

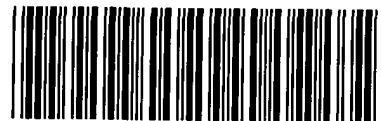
# **The Brighton Pier Group PLC**

**Registered Number 08687172**

**Annual Report and Accounts**

**For the period ended 28 June 2020**

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COMPANIES HOUSE

## Directors, officers and advisers

Directors	Luke Johnson	Chairman
	Anne Ackord	Chief Executive Officer
	John Smith	Chief Financial Officer
	James (Jim) Fallon	Non-Executive Director
	Paul Viner	Non-Executive Director

Company Secretary	John Smith
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Registered Office	36 Drury Lane London WC2B 5RR
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Financial Adviser, Nominated Adviser and Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
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Joint Broker	Arden Partners plc 125 Old Broad Street London EC2N 1AR
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Auditor	BDO LLP 55 Baker Street London W1U 7EU
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Lawyers to the Group	Browne Jacobson LLP 6 Bevis Marks London EC3A 7BA
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Bankers	Barclays Bank 1 Churchill Place London E14 5HP
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Registrars	EQ Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
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# STRATEGIC REPORT

## Chairman's statement

This financial year has been marked by a first half where we saw improved trading results across almost all metrics and a second half blighted by the worldwide pandemic. No country or company has been spared the challenges which COVID-19 brings to the well-being of all its citizens or employees. From a corporate perspective the virus has presented massive financial and operational challenges to the tourist, travel, leisure and hospitality sectors in particular.

The first half of the year saw revenues up 4.8% at £17.3 million (2019: £16.5 million), earnings before interest, tax, depreciation and amortisation ("EBITDA") after highlighted items up 55.1% at £4.1 million (2019: £2.6 million), EBITDA after highlighted items pre-IFRS 16 up 9.6% at £2.9 million (2019: £2.6 million) and operating profit after highlighted items up 42.2% at £2.4 million (2019: £1.7 million). See Note 26 to the financial statements for a reconciliation of profit before tax to EBITDA before and after highlighted items and the impact of IFRS 16.

This strong performance benefited from the successful new golf site openings at Rushden Lakes in March 2019 and Plymouth Drake's Circus in October 2019, as well as the refurbished Putney 'Le Fez' in the Bars division which opened in November 2018. The pier continued to benefit from the redevelopment of the Palm Court Restaurant and Horatio's Bar, boosting conference and events bookings as well as the launch of the new 'Sunset Bar'. These investments have resulted in trading ahead of our expectations during the first half of the year.

We were required by Government to shut all our premises on 20 March when the national lockdown was announced. The devastating impact of the lockdown required management to move quickly, focussing on safely securing and closing down our venues, taking advantage of all Government support packages including the staff furlough scheme, significantly mitigating costs, preserving cash and negotiating extended facilities with our bank until trading could resume. I am grateful to all our staff at every level of the business who agreed to take pay cuts during the closures. We are also grateful to our many suppliers, landlords and our bank, for agreeing to standstill arrangements, reductions in rent and extensions to credit facilities.

The closures have significantly impacted our full-year results with revenue down 29.4% at £22.6 million (2019: £32.0 million), EBITDA after highlighted items at £2.5 million (2019: £4.8 million), EBITDA after highlighted items pre-IFRS 16 at £0.2 million (2019: £4.8 million) and operating loss before highlighted items at £(2.1) million (2019: operating profit of £3.2 million).

I am pleased to be able to report that Brighton Palace Pier, along with six of our eight golf sites and two of our twelve bars, reopened on 4 July, followed by the remaining two golf sites and soft play on the pier, which reopened on 24 August. Extensive measures have been put in place at all our locations to ensure that social distancing complies with the Government's COVID-19 guidelines. Considerable uncertainty remains surrounding the issue of how and when the Group will be able to reopen the ten bar sites that remain closed. Most of the late-night venues, including those that dominate the Group's Bars division, have not been permitted to reopen, other than two exceptions with food-led operations: 'Lowlander' (in central London) and the outside terrace at 'Coalition' (in Brighton).

This uncertainty has led to significant write-downs of £7.2 million in the carrying value of the Bars division and £0.9 million in the carrying value of the Golf division.

Continuing lockdowns and trade restrictions mean our results for the current financial year ending 27 June 2021 will be materially impacted.

Group trading for the period from 4 July to the end of September has been better than the Board expected. Like-for-like sales (excluding closed sites) for the Group as a whole were at 81% compared to the same 13 weeks last year. The pier has traded at 83%, the Golf division at 87% and the Bars at 65% compared to the same 13 weeks last year. This trading was ahead of the Group's expectations at the time of the reopening.

It is profoundly disappointing to me that the government continues its failing strategy of lockdowns. The collateral damage from these restrictions and the fear being promoted by the authorities are having a catastrophic impact on our way of life. The loss of jobs, toll on mental health, harm to education, the national finances and treatment of other illnesses will cause vastly more hardship than the virus itself.

I believe that the government and their scientific advisors at SAGE need to change course and focus on protection of the vulnerable, while allowing the majority of the population - who are at low risk from the virus - to resume their normal lives and work, so the country can fund the NHS. Otherwise we are doomed to a never ending cycle of destructive and pointless lockdowns, mass unemployment, suicides, bankruptcies, evictions and economic, cultural and social ruin.

### **Directorate**

There have been no changes in the Board during this financial period.

### **Dividend**

The Board does not propose to pay any dividend in respect of the 2020 financial year.

**Luke Johnson**

**Chairman**

**2 November 2020**

## Our business model

The Brighton Pier Group PLC (the 'Group') owns and trades Brighton Palace Pier, as well as twelve premium bars nationwide and eight indoor mini golf sites.

The Group operates as three separate divisions under the leadership of Anne Ackord, the Group's Chief Executive Officer.

Brighton Palace Pier offers a wide range of attractions including two arcades (with over 300 machines) and eighteen funfair 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 from the fairground rides, arcades, hospitality facilities and retail catering kiosks. According to Visit Britain, it is the fifth most popular free attraction in the UK, with 4.9 million visitors in 2019, making it the UK's most visited free attraction outside of London.

The bars trade under a variety of concepts including 'Embargo Republica', 'Lola Lo', 'Po Na Na', 'Le Fez', 'Lowlander', 'Smash' and 'Coalition'. The Group's Bars division predominantly targets a customer base of sophisticated students midweek and stylish over-21s and professionals at the weekend. This division focuses on delivering added value to its customers through premium product ranges, high quality music and entertainment, as well as 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.

The Golf division (Paradise Island Adventure Golf) operates eight indoor mini-golf sites at high footfall retail and leisure centres. The business capitalises on the increasing convergence between retail and leisure, offering an accessible and traditional activity for the whole family. The first unit was opened in Glasgow, after which followed Manchester, Sheffield, Livingston, Cheshire Oaks, Derby, Rushden Lakes (opened in March 2019) and Plymouth Drake's Circus (opened in October 2019). Each site offers two unique 18-hole mini-golf courses.

## Chief Executive Officer's report

This business review covers the trading results for the 52 weeks ended 28 June 2020 (2019: 52 weeks ended 30 June 2019), a period which, since Spring 2020, has been defined by the COVID-19 pandemic.

On 20 March 2020, the UK Government instructed all hospitality and leisure venues to close. This resulted in the complete closure of the Group's bars and golf venues, as well as Brighton Palace Pier itself.

These closures materially impacted the Group's results during the second half of the 52-week period ending 28 June 2020. As a result, this commentary consists of two distinct sections:

- the first section provides a detailed commentary of the business performance for the full 52-week period to 28 June 2020, i.e. including the impact of COVID-19. This section provides detail about the financial impact of the mandatory closure during the last three months of this accounting period and the steps that the Group has taken to significantly reduce costs, preserve cash, protect staff and prepare for reopening, and
- the second section provides a detailed commentary of the business performance for the first half year of trading (26 weeks to the 29 December 2019) during which time the Group was able to trade normally.

### Adoption of IFRS 16

On 1 July 2019, the Group adopted the new accounting standard, IFRS 16 Leases.

The new standard replaces IAS 17 Leases and fundamentally alters the classification and measurement of operating leases for lessees, removing the distinction between operating and finance leases.

The Group adopted IFRS 16 on a modified retrospective basis, meaning comparative period information has not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 July 2019.

In order to give a better understanding of the changes resulting from this new standard, Note 28 gives a detailed reconciliation of the changes to the opening consolidated balance sheet.

### Full-year results for the 52 weeks to 28 June 2020 (post the outbreak of COVID-19)

On 20 March 2020, the Government ordered all pubs, restaurants, gyms and other social venues across the country to close their doors. Prior to the closure, news of the progress of the virus, had alarmed many customers impacting levels of trade from February 2020 onwards.

With all divisions closed, the senior management team responded immediately to these unprecedented circumstances with a four-point strategy, to:

- safely secure and close down all our venues during the lockdown;
- take advantage of all available Government support packages including the staff furlough scheme;
- significantly mitigate costs and preserve cash until the resumption of trading, and
- negotiate extended facilities with our bank.

All full and part-time staff working in the businesses (and in respect of whom a payroll submission had been made to HMRC on or before 19 March 2020) were retained. By 1 April 2020, of the 500 staff employed across the Group, 485 were furloughed using the Government's 'Coronavirus Job Retention Scheme'; and 15 remained active. Those who remained active included essential maintenance and security teams on the pier, together with senior management across the Group's three divisions.

## STRATEGIC REPORT

In addition, all management and staff agreed to take pay cuts for the duration of the closures. These measures significantly reduced the net cash cost of the Group's payroll during the closure period, whilst enabling the Group to protect its workforce.

### *Other mitigations included:*

- utilising the Government's 12-month business rates holiday scheme across the Group's venues;
- deferral of the March 2020 quarterly VAT payment to March 2021 using the Government's VAT deferral scheme;
- support from landlords to reduce the cash impact of rent costs over the next two to three years;
- support from suppliers with whom standstill arrangements were agreed, reducing controllable costs during the closure period to minimal amounts;
- reduced capex spending to only essential capital repairs, and
- support from creditors, who extended credit terms for amounts outstanding at the date the Group's venues closed.

The Group has also lodged claims with its insurers for business interruption losses arising from mandatory closure of the Group's venues. The Financial Conduct Authority (FCA), who regulate the insurance industry, recently took a test case by selecting a range of standard policies from across the insurance industry and testing them in the High Court. The judgment has concluded that generally, the Marsh Resilience policy, which was maintained by the Group for the Bars and Golf divisions at the time that closures commenced, is capable of responding to COVID-19 business interruption claims. The insurers who underwrote the Marsh Resilience policy are now considering whether to appeal this judgment. As a result currently the amount of any claim remains uncertain.

The Group obtained two new Coronavirus Business Interruption Loans (CBILS) of £5 million in aggregate, from its principal bank, Barclays. All the interest for the first year and set-up fees on both loans are met by the Government. These facilities are made up of:

- CBILS 1 - £1.8 million term loan, no repayments in the first year, quarterly repayments thereafter of £450,000 with the facility ending in June 2022;
- CBILS 2 - £3.2 million term loan, no repayments in the first year, quarterly repayments thereafter of £457,000 with the facility ending in March 2023.

The Group has also revised its other facilities as follows:

- existing term loan's bi-annual repayments of £742,500, due in July and October 2020 have been cancelled and subsequent bi-annual payments thereafter reduced to £242,500, to the expiry of the loan in December 2022;
- existing Revolving Credit Facility (RCF) of £1,750,000 extended to July 2022, thereafter, falling to £1,000,000 to December 2022;
- current covenant testing suspended to December 2021, and
- introduction of a minimum liquidity test of £1,750,000 – this test looks at cash-in-hand, plus any undrawn facility available on the RCF.

