£0.95
Dividend Yield	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Option Term (years)	2.29	2.79	3.29	3.79	2.08	2.58	3.08	3.58
Risk-less rate	0.61%	0.61%	0.61%	0.61%	0.67%	0.67%	0.67%	0.67%
Volatility	25%	50%	75%	100%	25%	50%	75%	100%
Fair value	0.155	0.340	0.530	0.703	0.127	0.282	0.442	0.591

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 19. Dividends paid and proposed

No dividends were paid or proposed during the period ended 25 June 2017 (2016: £nil).

## 20. Trade and other payables

	<i>As at 27 June 2017 £'000</i>	<i>As at 26 June 2016 £'000</i>
Trade payables	1,987	2,378
Other payable	20	666
Accruals	1,571	1,881
Deferred income	-	21
Other taxes and social security costs	1,041	1,183
	<b>4,619</b>	<b>6,129</b>

Non-current other payables of £nil (2016: £10,000) relate to amounts payable under finance leases.

## 21. Provisions

### *Rent review provision*

The Group has made a provision in respect of expected increases in rent costs as a result of rent reviews on operating leases. Operating leases on commercial property are subject to regular rent reviews by landlords in accordance with the lease agreement.

Management makes estimates based on current open market rental rates in the local areas around each site and compares this to the Group's current lease terms. The provision recognised represents the best estimate of any expected increase in rental payments as a result of rent reviews applied retrospectively to the date of the last rent review as per the lease agreement.

### *Onerous lease provision*

In respect of onerous leases, provision is made for onerous lease contracts on sites either that have closed, or where projected future trading income is insufficient to cover the fixed unavoidable expenses such as rent, rates and other property costs to the end of the lease term, net of expected trading on sublet income provision. The provision is based on the present value of expected future cash outflows relating to unavoidable expenses in excess of economic benefits guaranteed with the site business. The majority of this provision is expected to be utilised over the next twelve months.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 21. Provisions (*continued*)

	<i>Rent review provision £'000</i>	<i>Onerous lease provision £'000</i>	<i>Total £'000</i>
Balance at 28 June 2015	28	710	738
Additional provision charged to the statement of comprehensive income	51	9	60
Amounts utilised or reversed during the period	-	(350)	(350)
<b>Balance at 26 June 2016</b>	<b>79</b>	<b>369</b>	<b>448</b>
Additional provision charged to the statement of comprehensive income	95	273	261
Amounts utilised or reversed during the period	(41)	(284)	(325)
<b>Balance at 25 June 2017</b>	<b>133</b>	<b>358</b>	<b>491</b>
<i>Current</i>	133	358	491
<i>Non-current</i>	-	-	-

## 22. Related party transactions

### Group

The Parent Company and ultimate controlling entity of the Group is The Brighton Pier Group PLC. Note 13 and 27 provide information about the Group's structure, including details of the subsidiaries and the holding Company.

The Group considers its key management personnel to be the Directors of the Company. The compensation of key management personnel is as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Short-term employee benefits	605	545
Post-employment pension and medical benefits	1	5
Termination benefits	-	197
Share-based payment transactions	42	24
<b>Total compensation paid to key management personnel</b>	<b>648</b>	<b>771</b>

Amounts paid to Directors as part of short term employee benefits including employers national insurance contributions was £648,000 during the period (2016: £771,000).

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Joe Tager is a Non-Executive Director of the Group. During the period ended 25 June 2016, Twin Capital Ltd, a Company owned and controlled by Mr Tager, provided corporate finance services to the Group in relation to the acquisition of Brighton Palace Pier. The amount paid during the year for these services was £nil (2016: £25,000). No amounts were outstanding at the period end.

Information on shares and share option awards held by key management personnel can be found on page 14 in the Directors' Report.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 23. Commitments

### Operating lease commitments

#### Lessee:

Total minimum lease payments under non-cancellable operating leases are as follows:

	<i>As at 25 June 2017 £'000</i>	<i>As at 26 June 2016 £'000</i>
Operating leases payment due:		
Within one year	1,591	1,926
In two to five years	5,809	7,702
In over five years	14,362	17,270
	<b>21,762</b>	<b>26,898</b>

All operating lease commitments relate to non-cancellable leases on the Group's portfolio of trading sites. As at the period ended 25 June 2017, the Group had one lease that included a contingent rent clause equating to 5% of revenue in excess of £1.5 million in any twelve month period. This agreement does not have a material impact on the Group.

The Group does not have any renewal, purchase or escalation clauses in its operating leases, nor are there any restrictions imposed by its operating leases.

#### Lessor:

	<i>Period ended 25 June 2017 £'000</i>	<i>Period ended 26 June 2016 £'000</i>
Minimum lease payments:		
Within one year	158	156
	<b>158</b>	<b>156</b>

Operating lease income relates to the rental of concession stalls to tenants on a twelve month contract.

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 23. Commitments (continued)

### Finance lease commitments

As at 25 June 2017, the Group had total minimum commitments under finance leases as set out below:

	<i>As at 25 June 2017</i>	<i>As at 26 June 2016</i>
	<i>£'000</i>	<i>£'000</i>
Amount payable:		
Within one year	11	10
In two to five years	-	10
	11	20
Future interest	-	(1)
Present value of finance lease liabilities	11	19

Finance lease commitments relate to the Group's obligations under finance leases in relation to Company cars for senior employees.

## 24. Events after the reporting period

There have been no significant events to report arising between the end of the financial year and the date of signing of the financial statements.

## 25. Auditor remuneration

	<i>Period ended 25 June 2017</i>	<i>Period ended 26 June 2016</i>
	<i>£'000</i>	<i>£'000</i>
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	43	40
Audit of the Company's subsidiaries	24	24
<i>Fees payable to the Company's auditor and its associates for other services:</i>		
Audit related assurance services	7	-
Tax compliance services	15	13
Tax advisory services	7	-
Other assurance related services - Reporting accountants on acquisition of Brighton Palace Pier	-	120
	<b>96</b>	<b>197</b>

# Notes to the consolidated financial statements

For the period ended 25 June 2017

## 26. Reconciliation to EBITDA

Group profit before tax can be reconciled to Group EBITDA as follows:

EBITDA Reconciliation	2017	2016
Profit before tax for the year	1,894	47
Add back depreciation	1,265	1,178
Add back amortisation	7	-
Add back net interest paid	315	156
Add back share-based payment charge	141	50
Add back highlighted items	1,584	873
<b>Group EBITDA before highlighted items</b>	<b>5,206</b>	<b>2,304</b>

Group EBITDA after highlighted items was £4,636,000, which excludes those highlighted items that do not impact EBITDA, namely the goodwill write offs and impairment of £742,000 and the write-off of property, plant and equipment at closed sites of £270,000.

## 27. Group arrangements

The Group consists of seven main entities, each of which perform a specific role in the business as a whole.

On 24 March 2016 two new companies were formed – Brighton Palace Pier (Holdings) Limited and Brighton Palace Pier (Assets) Limited. Both companies were 100% subsidiaries of The Brighton Pier Group PLC (formerly Eclectic Bar Group Plc).

On 27 April 2016, Brighton Palace Pier (Holdings) Limited acquired the entire issued share capital of Brighton Marine Palace & Pier Company (The). On the same date, Brighton Palace Pier (Assets) Limited purchased assets relating to Brighton Palace Pier from Repset Limited.

In a Share Sale and Purchase Agreement dated 27 April 2016, The Brighton Pier Group PLC agreed to transfer 100% of its holding in Brighton Palace Pier (Assets) Limited to Brighton Marine and Palace Pier Company.

Trading cash, in respect of the Bars division is controlled by Eclectic Bars Limited, the former Parent entity of the Group. Eclectic Bars Limited is 100% owned by Eclectic Icon Limited. All trading and operating leases of the Bar division are managed by Barclub Trading Limited, the principal trading entity of the Bar division. All cash and trading in relation to Brighton Palace Pier is managed by Brighton Marine and Palace Pier Company. The Group also contains a number of dormant subsidiaries, which hold operating leases. The risks, rewards and expenses relating to all bar and club operating leases are borne by Barclub Trading Limited.

# Parent company accounts

For the period ended 25 June 2017

## Parent company balance sheet

As at 25 June 2017

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Investments	2	<u>10,794</u>	<u>10,794</u>
<b>Current assets</b>			
Trade and other receivables	3	11,655	11,066
Cash and cash equivalents		<u>30</u>	<u>1</u>
<b>Total assets</b>		<u><b>22,479</b></u>	<u><b>21,861</b></u>
<b>Equity</b>			
Share capital	4	7,941	7,920
Share premium		13,229	13,187
Other reserve		321	180
Retained earnings		988	574
<b>Total equity</b>		<u><b>22,479</b></u>	<u><b>21,861</b></u>
<b>Total equity and liabilities</b>		<u><b>22,479</b></u>	<u><b>21,861</b></u>

The accompanying notes form an integral part of these Company financial statements.