The impact of the closures has been significant, with the Group reporting a loss before tax and highlighted items for the 52-week period of £(2.1) million (2019: profit of £3.2 million).

**Total Group revenue** for the 52-week period was £22.6 million (2019: £32.0 million), down £9.4 million. This equated to 25% down on the prior period reflecting the loss of three months' trading due to the mandatory closure of the entire business, including Easter and the early summer, which are usually such important trading periods for the Pier.

Revenue by division for the 52 weeks was;

• Pier division revenue	£9.5 million	(2019: £14.7 million)
• Bars division revenue	£8.9 million	(2019: £12.8 million)
• Golf division revenue	£4.3 million	(2019: £4.5 million)

**Highlighted costs** were £8.1 million (2019: £0.6 million). These costs mostly result from non-cash impairments of goodwill, property, plant and equipment and right-of-use assets relating to eight sites in the Bars division and one site in the Golf division. This is analysed in more detail in Note 12. It should be noted that £7.2 million of this impairment relates to the Bars division, reflecting the considerable uncertainty over the future of the late night bars business, given that at the period end most of the Bars division remained closed with no prospective date for reopening issued by the UK Government.

Despite the set-back from the closures, the Group has continued to be cash generative, with earnings before interest, tax, depreciation and amortisation ("EBITDA") after highlighted items at £2.5 million (2019: £4.8 million) (see Note 3 for the split by division).

**Gross margin** for the 52-week period was up 88 basis points at 85.3% versus 84.4% in the prior period.

**Operating expenses** excluding highlighted items fell by £3.0 million, which reflects savings made during the three month mandatory closure period despite the addition of two new golf sites in the 52-week period. The adoption of IFRS 16 resulted in expenses for the period ended 28 June 2020 reducing as result of rent payments being split between right-of-use asset depreciation (included in operating expenses) and finance costs (excluded from operating expenses).

• Operating expenses (excluding highlighted items)	£20.3 million	(2019: £23.3 million)
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## STRATEGIC REPORT

**Finance costs** of £1.1 million were incurred in the 52-week period, made up of:

- |                          |              |                      |
|--------------------------|--------------|----------------------|
| • Interest on borrowings | £0.4 million | (2019: £0.5 million) |
| • Interest on leases     | £0.7 million | (2019: £nil)         |

The interest on leases relates predominantly to property leases in the Bars and Golf divisions. This charge arises from the first-time adoption in this period of IFRS 16 (see Note 28 for further details).

**Operating profit** before highlighted items was down £4.7 million versus the prior period and this reflects the impact of the mandatory closures for a quarter of the 52-week period.

- |   |                |                      |
|---|----------------|----------------------|
| • Operating (loss)/profit excluding highlighted items | £(1.0) million | (2019: £3.7 million) |
|---|----------------|----------------------|

**Loss before tax** and after highlighted items was £10.2 million (2019: profit of £2.7 million). This was primarily driven by the £8.1 million of impairments booked in relation to goodwill, property, plant and equipment and right-of-use assets. The remaining losses arose from the mandatory closures during the period.

**The tax credit** for the current period was £0.7 million (2019: tax charge £0.4 million). See Note 7 for further details.

In summary, for the 52-week period ended 28 June 2020 (compared to the equivalent 52-week period ended 30 June 2019):

- |   |                 |                       |
|---|-----------------|-----------------------|
| • Revenue for the period                                    | £22.6 million   | (2019: £32.0 million) |
| • Group EBITDA before highlighted items                     | £2.5 million    | (2019: £5.3 million)  |
| • Group EBITDA after highlighted items                      | £2.5 million    | (2019: £4.8 million)  |
| • (Loss)/profit before tax and highlighted items            | £(2.1) million  | (2019: £3.2 million)  |
| • (Loss)/profit before tax and after highlighted items      | £(10.2) million | (2019: £2.7 million)  |
| • Adjusted (loss)/earnings per share (basic) (see Note 8)   | (5.3) pence     | (2019: 7.3 pence)     |
| • Adjusted (loss)/earnings per share (diluted) (see Note 8) | (5.3) pence     | (2019: 7.3 pence)     |
| • (Loss)/profit after tax and highlighted items             | £(9.5) million  | (2019: £2.2 million)  |
| • Basic (loss)/earnings per share                           | (25.5) pence    | (2019: 6.1 pence)     |
| • Diluted (loss)/earnings per share                         | (25.5) pence    | (2019: 6.1 pence)     |

Note that the comparative period figures do not include the impact of the adoption of IFRS 16.

### Half-year results – 26 weeks to 29 December 2019 – pre the outbreak of COVID-19

The Group's interim results were published on 17 March 2020. During the 26 weeks to 29 December 2019, Group sales rose by 4.8% at £17.3 million (when compared to the 26-week period ended 30 December 2018). Improved profitability saw profit before tax and highlighted items up 12% at £2.0 million (2018: £1.7 million). Profit before tax and after highlighted items was up 28% at £1.8 million (2018: £1.4 million).

**Total Group revenue** for the half year was up £0.8 million at £17.3 million (2018: £16.5 million), benefitting from the impact of two new site openings in Paradise Island Adventure Golf during the period, the continuing growth in function business and the new 'Sunset Cocktail Bar' on the pier, along with above forecasted performance of the newly refurbished 'Putney le Fez'.

**Group gross margin** for the 26-week period to 29 December 2019 increased by 85 basis points in comparison with the 2018 period, reflecting the high-margin nature of the growing Golf division, together with a continued focus on pricing in order to mitigate pressure from rising input costs across the rest of the Group. The Bars division's gross margin increased by 73 basis points versus the same 26-week period last year.

**Highlighted costs** totalling £0.1 million (2018: £0.3 million) were incurred during the 26-week period, relating to site pre-opening costs for the redevelopment of 'Po Na Na' in Bath and the opening of the new adventure golf site in Plymouth.

## STRATEGIC REPORT

### Principal developments during the first half – pre the outbreak of COVID-19

Reported Group EBITDA for the 26-week period after highlighted items and post IFRS 16, was up 55% at £4.1 million (2018: £2.6 million); on a comparable basis (pre-IFRS 16) with the prior 26-week period, Group EBITDA after highlighted items was up 9.6% at £2.9 million (2018: £2.6 million).

- **Golf division** – Golf EBITDA for the 26 weeks was up £0.78 million versus the prior period at £1.45 million (2018: £0.67 million).

*IFRS 16* – £0.5 million of this increase reflects the impact of the accounting treatment of rent under IFRS 16. On a pre-IFRS 16 basis, the Golf division was up £0.3 million on the prior period.

*New sites* – Rushden Lakes and Plymouth Drake's Circus are both trading ahead of expectations. The division continues to look for new locations. At present no further sites have been acquired.

- **Pier division** – EBITDA for the 26 weeks in the combined Palm Court Restaurant and Horatio's Bar was up 18%, with the hospitality team continuing to make excellent progress in the conference and events business, demonstrating revenue growth during the period of £82k versus the prior period.

The pier overall benefited from completion of the railway upgrades on the London mainline route to Brighton, as well as good weather during the August bank holiday weekend, both of which contributed to the pier achieving a record week and meeting expectations for the summer.

The rest of the pier was down £0.1 million versus the prior 26-week period. This reflects the impact of exceptional winter weather forcing closure of many rides due to high winds from the end of the summer onwards. However, increased revenue from the arcades offset much of the impact of these closures, resulting in the Pier division EBITDA as a whole being in line with the prior 26-week period at £1.8 million (2018: £1.8 million).

- **Bars division** – Bars EBITDA for the 26 weeks was up £0.6 million at £1.3 million versus the prior 26-week period (2018: £0.7 million).

*IFRS 16* – £0.7 million of this increase reflects the impact of the accounting treatment of rent under IFRS 16. On a pre-IFRS 16 basis, the Bars division was down £0.1 million on the prior period, which reflects the ongoing challenges in this sector of the market.

Results for the half-year show that the Group continued to be cash-generative, with EBITDA before highlighted items of £4.2 million (2018: £2.9 million) and EBITDA after highlighted items of £4.1 million (2018: £2.6 million).

Group operating profit before highlighted items was £2.5 million (2018: £2.0 million) and Group operating profit for the period after highlighted items was £2.4 million (2018: £1.7 million).

### Cash flow for the 26 weeks to 29 December 2019 – pre the outbreak of COVID-19

Net cash flow generated from operations and available for investment (after interest and tax payments) at the end of the half year was £3.8 million (2018: £1.0 million).

## Financial review

The adoption of IFRS 16 on 1 July 2019 has had a significant impact on the current period financials. The effect of this new accounting standard on the opening balance sheet is described in detail in Note 28. Its impact on Group EBITDA before and after highlighted items is outlined in Note 26. Comparative period financial information has not been restated.

### Cash flow and balance sheet for the 52 weeks to 28 June 2020

Cash flow generated from operations (after interest and tax payments) available for investment was £0.6 million (2019: £3.2 million).

#### Deferred consideration

In July 2019, £0.4 million of deferred consideration was paid to the previous shareholders of Lethington Leisure Limited for the acquisition of Paradise Island Adventure Golf (2019: £0.6 million).

#### Fixed assets

The Group invested £1.6 million in capital expenditure during the period (2019: £2.5 million). A significant proportion of this related to the new golf site at Plymouth Drake's Circus. The remaining spend relates to maintenance and minor capital projects across all the divisions.

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Shareholders will be aware that each year we undertake an annual substructure survey on the pier. We can report that no additional maintenance issues were identified other than the usual budgeted maintenance requirements for the coming financial year.

### **Bank debt and cash**

At the period end the Group had total bank debt of £16.8 million (2019: £14.8 million) made up of:

- an outstanding principal term facility of £11.8 million (2019: £13.3 million), with no repayments due within the next twelve months to July 2021 (2019: £1.5 million). Debt repayments will be resumed in July 2021 at a reduced rate with bi-annual payments of £0.2 million;
- a new CBILS 1 facility of £1.8 million (2019: £nil) with no repayments due within the next twelve months. Debt repayments will be resumed in September 2021 at a quarterly rate of £0.45 million;
- a new CBILS 2 facility of £3.2 million (2019: £nil) with no repayments due within the next twelve months. Debt repayments will be resumed in September 2021 at a quarterly rate of £0.46 million;
- an undrawn RCF facility of £1.75 million (2019: £1.75 million facility with £1.5 million drawn), and
- cash balances of £2.6 million (2019: £2.7 million).

During the 52-week period, the Group made net drawdowns of £2.0 million (2019: net repayments of £2.0 million), made up of:

- £1.5 million of net repayments to the RCF (2019: £0.5 million);
- £1.5 million of repayments to the principle term facility (2019: £1.5 million), and
- new funding of £5 million from the CBILS 1 and 2 facilities.

### **Key performance indicators ('KPI's)**

The loss of revenue for just over three months in the second half of the period has had a major impact on the Group's performance against its KPIs. This would normally be a key trading period, spanning both the Easter break in April and two May Bank Holiday weekends.

The Group's KPIs remain focused on the continued growth of the Group's three divisions to drive revenues, EBITDA and earnings growth. Despite the prolonged closures, the business remained cash generative.

- Revenue was £22.6 million (2019: £32.0 million)
- EBITDA before highlighted items was £2.5 million (2019: £5.3 million)
- EBITDA after highlighted items was £2.5 million (2019: £4.8 million)
- Group operating loss before highlighted items was £(1.0) million (2019: profit of £3.7 million)
- Group operating loss after highlighted items was £(9.2) million (2019: profit of £3.2 million)

The current year EBITDA figures above are inflated by the adoption of IFRS 16, as prior year comparatives have not been restated. Excluding the impact of IFRS 16, EBITDA after highlighted items was £0.2 million.

Trading for the first half of the period shows the Group up on these KPIs.

- EBITDA before highlighted items at the end of the half year was at £4.2 million (2018: £2.9 million) and EBITDA after highlighted items was £4.1 million (2018: £2.6 million).
- Group operating profit before highlighted items at the end of the half year was £2.5 million (2018: £2.0 million) and Group operating profit for the period after highlighted items was £2.4 million (2018: £1.7 million).

The Group has also benefited from EBITDA generated from the new golf site openings at Rushden Lakes in March 2019 and Plymouth Drake's Circus in October 2019, as well as the refurbished Putney 'Le Fez' in the Bars division which opened in November 2018. The pier continues to benefit from the redevelopment of the Palm Court Restaurant and Horatio's Bar boosting conference and events bookings. All of these developments prior to the closures have exceeded our expectations.

### **Strategy of the combined Group, current trading and outlook for the coming period**

#### *Short to medium-term, strategy and outlook*

In the short to medium term, our key aim has been to reopen our businesses as soon as we were able and to focus on returning them to the trading levels pre-closure.

The Group has made progress across its divisions as follows:

#### *Pier division*

The pier (with the sole exception of the soft play area) reopened for trade on 4 July 2020, albeit at a reduced capacity to allow for social distancing. The pier's large outside spaces make it possible to allow social distancing and provide plenty of space for tables serviced from the restaurant and bars. The enhanced COVID-19 security measures ensure the safety of the team members and customers.

#### *Golf division*

The Golf sites in England also reopened for trade on 4 July 2020 (the Scottish sites reopened on 24 August 2020), albeit at a slightly reduced capacity to allow for social distancing. Adventure golf is by its nature a one-way process with small

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family groups playing together. We have introduced an online booking system (with fixed time slots to avoid queues), a track and trace system, and have released the last hole to give more space for players to arrive and disperse safely.

### *Bars division*

On 4 July 2020, 'Coalition' in Brighton also reopened its rebranded 'La Plage' outside beach terrace to the public.

At the same time, 'Lowlander' in Covent Garden reopened with a significantly reduced capacity to allow for social distancing.

With the Government's original Coronavirus Job Retention Scheme closing at the end of October 2020, and with the majority of the late night bars still closed, the Group was forced to come to the difficult decision that the Bars division could no longer continue to keep large numbers of staff without prospect of future work and support from the furlough grant. On 14 August 2020 therefore, the Company started a process to serve notice on all non-essential staff, with most of these redundancies completed by the end of September 2020.

We are continuing to negotiate with our Landlords for rent concessions. For those marginal bars sites or those on short leases of less than 12 months we are negotiating disposal. For all other sites, 75% of our remaining landlords have so far agreed in principle to some form of support during the extended closure period such as rent reductions and/or some form of turnover percentage rent when the sites return to full trading.

### *Financial impact*

Whilst it is difficult to predict the amount of time it will take to get back to pre-COVID-19 levels, the Directors are encouraged by trading for open sites for the first 13 weeks to the end of September 2020.

Like-for-like sales (excluding closed sites) for the Group as a whole were at 81% compared to the same 13 weeks last year. The Pier division has traded at 83%, the Golf division at 87% and the Bars division at 65% compared to the same 13 weeks last year. This trading was ahead of the Group's expectations at the time of the reopening.

### *Longer term: new acquisitions and developments*

The longer-term strategy of the enlarged Group continues to be 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 (many of which have been significantly impacted by the pandemic) 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.

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

The Government announced its decision to restrict the terminal hours and the sale of alcohol in all hospitality settings from 10.00p.m. on 25 September 2020. This decision will not have a significant impact for the Pier or the Golf divisions however it has for the time being resulted in the halt of our trial at Embargo and Putney 'Le Fez', as well as forcing earlier closures of 'Lowlander' in Covent Garden. We plan to restart this trial as soon as these restrictions are lifted.

With the Government's original Coronavirus Job Retention Scheme closing at the end of October 2020, and with the majority of the late night bars still closed, the Group was forced to come to the difficult decision that the Bars division could no longer continue to keep large numbers of staff without the prospect of future work and support from the furlough grant. On the 14 August 2020 therefore, the Group started a process to serve notice on all non-essential staff, with most of these redundancies completed by the end of September 2020.

The announcement from the Prime Minister on 31 October indicating a return to a four week lockdown was not unexpected. Whilst disappointing, with only 'Lowlander' now trading in the Bars division and the Pier in its traditionally quiet period as we head into the winter months, the impact in all three divisions will be mitigated to a large degree by the extension of the furlough scheme to the end of November. This limited closure period was part of our considerations at the time we performed our stress testing of the business and does not in any way change the conclusions we reached.

## Principal risks and uncertainties

Key risks	Risk description	Mitigating actions and achievements during the year
<p><b>Business and resulting financial risk:</b></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>Whilst revenue and earnings during the second half of the reporting period have been significantly impacted by mandatory closures due to COVID-19, the Group is encouraged by the strength of its acquisitions which has diversified its risk from that of just being a bars business when it listed in 2013. During this period the Group has:</p> <ul style="list-style-type: none"> <li>completed its second full year of trading in the Golf division. This division continues to deliver increases in revenues and earnings. Two new sites are now trading – the first at Rushden Lakes (opened in March 2019) and the second at Plymouth Drake's Circus (opened in October 2019) both of which were trading ahead of expectations prior to the mandatory closures;</li> <li>improved facilities in the Palm Court Restaurant and Horatio's Bar, which as well as providing a major upgrade to the pier's hospitality business, are also now delivering significant growth in conference and events bookings for the pier, and</li> <li>refitted Putney 'Le Fez' (opened November 2018), which has now completed its first 12 months and was trading ahead of expectations before the closures.</li> </ul>
<p><b>Business and resulting financial risk:</b></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 period we have continued to focus on:</p> <ul style="list-style-type: none"> <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. The recent refit at Putney 'Le Fez' won a "Best in Putney Customer Service award for 2019";</li> <li>improving the variety and quality of products we sell;</li> <li>continuing to extend the Group's engagement via digital platforms and social media channels, and</li> <li>the implementation of Reputation.com across all our divisions. This enables each of our businesses to; <ul style="list-style-type: none"> <li>rank higher accurately in local searches, maps and directories;</li> <li>monitor all of our social media in order to help us to understand our customers and how they rate us – and when things go wrong ensures we can easily communicate and put things right;</li> <li>improve our star rating across all the top sites;</li> <li>build and analyse social engagement in our online communities, and</li> <li>gain actionable insights and competitive analysis with meaningful scores to monitor and measure progress.</li> </ul> </li> </ul>
<p><b>Business and resulting financial risk:</b></p> <p><i>Failure to recruit the best management for our businesses</i></p> <p><i>Impact on the Group of wage inflation arising from statutory increase in minimum wage pension auto-enrolment and rates</i></p>	<p>The market for the best people is fiercely competitive.</p> <p>Rising costs from statutory increases in pension, wages and rates are hard to mitigate.</p>	<p>The Group continues to focus on its training programmes across all of its businesses, covering management development, stock administration, marketing and health &amp; safety training, as well as the 'Pier Proud' and other programmes. These are all examples of training being essential to the Group's campaign to attract and retain new staff. The Group offers competitive remuneration, which also includes profit sharing and share option schemes for staff.</p> <p>The Group works to mitigate increased statutory employment costs by efficient management of rotas and staffing levels across all areas of the business.</p>

# STRATEGIC REPORT

Key risks	Risk description	Mitigating actions and achievements during the year
<p><b>Regulatory risk:</b></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 those in relation to employment, minimum wages, premises and personal licenses, maintenance of the pleasure rides, gambling licenses, alcoholic drinks control, entertainment licences, competition, health &amp; safety, sanitation and data protection.</p>	<p>The focus over the year has been on regular and ad-hoc visits across all of our businesses, as follows:</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 &amp; safety checks from outside agencies to ensure each venue we trade complies with current regulations, and</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 marketplace.</p>
<p><b>IT risk:</b></p> <p><i>The threat of cyber attack</i></p> <p><i>Loss of system and website availability</i></p>	<p>The threat of cyber attack is ever present in the UK. Such an event could have a significant impact on the Group's systems and websites.</p>	<p>The Group has extensive preventative measures and controls in place to reduce this risk. These include:</p> <ul style="list-style-type: none"> <li>a robust disaster recovery plan with servers located in third party offsite data centres;</li> <li>regular back-up routines for the security of all our data, which is hosted by third party hosting specialists;</li> <li>fully out-sourced IT management, and</li> <li>extensive planned improvements as a continuing activity to ensure all of the Group's hardware and operating systems are up to date.</li> </ul>
<p><b>Brexit risk:</b></p> <p><i>Following the UK's exit from the European Union on 31 January 2020</i></p>	<p>The terms of an as yet unspecified trade deal between the UK and the European Union may impact our business.</p>	<p>Ongoing trade negotiations continue to make planning for this risk difficult. We will continue to monitor developments, in particular in relation to staff and supply chain. However, 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.</p>
<p><b>Specific risks relating to the operations of Brighton Marine Palace &amp; Pier Company:</b></p> <p><i>The Group's financial performance is dependent on a number of very specific risks relating to the pier</i></p>	<p>The risk of:</p> <ul style="list-style-type: none"> <li>catastrophic events, and</li> <li>structural integrity of the pier.</li> </ul>	<p>The Group spends significant amounts of money each year to ensure that the structural integrity of the pier is maintained to a high standard. A full survey of the substructure is performed annually and every five to six years there is a further survey using divers to inspect the areas below the water line.</p> <p>The last dive survey was completed in 2016 and this will take place every five to six years. The annual survey of the pier substructure for the current year has been completed and no significant issues have emerged to indicate anything other than normal levels of annual maintenance being required.</p> <p>In addition, recent years have seen significant investment in one-off projects to protect the pier from catastrophic events, such as fire. Over £4.0 million had been spent prior to the Group's acquisition of the pier on upgrading 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>

STRATEGIC REPORT

Key risks	Risk description	Mitigating actions and achievements during the year
<p><i>Specific risk related to business disruption caused by pandemics</i></p>	<p>Business disruptions may occur where the Group is unable to open to the public or to trade at full capacity because of pandemics such as COVID-19.</p> <p>This could come in the form of reduced customer demand, disruption caused by closures and the wider impact to the economy as a whole from the pandemic.</p> <p>There is a risk that the extended closure or significant reduction in trade could result in the Group no longer being able to trade as a going concern.</p>	<p>The Directors have carried out a detailed assessment of the potential risks and further ways in which outbreaks such as COVID-19 could impact the business.</p> <p>These risk assessments have guided the Group to introduce new operating plans which include social distancing measures, additional cleaning procedures, revised operating procedures, staff training at all levels and the provision of easy to understand public information to minimise risk to customers and staff alike.</p> <p>The Golf and Pier divisions reopened on 4 July 2020, just in time to benefit from the second half of the summer and the school holidays.</p> <p>The Group has carried out an exercise to model the specific impact of the revised operation plan on the business and has forecast different trading situations including a scenario in which trade returns slowly and fixed costs remain broadly in line with pre-COVID-19 budgeted levels. In such a scenario, the Group remains cash generative with no further bank funding or other support being required.</p> <p>The Group continues to maintain a 'Non Damage Business Interruption' insurance policy which is written for the Golf and Bars divisions by our insurance brokers, Marsh. The Financial Conduct Authority (FCA), who regulate the insurance industry, recently took a test case by selecting a range of standard policies from across the insurance industry and testing them in the High Court. The judgment has concluded that generally, the Marsh Resilience policy is capable of responding to COVID-19 business interruption claims. The insurers who underwrote the Marsh Resilience policy are now considering whether to appeal this judgment. Our current policies, which were renewed in April, now specifically exclude COVID-19 claims.</p> <p>The Directors are confident that the impact on the Group of the COVID-19 pandemic can be mitigated to ensure its ability to continue to trade as a going concern.</p>

## Section 172 statement

Under Section 172(1) of the Companies Act 2006, a Director of a Company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequence of any decision in the long-term
- b) the interests of the Company's employees
- c) the need to foster the Company's business relationships with suppliers, customers and others
- d) the impact of the Company's operations on the community and the environment
- e) the desirability of the Company maintaining a reputation for high standards of business conduct
- f) the need to act fairly between members of the Company.