The financial statements were approved by the Board of Directors, authorised for issue on 29 September 2017 and were signed on its behalf by:

J A Smith  
Director



Company registration number: 08687172



## Parent company accounts

For the period ended 25 June 2017

### Parent company statement of changes in equity

For the period ended 25 June 2017

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 28 June 2015	3,231	8,093	130	743	12,197
Loss for the year	-	-	-	(169)	(169)
Total comprehensive income	-	-	-	(169)	(169)
Share-based payments charge	-	-	50	-	50
Shares issued	4,689	5,461	-	-	10,150
Share issue costs taken to equity	-	(367)	-	-	(367)
<b>Balance at 26 June 2016</b>	<b>7,920</b>	<b>13,187</b>	<b>180</b>	<b>574</b>	<b>21,861</b>
Profit for the year	-	-	-	414	414
Total comprehensive income	-	-	-	414	414
Share-based payments charge	-	-	141	-	141
Shares issued	21	42	-	-	63
<b>Balance at 25 June 2017</b>	<b>7,941</b>	<b>13,229</b>	<b>321</b>	<b>988</b>	<b>22,479</b>

The accompanying notes form an integral part of these Company financial statements.

# Notes to the parent company accounts

For the period ended 25 June 2017

## 1. Accounting Policies

### Basis of Preparation

The annual financial statements of The Brighton Pier Group PLC (formerly Eclectic Bar Group plc, the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared for the 52 week period to 25 June 2017. The comparative information has been prepared for the period from 28 June 2015 to 26 June 2016.

### *Disclosure exemptions adopted*

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

### *First time application of FRS 100 and 101*

In the prior period the Company adopted FRS 100 and FRS 101 for the first time. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with EU-endorsed IFRS.

There were no other material amendments to the disclosure requirements previously applied in accordance with EU endorsed IFRS.

As permitted by section 408 of Companies Act 2006, a separate statement of comprehensive income for the Company has not been included in these financial statements. The Company's profit for the period ended 25 June 2017 was £414,000 (2016: loss of £169,000).

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

# Parent company accounts

For the period ended 25 June 2017

## 1. Accounting Policies (continued)

### Going concern

The Company's principal business activity is to hold the investment in Eclectic Icon Limited and Brighton Palace Pier (Holdings) Limited. The Company receives dividends from Eclectic Icon Limited, which funds its own distributions to shareholders.

As at 25 June 2017, the Company had net current assets of £11.7 million (2016: £11.1 million). This largely consists of intercompany loans receivable from other Group companies.

The Company has two principal sources of funding.

- The Company also has the ability to raise further funds through the offer of new shares on the Alternative Investment Market. These funds, net of issue costs, would be available to fund the activities of the Group.
- The Company receives dividends from Eclectic Icon Limited (100% directly owned subsidiary), which funds dividend payments to shareholders of the Company.

Based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment.

### Foreign currency

The presentation currency for the Company's financial statements is Sterling. Foreign currency transactions are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Statement of comprehensive income, within 'administrative expenses'.

The Parent Company's functional currency is Sterling.

### Current taxation

Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

### Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full and are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

# Parent company accounts

For the period ended 25 June 2017

## 1. Accounting Policies (continued)

### Deferred tax (continued)

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

### Equity

Equity comprises the following:

- “share capital” represents the nominal value of equity shares issued.
- “share premium” represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- “retained earnings” represents the accumulated profits and losses attributable to equity shareholders.
- “other reserve” relates to the employee benefit trust.

### Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets held at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The Company currently holds no financial assets held at fair value through profit or loss, held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The Company determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

### Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### Assets carried at amortised cost

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

### Financial liabilities

#### *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### Derecognition of liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# Parent company accounts

For the period ended 25 June 2017

## 2. Investments

	2017	2016
Investment in Eclectic Icon Limited	9,900	9,900
Investment in Newman Bars Limited	894	894
	<u>10,794</u>	<u>10,794</u>

The Company owns, directly or indirectly, 100% of the ordinary share capital of the following UK companies:

	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
Brighton Palace Pier (Holdings) Limited	Ordinary shares	100%	Holding Company
Brighton Marine Palace & Pier Company (The) ±	Ordinary shares	100%	Operation of Brighton Palace Pier
Brighton Palace Pier (Assets) Limited±	Ordinary shares	100%	Operation of Brighton Palace Pier
Eclectic Icon Limited	Ordinary shares	100%	Holding Company
Eclectic Bars Limited†	Ordinary shares	100%	Funding entity
Newman Bars Limited	Ordinary shares	100%	Management of bars
Chalice Bars Limited^	Ordinary shares	100%	Operation of bars
Barclub Trading Limited*	Ordinary shares	100%	Management & operation of bars
Barclub (Bath) Limited φ	Ordinary shares	100%	Management of bars
Barclub (Cambridge) Limited φ	Ordinary shares	100%	Dormant
Barclub (Deansgate Locks) Ltd φ	Ordinary shares	100%	Dormant
Barclub (East Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (Embargo) Limited φ	Ordinary shares	100%	Dormant
Barclub (Friar Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (Liverpool) Limited φ	Ordinary shares	100%	Dormant
Barclub (Manchester) Limited φ	Ordinary shares	100%	Dormant
Barclub (Norwich) Limited φ	Ordinary shares	100%	Dormant
Barclub (Peter Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (Sidney Street) Limited φ	Ordinary shares	100%	Dormant
Barclub (West Street) Limited φ	Ordinary shares	100%	Dormant
Sakura Bars Limited φ	Ordinary shares	100%	Dormant
HSB Clubs Limited φ	Ordinary shares	100%	Dormant