### Key Stakeholders

The Board considers its key stakeholders to be its employees, its customers, its suppliers, the community and environment in which it operates and its shareholders.

Stakeholder Group	Why we engage	Decisions we make with stakeholders in mind
<b>Employees</b>	<p>The Group's long-term future and success depends on the commitment of our people to the purpose and vision of the company.</p> <p>The Group is committed to engaging with our staff at every level of the business, to ensure that we are nurturing an environment within which each employee can grow, succeed, and prosper.</p> <p>Our workforce is our advantage through which we can meet the growing demands of the competitive sector within which we trade.</p> <p>We believe it is of critical importance to have an inclusive employment policy that does not discriminate. Diversity reflects the customers we work with every day.</p>	<p>In January 2020 we took the decision to bring together managers from all three divisions in Brighton for the first time. The purpose of the conference was to allow the teams from the three divisions to collaborate together to contribute to the strategic vision of the Group, review the culture of the business and to create an action orientated business plan for each division for the coming year.</p> <p>By sharing this important process with all of our managers we have all contributed to confirming the strategic vision and the action plans needed to make it a success.</p> <p><i>The aim of our diverse businesses is to entertain our customers.</i></p> <p><i>Our vision is to work together to build a thriving, growing business where our customers leave with wonderful memories that last a lifetime.</i></p> <p><i>Supported by our values of passion, integrity, knowledge, and inclusivity.</i></p> <p>Our plan for FY2021 is to introduce a new staff survey to measure how we engage with our staff, in particular to discover what we do well and what we need to improve upon.</p> <p>In March 2020, as a result of the UK-wide lockdown, the Directors decided to place all non-essential staff on furlough. This decision was made in order to protect our staff and their livelihoods during the shutdown.</p> <p>Subsequent to this, with the Government's original Coronavirus Job Retention Scheme closing at the end of October 2020, and with the majority of the late night bars still closed, the Directors were forced to come to the difficult decision that the Bars division could no longer continue to keep large numbers of staff without the prospect of future work and support from the furlough grant. On the 14 August 2020 therefore, the Group started a process to serve notice on all non-essential staff, with most of these redundancies completed by the end of September 2020.</p>

# STRATEGIC REPORT

Stakeholder Group	Why we engage	Decisions we make with stakeholders in mind
<b>Customers</b>	<p>The Group's engagement with its customers is fundamental to our success.</p> <p>We want every customer to leave with wonderful memories that last a lifetime.</p> <p>Satisfied customers are our best promoters for our businesses.</p>	<p>Measuring our customers satisfaction is an essential metric of how well we run our business.</p> <p>This year we decided to introduce <a href="http://www.reputation.com">www.reputation.com</a> across all our divisions. This enables each individual venue to measure its interactions with our customers in the following ways:</p> <ul style="list-style-type: none"> <li>enabling us to communicate better by ensuring we rank higher and accurately in all local searches, maps and directories;</li> <li>monitoring all of our social media in order to help us understand our customers and how they rate us – and ensure that if things go wrong, we can easily communicate and put things right;</li> <li>improving our star rating across all the top sites;</li> <li>building and analysing social engagement in our online communities, and</li> <li>gaining actionable insight and competitive analysis with meaningful scores to monitor and measure progress.</li> </ul> <p>We also decided to launch the resident discount card to encourage the residents of Brighton to regularly visit the pier.</p>
<b>Suppliers</b>	<p>The Groups depends on its suppliers to deliver the right products, at the right price and the best quality.</p> <p>We also depend on a variety of highly skilled outsourced services such as insurance, marketing, legal, property, investment and other advisory services.</p> <p>We believe in long term trading relationships and are proud to have built up strong collaborations over many years with large numbers of our suppliers.</p> <p>We also believe where possible its good to source locally.</p>	<p>All key strategic supplier relationships are regularly reviewed and approved at Board level.</p> <p>The decision for appointing a new head of marketing and procurement last year was to ensure we are able to communicate with all of our supplier base on a regular basis. This appointment also ensures we can analyse, choose, and market products that meet the ever-changing aspirations of our customers.</p> <p>The decision to use locally sourced beers and seafood suppliers to the pier in Brighton helps to support the community in which we are situated.</p> <p>During the mandatory COVID-19 closures the supplier relationships were severely tested and we are extremely grateful to all our suppliers who supported us in so many different ways. This support confirms why long-term supplier engagement is so essential.</p>
<b>Our communities and the environment within which we operate</b>	<p>The Brighton Palace Pier is an iconic structure that represents the heart and soul of Brighton attracting millions of visitors each year to the city.</p> <p>Our late night venues are located in communities across the United Kingdom. The impact of operating late at night requires careful consideration to the communities in which we operate.</p> <p>Our Golf venues are located in shopping centres throughout the UK.</p> <p>All our venues need to comply with local and national regulation such as licensing, planning, health and safety and environmental laws.</p>	<p>The decision to replace the iconic 'Brighton Pier' signage and return the pier back to its original name 'Brighton Palace Pier', was very important for the people of Brighton. We also took the opportunity to sponsor a local competition to design the new signage as a way to engage with the wider Brighton community.</p> <p>This year saw the introduction of the Group's sustainability action plan. Starting with the pier we aim to put sustainability as a crucial consideration where possible in all the things we do. To this end we;</p> <ul style="list-style-type: none"> <li>transferred all of our energy supply on the pier to renewable energy;</li> <li>removed all non-recyclable packaging materials and straws from the takeaways;</li> <li>introduced a new vegan menu to support growing demand from customers to move away from meat production, and</li> <li>continued to source local sustainable fish supplies.</li> </ul> <p>Our intention over the coming year will be to extend this focus on sustainability to our Golf and Bars divisions.</p> <p>Key decisions in relation to compliance with local health and safety, licensing, planning and similar regulations are reported directly to the Board at every meeting.</p>

## STRATEGIC REPORT

Stakeholder Group	Why we engage	Decisions we make with stakeholders in mind
<b>Shareholders</b>	<p>Our engagement with our shareholders sets out to obtain investor buy-in to our strategic objectives and to explain the work we do to further them.</p> <p>Our listing on AIM provides the Group with access to capital which is of vital importance to the longer term objectives and success of the Group.</p> <p>Creating shareholder value by generating strong and sustainable earnings ensures we have investors that are interested in longer term investment in the Group.</p>	<p>The Board communicates with shareholders through its Annual Report and Accounts, full and half-yearly announcements, the AGM and one-to-one meetings with existing and potential new shareholders. Feed back from these meetings is communicated back to the full Board.</p> <p>Furthermore, a large range of corporate information, including all Regulatory News Service announcements and presentations, are available to shareholders, investors and the public on the Brighton Pier Group's investor website at: <a href="http://www.brightonpiergroup.com">www.brightonpiergroup.com</a></p> <p>In light of the COVID-19 pandemic, the Directors have decided to conduct a closed AGM in December 2020 due to the practical problems of conducting an in-person meeting. It is our aim for the coming year to return to in-person meetings, COVID-19 permitting.</p>

By order of the Board



J.A. Smith, Company Secretary and Director

2 November 2020

# GOVERNANCE

## The Board

The Group is controlled by the Board of Directors and constitutes the Chairman, two Executive Directors and two Non-Executive Directors. The Board is chaired by Chairman Luke Johnson who is responsible for the running of the Board and liaison with the Company's shareholders; the Chief Executive Anne Ackord has executive responsibility for running the Group's business and implementing its strategy.

The Board meets at least ten times a year and has a formal schedule of matters reserved to it; these include the strategy and direction of the Group, approval of annual and interim reporting, dividend policy and Board structure. The Board also sets the annual budgets for each of the three divisions and monitors the performance against those budgets, alongside approving capital expenditure. It also monitors the Groups exposure to the key business risks set out in detail in the annual published accounts.

### **Luke Johnson – Non- Executive Chairman**

Luke joined The Brighton Pier Group PLC in June 2015 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.

Luke joined the Board as Chairman in June 2015; he is also Chairman of the Remuneration and Nominations Committee.

### **Anne Ackord – Chief Executive Officer**

Anne was General Manager of The Brighton Marine Palace & Pier Company for over twelve years. Prior to this, she was Operations Director for Boume Leisure Limited, a group of holiday parks, where she was responsible for all park entertainment and retail shops across a 57-site estate, with direct responsibility for the six largest sites. Anne was previously the first female Area Director at Welcome Break, a position she held for over four years, managing large motorway service areas, and coordinating national training initiatives during periods of the company's expansion. She was appointed to the Board of The Brighton Pier Group PLC in April 2016.

Anne was appointed to the Board as Chief Executive Officer of the Group in April 2017.

### **John Smith – Chief Financial Officer**

Since qualifying as a Chartered Accountant (ACA) with Touche Ross & Co in 1985, John has held a variety of senior finance roles. From 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 the 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 of The Nightclub Company, which was created through the purchase of 22 nightclubs from the receiver of First Leisure. John became Finance Director of Eclectic Bars Limited in June 2006.

John became Chief Financial Officer when the Group listed in November 2013.

### **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 Midland Bank in 1991. He was at HSBC until 2002, latterly leading the leisure team, before leaving to set up the 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 has worked as a consultant to a variety of UK leisure businesses.

Jim has been a member of the Board since the Group's listing in November 2013; he is the Senior Independent Director and member of the Remuneration and Nominations Committee and the Audit Committee.

### **Paul Viner – Non-Executive Director**

Paul is a Chartered Accountant, who has 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 before being appointed CEO 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 Long Sashii, leaving in 2017 after its sale and is currently the global CEO of Xstrahl, a life sciences and medical systems business. Paul's experience as a Non-Executive Director extends to positions in the arts, culture and bingo sectors.

Paul became a member of the Board in July 2015; he is an Independent Director and chairs the Audit Committee.

## Corporate governance statement

### Chairman's introduction to governance

The Directors of the Brighton Pier Group PLC are strongly committed to upholding the values of good corporate governance and in our accountability to all of the Brighton Pier Group stakeholders including shareholders, staff, suppliers and customers.

At the time the Group was first admitted to AIM in November 2013, it took the decision to adopt the Quoted Companies Alliance's (QCA) Corporate Governance Code (the "QCA Code"). The AIM Rules for Companies require that all companies admitted to AIM apply a corporate code and set out how the company complies with that code.

"The QCA Code" is a pragmatic and practical corporate governance tool. It continues to adopt a proportionate, principles-based approach, enhancing the users' ability to explain their application of the principles and their corporate governance arrangements. The QCA Code is designed to be the means through which companies can earn and keep the confidence of shareholders and other stakeholders as they develop and mature" (extract from the QCA Governance Code published April 2018).

The Brighton Pier Group PLC continues to apply the QCA's Corporate Governance Code and will report, where appropriate, any departures from its guidance.

The Group can also confirm that it has continued to comply with the QCA code (except for instances of stated departure) throughout the period of COVID-19 shutdowns, adapting working practices where appropriate.

To see how the Brighton Pier Group applies the ten governance principles defined in the QCA Code please refer to the below table.

The Board understands that good corporate governance creates shareholder value by improving performance, whilst reducing or mitigating the risks that a company faces as it seeks to create sustainable growth over the medium to long-term.