± held indirectly by Brighton Palace Pier (Holdings) Limited

† held indirectly by Eclectic Icon Limited

\* held indirectly by Eclectic Bars Limited

φ held indirectly by Barclub Trading Limited

^ held indirectly by Newman Bars Limited

After the period end date, all subsidiary companies with the prefix 'Barclub' in their company name were renamed with the prefix 'Eclectic Bars' – for example Barclub Trading Limited became Eclectic Bars Trading Limited.

# Parent company accounts

For the period ended 25 June 2017

## 3. Receivables

	2017	2016
	£	£
Amounts due from group undertakings	11,655	11,066

Amounts due from Group undertakings are interest bearing and repayable on demand.

## 4. Share capital

### Ordinary shares called up and fully paid

	Period ended 25 June 2017		Period ended 26 June 2016	
Ordinary shares issued and fully paid	Thousands	£'000	Thousands	£'000
Ordinary shares at £0.25 each	31,762	7,941	31,677	7,920

During the period ended 25 June 2017 the Group issued 85,170 ordinary shares following the exercise of vested share options by employees.

During the period ended 26 June 2016 the following movements in share capital took place:

On 30 July 2015, the Company issued 3,000,000 new 25p ordinary shares, which were subscribed to by Luke Johnson at a price of 50p per share. In addition, the Self Invested Pension Plans of Reuben Harley, the Group's Chief Executive Officer (resigned 27 April 2016), and John Smith, the Group's Chief Financial Officer, subscribed to 150,000 new 25p ordinary shares (300,000 new ordinary shares in total) at the subscription price of 50p per share.

On the same date, the Company issued warrants to subscribe for up to 1,622,274 ordinary shares at a price of 60p per ordinary share to Luke Johnson, who was appointed Chairman of the Company on 15 June 2015. These warrants can be exercised in up to two tranches, but must be exercised by 30 June 2019, after which time they will lapse. The authority to issue shares and to dis-apply pre-emption rights was also presented and approved by the shareholders at the General Meeting on 30 July 2015.

The above matters were presented and approved by the shareholders at the general meeting on 30 July 2015, raising £1.65 million to fund the future development of the Group's business.

On 27 April 2016, the Company issued a further 15,454,546 ordinary shares at 55p each. The purpose of this issue was to help fund the Group's acquisition of Brighton Palace Pier (see Note 3 of consolidated Group accounts).

### Share premium

	£'000
At 28 June 2015	8,093
Increase on 30 July 2015	825
Increase on 27 April 2015	4,636
Directly attributable share issue costs taken to equity	(367)
At 26 June 2016	13,187
Increase on 30 October 2016	42
At 25 June 2017	13,229

# Parent company accounts

For the period ended 25 June 2017

## 4. Share capital (continued)

### *Merger reserve*

This reserve represents the value passed onto the existing shareholders of Eclectic Bars Limited, the former Parent Company of the Group, as part of the share-for-share swap with The Brighton Pier Group PLC, which took place on incorporation of the new Parent entity.

### *Other reserves*

This reserve contains the equity value of share-based payments issued to date.

## 5. Related Parties and Directors' Transactions

There are no employees of the Company other than the Directors. Directors are remunerated by subsidiary entities.

As at 25 June 2017, a loan of £5,303,000 (2016: £5,015,000) is due from Eclectic Bars Limited and £6,352,000 (2016: £6,050,000) is due from Brighton Palace Pier (Holdings) Limited. Both loans are interest bearing and repayable on demand.

## 6. First time adoption of FRS 101 Reduced Disclosure Framework

The Company adopted FRS 101 during the period ended 26 June 2016, having previously applied applicable UK accounting standards. The date of transition to FRS 101 was 30 June 2014. In applying FRS 101 for the first time, the Company made the following elections:

- to retain the carrying amount of investment in subsidiaries at the date of transition to FRS 101 at the carrying amount at that date in accordance with applicable UK accounting standards.

There were no changes to the Company's equity and total comprehensive income as a result of applying FRS 101 for the first time.