**Luke Johnson**

**Chairman**

QCA Principles	How does Brighton Pier Group PLC comply?
1. Establish a strategy and business model which promote long-term value for shareholders	<p>The Brighton Pier Group's strategy is explained within our Strategic Report section on pages 3 to 15 of this report.</p> <p>The Group's strategy in the short to medium term is currently focussed on the continued expansion of its three divisions, namely the Pier, Bars and Golf divisions to drive revenue, EBITDA and earnings growth. This will be complimented by the active pursuit of future strategic acquisitions in the leisure and entertainment sector as they arise.</p> <p>In the short term the UK economy and the Group will need to adapt to the impact of COVID-19. The Board believes that new opportunities will arise for the Group as normality returns</p> <p>In the medium to longer term the Group intends to continue to capitalise on the skills of the three existing divisions, creating a growth company that operates across a diverse portfolio of leisure and entertainment assets in the UK. It is the Board's longer-term strategy to position the Company as a consolidator within this sector.</p> <p>The key challenges to the business and how these are mitigated is detailed on pages 10 to 12 of the Strategic Report.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>The Chairman, CEO and CFO meet both institutional and private shareholders at least twice every year following the publication of the half-year and full-year results.</p> <p>The Board recognises that the AGM is also an important opportunity to meet shareholders. The AGM is led by the Chairman, Luke Johnson, and the Board attends in full so that its members can answer questions as part of the formal proceedings or listen to the views of shareholders informally immediately following the AGM.</p> <p>Matters for consideration at AGMs have historically been passed unopposed at previous AGMs. However, if voting decisions at the AGM were not in line with the Company's expectation, the Board would actively engage with shareholders on these matters.</p>

QCA Principles	How does Brighton Pier Group PLC comply?
	<p>The Group website at: <a href="http://www.brightonpiergroup.com">www.brightonpiergroup.com</a> documents all historical Company reports, notices of AGMs, constitutional documents and share price information, together with all RNS announcements made since the Group was admitted to AIM in November 2013.</p> <p>Shareholder feedback is discussed at Board meetings.</p> <p>Any shareholder who needs to contact the Company can do so via the Company Secretary who is available to deal with any questions. The Company Secretary can also, if necessary and appropriate, put shareholders in touch with other relevant Board members.</p> <p>Please use the following email address to contact the Company Secretary: <a href="mailto:CoySec@BrightonPierGroup.com">CoySec@BrightonPierGroup.com</a></p>
<p>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Brighton Pier Group recognises that long-term success relies upon good relations being fostered with a range of stakeholders both internally and externally. Feedback as to how we perform as a Group is important, and we strive to continue to improve and develop these relationships as the Company grows.</p> <p>The Group recognises the following stakeholders in the Group, namely:</p> <ul style="list-style-type: none"> <li>o employees</li> <li>o customers</li> <li>o suppliers</li> <li>o communities and the environment within which we operate and</li> <li>o shareholders</li> </ul> <p>The Board depends on a variety of reports, systems and controls to manage and further the interests of the Group's stakeholders. These include regular meetings and focus groups with customers and staff, a commitment to training at all levels of the business, licensing, control visits to venues to ensure compliance at local level, meetings and events with the local community, and regular engagement with suppliers.</p> <p>The Group conference in January 2020 provided an invaluable opportunity to get feedback from staff at all levels including general managers from all three divisions, head office and executive directors. The action plan put together during the conference will form an important part of the Group's planning post COVID-19.</p> <p>This year has seen a significant focus on sustainability, in particular on the pier to reduce its environmental impact, including the introduction of biodegradable packaging and a move to 100% renewable energy for all its electricity supply. Our plan is to extend this focus to other parts of the Group in the coming year.</p> <p>Many of the other considerations and actions relating to the Group's stakeholders are detailed in the Section 172 statement on pages 13 to 15 of the Strategic Report.</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The Board and Senior Managers are responsible for reviewing and evaluating the risks in the business.</p> <p>These risks were published in the Admission document dated 20 November 2013 (pages 22 to 29) and again in the Admission document dated 8 April 2016 (pages 30 to 38). These risks are regularly reviewed by the Board of Directors and considered at Board meetings, whilst also being considered part of the remit of the Audit Committee.</p> <p>Executive Directors have at least one meeting per month with their teams, with the objective of reviewing ongoing trading performance, discussing budgets, forecasts and considering any new risks associated with ongoing trading.</p>

QCA Principles	How does Brighton Pier Group PLC comply?
	<p>The other key identified risks to the business and how these are mitigated are detailed on pages 10 to 12 of the Strategic Report.</p>
<p>5. Maintain the Board as a well-functioning, balanced team led by the Chair</p>	<p>The Group is controlled by the Board of Directors.</p> <p>Luke Johnson, Non- Executive Chairman, is responsible for the running of the Board.</p> <p>Anne Ackord, the Group's Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy.</p> <p>Luke Johnson has a beneficial interest in 27% of the issued share capital of the Group, and therefore is not considered to be independent. The Board believes that his role as Chairman is in the interests of the Group, its shareholders and other stakeholders.</p> <p>The Chairman is responsible for ensuring that Directors receive accurate, sufficient and timely information. The Company Secretary compiles the Board and Committee papers which are then circulated to the Directors in a timely manner ahead of meetings. The Company Secretary provides minutes of each meeting and each Director is aware of their right to have any concerns minuted.</p> <p>The Board comprises of the Chairman, two Executive Directors and two Non-Executive Directors.</p> <p>Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings.</p> <p>The Board met twelve times during the year. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. During the year there has been 100% attendance by serving Directors at all Board and Committee meetings.</p> <p>In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman, so that their contribution can be taken into consideration by the Board.</p> <p>The Board is supported by the Audit, Remuneration and Nomination Committees.</p> <p><b>The Audit Committee</b> terms of reference are detailed below in the section dealing with Principle 9.</p> <p>Paul Viner is Chairman of the Audit Committee and its other member is Jim Fallon.</p> <ul style="list-style-type: none"> <li>o Paul is a Chartered Accountant with experience as Finance Director in both multi-site retail operations and quoted companies.</li> <li>o Jim has extensive experience from both his banking background and as Head of Leisure at Corporate Finance business, McQueen Ltd.</li> </ul> <p>The experience and skills of both of these Non-Executive Directors are very relevant to the business conducted by the Audit Committee.</p> <p>Although both Directors have a financial interest in the Group, the Board is of the view that the size of these investments does not compromise their independence.</p> <p><b>Remuneration and Nominations Committee</b> terms of reference are detailed below in the section dealing with Principle 9.</p> <p>Luke Johnson is the Chairman of the Remuneration and Nominations Committee and its other member is Jim Fallon.</p>

QCA Principles	How does Brighton Pier Group PLC comply?
	<p>The Remuneration and Nominations Committee advises and assists the Board in relation to new appointments.</p>
<p>6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The Board is satisfied that, between the Directors, it has an effective and proportionate balance of skills and experience relating to the leisure and hospitality business. The blend of relevant experience, skills, personal qualities and capabilities enable the Board to successfully execute its strategy. Details of the Board's experience are set out on page 16 of this report.</p> <p>The current Board has significant sector, operational, financial and listed public company experience.</p> <p>Directors are expected to consider their skills in relation to the responsibilities and roles within the Board. It is important that they keep up to date with changing legislation and allocate the necessary time to undertake continuing and relevant professional development.</p> <p>The Chairman of the Board in his role as Chairman of the Remuneration and Nominations Committee oversees the process of new appointments. The Committee as a whole make recommendations to the Board on all new Board appointments.</p> <p>Where new Board appointments are considered, the search for candidates is conducted and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning.</p>
<p>7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>Luke Johnson has been Chairman of Brighton Pier Group since June 2015.</p> <p>Individual assessments of all members of the Board of Brighton Pier Group are ongoing to ensure that:</p> <ul style="list-style-type: none"> <li>○ they are committed to the progress and long-term success of the Group;</li> <li>○ their contribution is meaningful and effective;</li> <li>○ they are progressing within their role and benefitting the Group ;</li> <li>○ they maintain the high standards of ethics and compliance within the regulatory framework expected of a Board member in a quoted company, and</li> <li>○ the independent Directors of the Group maintain their independence and challenge the Board where the situation demands it.</li> </ul> <p>The size and nature of the Board at the Brighton Pier Group means that assessment of each Director is done on an ongoing and ad-hoc basis.</p> <p>There is at present no formal process for identifying development or mentoring needs for individuals. Regular meetings do, however, take place between the Chairman and the members of the Board where training or other needs can be discussed and actioned.</p> <p>The Articles of Association of the Brighton Pier Group require every new Director appointed in the period since the last AGM to resign and be put up for re-election at the next AGM.</p> <p>The Articles of Association also require every Director in office at the previous two AGMs to resign at the third AGM and put themselves up for re-election by members.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board sets and approves its strategy annually. This includes decisions on potential acquisitions, future investment, major capital projects and other plans. The Board also agrees its common goals for each of the divisions within the Group.</p> <p>These plans are communicated by the Chief Executive Officer to the management teams in each division.</p>

QCA Principles	How does Brighton Pier Group PLC comply?
	<p>As the Group consolidates its new acquisitions, work will be ongoing to further promote and communicate a common corporate culture into all aspects of life at each of the divisions.</p> <p>The Group held its first Group strategy and team building conference in January 2020. This was the first time that the managers from all three divisions were able to meet together alongside their head office teams. The purpose of the conference was to allow the teams from the three divisions to collaborate together to contribute to the strategic vision of the Company, review the culture of the business, create an action-orientated business plan for each division for the coming year and to celebrate the achievements of the last 18 months.</p> <p>One of the principal outcomes from the conference was the Group's mission statement :</p> <p style="text-align: center;"><i>Entertainment is our Business.</i></p> <p style="text-align: center;"><i>Our vision is to work together to build a thriving, growing business where our customers leave with wonderful memories that last a lifetime.</i></p> <p>Supported by our values of:</p> <p style="text-align: center;"><i>Passion, Integrity, Knowledge, and Inclusivity</i></p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board</p>	<p>The Board provides strategic leadership for the Group and operates within the scope of its corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves guiding the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans.</p> <p>The Board provides direction for the Group through its regular meetings. During the last financial period there were twelve Board meetings. Prior to the start of each calendar year, a schedule of dates for Board meetings for the following twelve months is compiled, aligning with the Group's financial and trading calendars, whilst also ensuring an appropriate spread of meetings across the financial year. This schedule may be supplemented by additional meetings on an ad-hoc basis, as and when required.</p> <p><b>Audit Committee</b></p> <p>The Audit Committee will meet at least three times a year and will be responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and the accounting policies. The Committee makes recommendations to the Board on the appointment of the external auditor and oversees the external audit process.</p> <p><b>Remuneration and Nominations Committee</b></p> <p>The Remuneration and Nominations Committee will meet at least once a year.</p> <p>The Remuneration and Nominations Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of Senior Executives (this includes specific remuneration packages for Executive Directors, including pension rights, compensation payments and bonus schemes), making recommendations for grants of options under the Group's Share Option Plan. The Committee furthermore evaluates and keeps under review the size, structure and composition of the Board, making recommendations on any proposed changes and taking into account the challenges and opportunities facing the Group, as well as the skills, knowledge and experience required.</p> <p>The remuneration of Non-Executive Directors is a matter for the Board.</p> <p>Directors are not permitted to be involved in any discussions as to their own remuneration.</p> <p><b>The Role of the Board, Chairman and Chief Executive Officer</b></p>

QCA Principles	How does Brighton Pier Group PLC comply?
	<p><i>The Board</i> is responsible for the long-term success of the Group. There is a formal schedule of matters reserved to the Board which includes overall Group strategy, approval of major investments, approval of annual and interim results, annual budgets, dividend policy and Board structure. The Board also monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, along with their annual budgets and performance. Additionally, it has overall responsibility for maintaining internal control systems to safeguard the investment of shareholders and the assets of the Group.</p> <p><i>The Chairman</i> has overall responsibility for corporate governance and promoting high standards throughout the Group. Leading and chairing the Board is another key responsibility, through ensuring that the Committees are properly structured, quorate and have the appropriate information and resources with which to perform their functions. The Chairman is instrumental in developing strategy and setting objectives for the Group, as well as overseeing communication between the Group and its shareholders.</p> <p><i>The Chief Executive Officer</i> provides leadership and management to the Group. The CEO pushes the development of objectives, strategies and performance standards whilst also overseeing and managing key risks that may be present. The CEO also keeps the Board updated on employee and other key stakeholder matters. Investor relations play a key role in ensuring that communications between the Group and its existing shareholders and financial institutions is maintained.</p> <p><i>The Chief Financial Officer</i> is responsible for implementing and delivering strategy, together with the operational and financial decisions agreed by the Board, incorporating them as required into the day-to-day operation of the Group.</p> <p><i>The Company Secretary</i> is responsible for providing a clear and timely information flow to the Board and its committees, as well as supporting the Board on matters of corporate governance and risk.</p> <p>The Board approved the adoption of the "QCA Code" as its governance framework in November 2013. It continues to monitor the suitability of this code on a regular basis and revise its governance framework whenever appropriate, as the Group and the code continue to evolve.</p>
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Group communicates with shareholders through its Annual Report and Accounts, full and half-yearly announcements, the AGM and one-to-one meetings with existing and potential new shareholders.</p> <p>Furthermore, a large range of corporate information, including all Regulatory News Service announcements and presentations, are available to shareholders, investors and the public on the Brighton Pier Group's investor website at : <a href="http://www.brightonpiergroup.com">www.brightonpiergroup.com</a></p> <p>The Group meets on a regular basis with brokers and other professional advisors who keep management up to date with market information.</p>

## **Audit Committee report**

On behalf of the Board, I am pleased to present the Audit Committee Report for the 52-week period ended 28 June 2020.

### ***Members of the Audit Committee***

The Committee consists of two Non-Executive Directors and is chaired by myself. Jim Fallon and I are considered to be Independent Directors. The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a chartered accountant with experience as Finance Director in both multi-site retail operations and quoted companies. Jim Fallon has extensive experience, both from his banking background and as Head of Leisure at corporate finance business McQueen Ltd.

The Committee held four scheduled meetings during the year and both members of the Committee attended all meetings. The Committee's terms of reference are available on the Group's website. Its principal responsibilities are monitoring the integrity of financial reporting, internal controls and the external audit process.

### ***Duties***

During the year the Audit Committee discharged its responsibilities in the following ways:

- approving the external auditor's plan for the audit of the Group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement, including audit fees;
- reviewing the Group's draft financial statements and interim results statements and reviewing the external auditor's detailed reports, including their analysis of key audit matters and risks;
- meeting the external auditor and their team three times during the year to review the audit plan, timetables, specific matters relating to the audit work and any issues arising;
- meeting the external auditor without management to discuss the performance of the CFO and the divisional finance teams;
- reviewing the performance of the external auditor;
- considering new accounting standards and their implications for the Group; in particular this year's focus has been on the first-time implementation of IFRS 16 leases;
- considering the impact of the COVID-19 pandemic, including its impact on going concern, which has become a key audit matter this year given the enforced closures during the period, impacting in particular the annual impairment review of goodwill and right-of-use assets, together with other fixed assets such as plant, property and equipment, and
- reviewing the Group's risk management processes, key risk register and risk mitigations. The impact of the coronavirus outbreak has resulted in new and complex changes in the way the businesses operate. The COVID-19 risk and how we mitigate it has been a significant current and ongoing issue for the Audit Committee.

### ***Role of the external auditor***

The Audit Committee monitors the relationship with the external auditor, BDO LLP, to ensure that the auditor's independence and objectivity are maintained. BDO LLP is not currently engaged to perform any non-audit services. A summary of remuneration paid to the external auditor is provided in Note 25 of the financial statements. Having reviewed the auditor's independence and performance, the Committee has concluded that these are effective and recommends that BDO LLP be reappointed as the Group's auditor at the next AGM.

The auditor prepares an audit plan for the review of the full-year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its audit findings to the Committee for discussion. The findings were discussed in some detail and no major areas of concern were highlighted by the auditor during the year. However, areas of significant risk and other matters of audit relevance are regularly communicated.

## **Audit Committee Report (continued)**

### ***Internal control***

The Board has responsibility for maintaining sound internal control procedures to safeguard the investment of shareholders and the assets of the group. The procedures and controls in place are reviewed by the Board. The Audit Committee provides advice to the Board on these procedures and controls as to their suitability to provide protection for the Group against material misstatement or loss.

The key features of the internal control systems are a:

- group organisational structure with clear lines of responsibility from the divisional to Group level;
- comprehensive business planning process, including annual preparation of detailed budgets for the year ahead and projections for future years;
- comprehensive monthly financial reporting system, highlighting variances to budget and regularly updated forecasts to monitor performance in the three divisions, thus enabling prompt reporting of matters of importance and enabling good decision making throughout the businesses;
- day to day control over cash and other assets of the Group, and
- targeted, risk focused internal reviews by the finance function.

### ***Anti-bribery***

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information both to senior staff and guidance to those working on a day-to-day basis in our various locations. This information is to help our staff recognise and deal with bribery and corruption issues and to inform staff on the procedures to report any concerns they may have.

### ***Whistleblowing***

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties within the Group in relation to financial, regulatory, workplace or other matters where behaviour has fallen short of the high standards expected of our staff.

**Paul Viner**

*Chairman of the Audit Committee*

2 November 2020

## **Remuneration and Nominations Committee report**

On behalf of the Board I am pleased to present this remuneration and nominations report, which sets out the remuneration policy and the remuneration paid to the Directors for the year.

This report also deals with information on Board changes during the year and considerations made in relation to appointments to the Board.

### ***Members of the Remuneration and Nominations Committee***

The Remuneration and Nominations Committee consists of the Senior Independent Non-Executive Director, Jim Fallon and is chaired by myself.

### ***Duties***

The Committee is responsible for reviewing all senior executive appointments and determining the Group's policy in respect of the terms of employment, including remuneration packages of Executive Directors.

The Remuneration and Nomination Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives (this includes specific remuneration packages for executive directors, including pension rights, compensation payments and bonus schemes), making recommendations for grants of options under the Group's Share Option Plan, and finally to evaluate and keep under review the size, structure and composition of the Board and make recommendations to the Board on any proposed changes, taking into account the challenges and opportunities facing the Group and the skills, knowledge and experience required.

The Committee held one meeting during the year.

### ***Remuneration policy and Group strategy***

It is recognised that the market for quality, senior executives is very competitive and therefore the remuneration policy of the Group is to offer a market-level base salary with benefits, alongside a discretionary bonus set against certain Group targets such as achieving budget turnover and EBITDA. An appropriate market level is determined by reviewing the skills and experience of the executive against similar executives elsewhere, aided by professional advice where necessary.

### ***Non-Executive Directors***

Non-Executive Directors have signed letters of appointment (renewable by agreement at the end of every three-year term) with the Group for the provision of Non- Executive Directors' services, which may be terminated by either party giving three months' written notice.

The remuneration of the Non-Executive Directors is determined by the Group Chairman and the Executive Directors.

### ***Nominations***

There have been no new appointments during this financial year.

**Remuneration and Nominations Committee report (continued)****Directors' Remuneration and share options**

The following table summarises the total gross remuneration and share options of the Directors who served during the year 28 June 2020.

The remuneration of the Directors for the period ended 28 June 2020 is as follows:

Director's remuneration	Basic salary & fees £'000	Bonus £'000	Benefits £'000	2020 Total £'000	2019 Total £'000
John Smith	151	-	32	183	168
Anne Ackord	138	-	32	170	178
Paul Viner	32	-	-	32	30
Jim Fallon	32	-	-	32	30
Leigh Nicolson (resigned March 2019)	-	-	-	-	110*
Joe Tager (resigned January 2019)	-	-	-	-	18
<b>Total</b>	<b>353</b>	<b>-</b>	<b>64</b>	<b>417</b>	<b>534</b>

\* Leigh Nicholson's remuneration for 2019 has been restated to exclude £87,000 paid to him in relation to compensation for loss of office.

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

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

Payments totalling £1,315 (2019: £1,673) were paid on behalf of Directors into the Group's auto-enrolment scheme with the 'People's Pension Scheme'.

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

As at 28 June 2020, 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	27.0%	10,062,466	
Anne Ackord	-	-	(i)
John Smith	3.4%	1,250,019	(ii)
Jim Fallon	1.3%	472,484	
Paul Viner	0.1%	54,000	(iii)

(i) Anne Ackord 227,273 non-approved share options not included in the table.

(ii) John Smith 1,175,331 shares are held by his pension scheme.  
40,625 share options in the Company Share Option Scheme not included in the table.

(iii) Paul Viner 40,625 non-approved share options not included in the table.

Details of shares purchased by Directors during the period and further information regarding share option schemes can be found in Note 17 and Note 18 to the consolidated financial statements respectively.

**Luke Johnson**

*Chairman of the Remuneration and Nominations Committee*

2 November 2020

## Directors' report

The Directors present their report and the audited financial statements for the 52-week period ended 28 June 2020.

### *Principal activities, business review, principle risks and how we mitigate them and future developments*

The principal activities of the business, a review of the business and its future developments, including principal risks and uncertainties, are presented within the Strategic Report on pages 3 to 15.

### *Dividends*

The Directors do not propose to pay a dividend for the current period (2019: £nil).

### *Going concern*

The closure of the Group's operations in FY2020 and the gradual unlocking of trading in FY2021 has had, and will continue to have, a significant impact on historical and future trading. Despite these closures, the business has generated positive earnings before interest, tax, depreciation and amortisation ("EBITDA") for the 52-week period ended June 2020. All areas of the Pier and the Golf divisions are currently trading (with the children's soft play being the last to open in the week beginning 10 August 2020 and the two Scottish golf sites reopening on the 25 August 2020), albeit subject to the lockdown restrictions in England due to commence on 5 November 2021. The Directors believe that this trading, albeit below normal levels, along with existing cash reserves, will continue to fund the Group's cash requirements through FY2021.

The Directors and management of the business have reviewed the Group's detailed forecast cash flows for the forthcoming twelve months from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process. These have been analysed in the light of the COVID-19 outbreak, subjected to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust.

As part of this assessment, the Directors performed a "stress test" in order to model a scenario to identify the adequacy of the Group's cash resources as a whole to fund all of the various parts of the Group for the next twelve months. This scenario modelled the impact of a second wave of COVID-19 which results in a two month closure of the Group's eight Golf businesses otherwise trading at a reduced basis of 80% of sales until March 2021; furthermore, all of the Bars division sites, continue to be closed until March 2021, and the pier closes for two months due to the national lockdown then enters its traditionally quiet winter period where sales no longer fund its operating costs. This scenario included other critical assumptions specifically in relation to the Group including:

That the Pier Division;

- remained fully open to the end of summer 2020, benefitting from trading from the start of July (traditionally this sales period represents a significant proportion of the division's profits);
- that the pier is closed for most of November and December 2020 due to the national lockdown;
- only the usual essential staff remain after January 2021 until the pier gears up again for Easter and the following summer period;
- returns most staff on the pier to furlough for the two months of the lock down period except for security and essential maintenance, and
- has no further mitigations that are available to further reduce direct operational costs or other fixed overheads once the pier reopens.

That the Bars Division;

- disposes of sites generating marginal EBITDA and/or with leases that are due to expire in the next 12 months;
- receives ongoing support from landlords by agreeing three-year deals with a significant reduction from pre-COVID-19 rent, combined with a turnover rent paid when sales return to prior year levels;
- retains only essential management in the business and that they remain on reduced salary until the businesses reopen, and
- obtains support where necessary for staff, from the corona virus Job Support Scheme.

That the Golf division;

- remained fully open to the end of October 2020;
- thereafter the Golf division is closed for all of November and December 2021 due to the national lockdown;
- reopening from January 2021 albeit at a reduced level of 80% of the prior year revenue through until March 2021;
- returns most staff in the Golf division to furlough for the two months of lock down period, and
- has no further mitigations that are available to further reduce direct operational costs or other fixed overheads once the businesses reopen.

## GOVERNANCE

In addition, this assumes that the Group gets no additional Government support other than that already announced, which includes ongoing savings until March 2021 from the Government's rates relief scheme, benefit from the 'Job Retention Bonus' (this bonus is a £1,000 one-off taxable payment for each eligible employee that was furloughed and kept continuously employed until 31 January 2021), Job Support Scheme and benefit from the extended furlough grant during lock down at 80%.

This stress test shows that the Group as a whole has adequate resources to continue to trade, despite these extended closures. Furthermore, until the September 2021 quarter, the Group's bank has waived all existing covenant tests and introduced a new monthly minimum liquidity test that is triggered when the Group's cash resources fall below £1.75 million. Even under the stress test scenario, the Group's forecast shows significant headroom on the liquidity test throughout the forecast period to the end of June 2022.

The Group's existing covenant testing had been agreed to restart from the quarter ending September 2021. These tests, prepared at the time of the refinancing, assumed that all the Group's trading operations will have been open for the prior twelve months.

In light of ongoing events, formal bank credit approval has now also been received from the Group's bank for the waiver of the September 2021 quarterly covenant tests (legal documentation is now in process) which will provide further headroom over the coming 12 months.

However, if closures in the Bars division were to extend beyond the stress test assumptions into July 2021, then given the sensitivity of these covenant tests, it is possible that a breach could occur in December 2021 if the tests were applied with no modifications. Even with extended closure of the Bars to the end of July 2021 and a three month closure of the rest of the business through until the end of January 2021, the liquidity test would not be breached.

Nevertheless, the Directors believe that given the low levels of leverage, the asset-backed nature of the debt and the level of cash that is forecast to be available at the end of summer 2021, renegotiated covenant levels could be agreed with the Bank to take into account the loss of cash flow during the forced extended closures.

Whilst stress testing the business is important given the unprecedented nature of the events surrounding COVID-19, the Directors expect the Group to continue to meet its day-to-day working capital requirements from the cash flows generated by its trading activities, loan facilities with its bank as well as cash resources available to it throughout the three divisions should it be required. Accordingly, these financial statements have been prepared on the going concern basis.

### ***Events after the reporting period***

These are detailed in the Strategic Report on page 9.

### ***Board of Directors***

#### ***Non –Executive Directors***

Luke Johnson (Chairman) – Chair of the Remuneration and Nominations Committee

James Fallon (Senior Independent Director) – member of the Remuneration and Nominations Committee and Audit Committee

Paul Viner (Independent Director) – Chair of the Audit Committee

#### ***Executive Directors***

Anne Ackord (Chief Executive Officer)

John Smith (Chief Financial Officer)

Details of the Group's Directors, their roles and backgrounds can be found on page 16.

### ***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.

No amounts were paid in relation to other services provided by Directors during the period ended 28 June 2020.

### ***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.

## **Directors' report (continued)**

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 engagement and involvement***

The Directors are fully aware that the Group's long-term future and success depends on the commitment of our people to the purpose and vision of the Group. The Directors and senior management are committed to engaging with our staff at every level of the business to ensure that it provides a nurturing environment within which each employee can grow, succeed, and prosper. During the current period, the Directors engaged with employees at the Group's first conference for managers across all three divisions. The purpose of this event was to provide a platform for collaboration in order to contribute as a team to the strategic vision of the Group, review the culture of the business and to create an action orientated business plan for each division for the coming year. For further details, please refer to the Section 172 statement on page 13.

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. The last conference was held in January 2020.

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.

### ***Relationships with suppliers, customers and other stakeholders***

The Directors are acutely aware of the need for the Group to foster strong business relationships with suppliers, customers and other stakeholders. This has been brought into sharp focus during the COVID-19 pandemic, in which the Group has had to work constructively with all its stakeholders in order to safeguard its customers, its staff and its ability to continue to trade. Further details of how the Directors engaged with suppliers, customers and other stakeholders during the COVID-19 crisis, and the principal decisions taken by the Group as a result of that engagement can be found on pages 4 and 5 of the Strategic Report, as well as the Section 172 statement on page 13 to 15.

### ***Streamlined energy and carbon reporting (SECR)***

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the "2018 Regulations") implement the government's policy on Streamlined Energy and Carbon Reporting (SECR). The 2018 Regulations require large unquoted companies that have consumed (in the UK), more than 40,000 kilowatt-hours (kWh) of energy in the reporting period to include energy and carbon information within their directors' report, for any period beginning on or after 1 April 2019.

None of the Group's subsidiaries meet the definition of a large company. The Group's parent company is also a low energy user. This means that neither the parent company nor its subsidiaries are obliged to include energy and carbon information in the Director's Report.

### ***Directors' remuneration***

Details of the remuneration of Directors and their interests in the Company can be found in the Remuneration and Nominations report on page 26.

## GOVERNANCE

### ***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 has in place Directors' and Officers' liability insurance.

### ***Political and charitable donations***

The Group made no political or charitable donations during the periods (2019:£nil).

### ***Share capital***

The Group's issued ordinary share capital as at 28 June 2020 comprised a single class of £0.25 ordinary shares, of which 37,286,284 shares were in issue and listed on AIM (2019:37,286,284 £0.25 ordinary shares).

Options over a further 890,336 ordinary shares (2019: 1,121,129 shares) exist within the Employee Share Option Scheme (see Note 18 to the financial statements). Of these, 267,898 non-approved options are held by members of the Board (2019:267,898). There were no approved share options held by members of the Board (2019:190,000).

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 28 August 2020, the Company was aware of the following significant holdings of voting rights (3% or more) in its shares:

<i>Major shareholders</i>	<i>Percentage of share capital</i>	<i>Number of ordinary shares</i>
HPB Pension Trust	29.1%	10,838,995
Luke Johnson (Chairman)	27.0%	10,062,466
Soros Fund Management **	14.9%	5,568,374
Miton Asset Management	3.4%	1,260,612
John Smith (Director)	3.4%	1,259,019

\*\* These shares are held as follows: 4,962,179 by Quantum Partners LP, 367,058 by Palindrome Master Fund LP, and 239,137 by Soros Capital LP.

### ***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***

The Group's auditor, BDO LLP, has expressed its willingness to continue in office as auditor of the Group. Its reappointment will be put to shareholders at the AGM.

## GOVERNANCE

### *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.

### *Directors' responsibility statement*

The Directors are responsible for preparing the Strategic Report, Directors' report, 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 (IFRSs) as adopted by the European Union 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 of the group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 they have been prepared in accordance with IFRSs as adopted by the European Union, 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 requirements of 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.

### *Website publication*

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board



**J.A. Smith**  
*Company Secretary and Director*

2 November 2020

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

## **Opinion**

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 28 June 2020 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company balance sheets, the Consolidated statement of cash flows, the Consolidated and the Parent Company statements of changes in equity and notes to the financial statements, including a summary of 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. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 28 June 2020 and of the Group's loss 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 the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard 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.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

### Key audit matters

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) we identified, including those which 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.

Key Audit Matter	How we addressed the matter in our audit
<p><b>Impairment of goodwill and other non-current assets</b></p> <p>The Directors perform an annual impairment review of goodwill and other non-current assets, which includes the carrying value of other intangible assets and property plant and equipment. The annual impairment review relies on significant estimation and judgement in the selection of the key inputs which can have a significant impact of the calculated net present value for each Cash Generating Unit (CGU).</p> <p>There is considered to be an increased risk of impairment in the current year due to the temporary cessation to trade as a result of COVID-19, the related Government enforced restrictions and the uncertainty of the longer term effects the virus will have on the industry.</p> <p>There is also a risk that the estimates and judgements used in the impairment review for each CGU, which include inputs such as forecast cash flows, discount rates and growth rates are inappropriate and that an impairment charge may be required.</p> <p>The uncertainty as a result of COVID-19 increases the likelihood of the existence of impairment indicators as well as the level of judgement around future trading performance.</p> <p>An impairment of £8,080,000 has been recognised in the year.</p> <p>Refer to page 23 (Audit Committee Report), page 46 (accounting policy) and pages 67-70 (financial disclosures).</p>	<p>Our audit procedures included detailed testing of the Directors' impairment testing model for each CGU performed at the period end as follows:</p> <p>For each of the key inputs to the impairment model we reviewed managements' assumptions by reference to Board approved budgets, current and historic trading and Government restrictions in place at the time of the impairment review. We challenged management on the inputs used in the forecasts, in particular those for the weighting applied to the multiple scenarios forecast and EBITDA, based on previous and expected performance at each site and current and expected Government restrictions.</p> <p>In conjunction with input from our internal valuations team, we assessed the discount rate applied, based on peer comparison.</p> <p>We evaluated the adequacy of the Group's disclosures in respect of the impairment testing, the inputs used and the sensitivity of the outcomes of the assessment to changes in key assumptions to validate that these adequately reflected the inherent risk and sensitivity of the impairments.</p> <p>Key observations:</p> <p>Based on the procedures performed we consider management's assumptions and the related disclosures in respect of impairments and associated sensitivities to be appropriate.</p>
<p><b>Going concern</b></p> <p>It is the Directors' responsibility to make an assessment of the Group's and the Company's ability to continue as a going concern to support the basis of preparation for the financial statements. The Directors' assessment of the impact of COVID-19 on</p>	<p>We have reviewed the forecasts prepared by management through to December 2021 and challenged the key assumptions against current and historic trading, current restrictions and our knowledge of the business.</p>

<p>the going concern of the Group is described in note 1.</p> <p>The COVID-19 pandemic has had a major effect on the Group, industry and wider economy. The uncertainty created by the pandemic has increased the level of estimation and judgement involved in relation to going concern assessments and increased the risk of material uncertainties being present.</p> <p>Management have prepared forecasts for a period in excess of 12 months from the date of approval of these financial statements.</p> <p>Management have also performed stress testing on these forecasts which identified that reasonably possible changes in assumptions would result in a breach of covenant to occur in September 2021 and Group's bank borrowings potentially becoming repayable on demand. The Group has recently agreed an amendment to the covenants including a waiver of the covenant in question.</p> <p>Refer to page 23 (Audit Committee Report) and pages 27-28 (Director's Report).</p>	<p>We have considered the appropriateness of the Group's stress test scenario in respect of the impact of COVID-19 and the current Government restrictions and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of reopening, revenue performance, and cost savings.</p> <p>We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions against draft agreements and latest Government guidance.</p> <p>We have considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.</p> <p>We have reviewed the internal forecasting process to confirm the projections are prepared by appropriate personnel with a knowledge of the entity's markets, strategy and customer base profile and that are aware of the detailed figures in the projections and the potential impact that COVID-19 might have on these projections.</p> <p>We obtained an understanding of the financing facilities, including the nature of facilities, repayment terms and financial covenants. We reviewed the Group's financial covenant compliance calculations against the forecasts prepared through to December 2021 and assessed the consistency of such calculations with the ratios stated in the relevant lender agreements. We also verified the amendments and waivers obtained in respect of the covenant tests through to and including the September 2021 test.</p> <p>Key observations:</p> <p>Our observations are set out in the conclusions relating to going concern section of our report.</p>
<p><b>Revenue recognition</b></p> <p>As a result of the number of different streams of revenue, as well as the number of different systems and controls in place to capture revenue, there is a risk that revenue could be incorrectly recorded.</p> <p>In view of the mostly manual processes and controls in place regarding the capture and recording of revenue and the associated</p>	<p>We obtained full annual reconciliations between the electronic point of sales (EPOS) systems and recorded revenue for a sample of systems. Our audit work in respect of this area included the verification of revenue per the reconciliation back to underlying EPOS systems reports and cash banked per the bank statement and the verification of reconciling items back to</p>

<p>potential for error or for management override of controls we considered this to be an area for which there is a significant risk of material misstatement in the financial statements.</p> <p>Refer to page 23 (Audit Committee Report), pages 49 (accounting policy) and pages 54-55 (financial disclosures).</p>	<p>relevant supporting documentation, on a sample basis for each revenue stream.</p> <p>Additional procedures on completeness and cut off of revenue were performed by checking that a revenue journal had been recorded for each site for every week or month in the current financial period, taking into account known closures. A sample of revenue journals were vouched to underlying supporting documentation.</p> <p>Key observations:</p> <p>Based on the work we performed, we consider that revenue has been recorded appropriately.</p>
<p><b>Adoption of IFRS 16 ‘Leases’</b></p> <p>The Group holds a significant number and value of leases and the adoption of IFRS 16 is therefore a significant change in accounting treatment for the Group.</p> <p>The calculation of lease assets and liabilities involves assumptions of the lease term and the incremental borrowing rate and small changes in either of these assumptions across a number of leases could lead to a material change in the valuation of lease assets and liabilities.</p> <p>IFRS 16 permits a number of transitional options and practical expedients which can have a significant effect on the transition adjustment and increases the level of management judgement in the calculations.</p> <p>Refer to page 23 (Audit Committee Report), page 65 (accounting policy) and pages 87-89 (financial disclosures).</p>	<p>Our audit procedures included assessing the calculation methodology underlying the lease liability and right-of-use asset against the requirements of the IFRS 16.</p> <p>We tested the completeness and accuracy of managements right-of-use asset and liability by re-performing the calculation for a sample of leases within the transition adjustment, subsequent unwinding throughout the year and any lease modifications. We challenged the assumed lease terms with reference to both the underlying lease agreements and consideration of the broader economics of the lease contracts.</p> <p>In conjunction with our internal valuations team, we corroborated the inputs applied within the incremental borrowing rate calculation to determine the appropriateness.</p> <p>We assessed the Group’s accounting policy and adequacy of disclosures in the financial statements against the requirements of the applicable accounting standard and our knowledge of the policy decisions made.</p> <p>Key observations:</p> <p>Based on the work performed, we consider the Group’s approach to the adoption of and application of IFRS16 to be appropriate.</p>

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

### **Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the Group as a whole to be set at £110,000 (2019 - £134,000). Materiality represents 5% of the Group's three-year absolute average profit or loss before tax after adding back certain highlighted items (2019 - 5% of profit). This benchmark is considered the most appropriate because profit before tax is a key performance indicator of the Group and considered to be an important metric to stakeholders of the business. A three-year average has been used given the volatility in performance in the current year as a result of the COVID-19 pandemic.

Materiality for the parent Company was set at £99,000 (2019 - £121,000), being 90% (2019 - 90%) of Group materiality.

Performance materiality was set at 70% (2019 - 70%) of materiality for the Group audit, and 75% (2019 - 75%) for the parent Company. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements and management's attitude towards proposed adjustments.

### *Component materiality*

We set materiality for each component of the Group based on a percentage of between 3% (2019 - 4%) and 90% (2019 - 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £3,000 (2019 - £5,000) to £99,000 (2019 - £121,000). In the audit of each component, we further applied performance materiality levels of 75% (2019 - 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £4,000 (2019 - £5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

Our group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement due to fraud.

The Group's accounting process is structured around a Group finance function at its head office in Drury Lane, London with local finance teams in Brighton and Glasgow for its Golf and Pier operations. Although not all components were identified as significant components, full scope audits were performed by the group audit team on all components of the Group, due to the statutory reporting requirements of these components. This resulted in 100% coverage of consolidated revenue, profit and assets.

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

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- the information given in the strategic report and the Directors' report for the financial period 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 by exception**

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

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

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

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibility statement, within the Directors' report, set out on page 31, 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.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website : [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Dominic Stammers (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, United Kingdom  
2 November 2020

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

**Consolidated statement of comprehensive income**

For the 52-week period ended 28 June 2020

	<i>Notes</i>	<i>52 weeks ended 28 June 2020 £'000</i>	<i>52 weeks ended 30 June 2019 £'000</i>
Revenue		22,621	32,022
Cost of sales		(3,329)	(4,995)
Gross profit		19,292	27,027
Operating expenses - excluding highlighted items	6	(20,329)	(23,301)
Highlighted items	4	(8,117)	(557)
<b>Total operating expenses</b>		<b>(28,446)</b>	<b>(23,858)</b>
Operating (loss)/profit - before highlighted items		(1,037)	3,726
Highlighted items	4	(8,117)	(557)
<b>Operating (loss)/profit</b>		<b>(9,154)</b>	<b>3,169</b>
Finance income	6	18	-
Finance cost	6	(1,071)	(480)
(Loss)/profit before tax and highlighted items		(2,090)	3,246
Highlighted items	4	(8,117)	(557)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(10,207)</b>	<b>2,689</b>
Taxation on ordinary activities	7	714	(446)
<b>(Loss)/profit and total comprehensive income for the period</b>		<b>(9,493)</b>	<b>2,243</b>
(Loss)/earnings per share – basic* (pence)	8	(25.5)	6.1
(Loss)/earnings per share – diluted (pence)	8	(25.5)	6.1

\* 2020 basic weighted average number of shares in issue is 37.29 million (2019: 36.64 million).

No other comprehensive income was earned during the period (2019: £nil).

# FINANCIAL STATEMENTS

## Consolidated balance sheet

As at 28 June 2020

	Notes	As at 28 June 2020 £'000	As at 30 June 2019 £'000
<b>Non-current assets</b>			
Intangible assets	9	9,467	12,715
Property, plant and equipment	10	25,763	27,169
Right-of-use assets	11	17,283	-
Net investment in finance leases	11	689	-
Other receivables due in more than one year	15	367	367
		<u>53,569</u>	<u>40,251</u>
<b>Current assets</b>			
Inventories	14	562	624
Trade and other receivables	15	1,926	1,564
Cash and cash equivalents	16	2,649	2,725
		<u>5,137</u>	<u>4,913</u>
<b>TOTAL ASSETS</b>		<u>58,706</u>	<u>45,164</u>
<b>EQUITY</b>			
Issued share capital	17	9,322	9,322
Share premium	17	15,993	15,993
Merger reserve	17	(1,111)	(1,111)
Other reserve	17	452	407
Retained deficit		(9,660)	(167)
Equity attributable to equity shareholders of the Parent		<u>14,996</u>	<u>24,444</u>
<b>TOTAL EQUITY</b>		<u>14,996</u>	<u>24,444</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	3,945	5,022
Other financial liabilities	13	-	2,003
Lease liabilities	11	2,250	-
Income tax payable		35	393
Provisions	21	-	131
		<u>6,230</u>	<u>7,549</u>
<b>Non-current liabilities</b>			
Other financial liabilities	13	16,797	12,787
Lease liabilities	11	20,683	-
Deferred tax liability	7	-	384
		<u>37,480</u>	<u>13,171</u>
<b>TOTAL LIABILITIES</b>		<u>43,710</u>	<u>20,720</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>58,706</u>	<u>45,164</u>

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



2 November 2020

Registered Company number: 08687172

**Consolidated statement of cash flows**

For the period ended 28 June 2020

		<i>52 weeks to 28 June 2020</i>	<i>52 weeks to 30 June 2019</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>
<b>Operating activities</b>			
(Loss)/profit before tax		(10,207)	2,689
Net finance costs	6	1,053	480
Amortisation of intangible assets	9	84	62
Impairment of goodwill	9	3,209	-
Depreciation of property, plant and equipment	10	1,528	1,493
Impairment of property, plant and equipment	10	1,408	-
Depreciation of right-of-use assets	11	1,860	-
Impairment of right-of-use assets	11	3,463	-
Gain on recognition of sub-leased property	11	(40)	-
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	6	10	(96)
Share-based payment expense	18	45	45
(Decrease)/increase in provisions	7,21	(54)	72
Decrease/(increase) in inventories		62	(25)
Increase in trade and other receivables		(819)	(140)
Increase/(decrease) in trade and other payables		58	(119)
Interest paid on borrowings		(398)	(439)
Interest paid on lease liabilities	11	(673)	-
Interest received		1	-
Income tax paid		(28)	(809)
<b>Net cash flow from operating activities</b>		<b>562</b>	<b>3,213</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment and intangible assets	9,10	(1,585)	(2,548)
Proceeds from disposal of property, plant and equipment and assets held for sale		-	801
Interest received on finance lease receivables		18	-
Capital element received on finance leases		50	-
Payment of deferred consideration to former Lethington Limited Shareholders		(354)	(591)
<b>Net cash flows used in investing activities</b>		<b>(1,871)</b>	<b>(2,338)</b>
<b>Financing activities</b>			
Proceeds from borrowings		6,750	1,300
Repayment of borrowings		(4,785)	(3,235)
Proceeds from issue of shares		-	973
Principal paid on lease liabilities	11	(732)	-
<b>Net cash flows generated from/(used in) financing activities</b>		<b>1,233</b>	<b>(962)</b>
Net decrease in cash and cash equivalents		(76)	(87)
Cash and cash equivalents at beginning of period		2,725	2,812
<b>Cash and cash equivalents end of period</b>	16	<b>2,649</b>	<b>2,725</b>

**Consolidated statement of changes in equity**

For the period ended 28 June 2020

		<i>Issued share capital</i>	<i>Share premium</i>	<i>Merger reserve</i>	<i>Other reserves</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 1 July 2018</b>		<b>8,916</b>	<b>15,426</b>	<b>(1,111)</b>	<b>362</b>	<b>(2,410)</b>	<b>21,183</b>
Profit and total comprehensive income for the period		-	-	-	-	2,243	2,243
<i>Transactions with owners:</i>							
Issue of shares	17	406	567	-	-	-	973
Share issue costs taken directly to equity	17	-	-	-	-	-	-
Share-based payments charge	18	-	-	-	45	-	45
<b>At 30 June 2019</b>		<b>9,322</b>	<b>15,993</b>	<b>(1,111)</b>	<b>407</b>	<b>(167)</b>	<b>24,444</b>
Loss and total comprehensive loss for the period		-	-	-	-	(9,493)	(9,493)
<i>Transactions with owners:</i>							
Share-based payments charge	18	-	-	-	45	-	45
<b>At 28 June 2020</b>		<b>9,322</b>	<b>15,993</b>	<b>(1,111)</b>	<b>452</b>	<b>(9,660)</b>	<b>14,996</b>

## Notes to the consolidated financial statements

**For the period ended 28 June 2020**

### 1. Accounting policies

The Brighton Pier Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM. 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. As at 28 June 2020, the Group also operated 12 premium bars (2019: 12) and 8 (2019: 7) indoor adventure golf facilities 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 28 June 2020 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 28 June 2020. These accounting policies were consistently applied for all the periods presented.

The financial statements are presented in sterling under the historical cost convention. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The financial statements are prepared on a 52 or 53-week basis up to the last Sunday in June or the first Sunday in July each year (2020: 52-week period ended 28 June 2020; 2019: 52-week period ended 30 June 2019). The notes to the consolidated financial statements are on this basis.

#### *Going concern*

The closure of the Group's operations in FY2020 and the gradual unlocking of trading in FY2021 has had, and will continue to have, a significant impact on historical and future trading. Despite these closures, the business has generated positive earnings before interest, tax, depreciation and amortisation ("EBITDA") for the 52-week period ended June 2020. All areas of the Pier and the Golf divisions are currently trading (with the children's soft play being the last to open in the week beginning 10 August 2020 and the two Scottish golf sites reopening on the 25 August 2020), albeit subject to the lockdown restrictions in England due to commence on 5 November 2021. The Directors believe that this trading, albeit below normal levels, along with existing cash reserves, will continue to fund the Group's cash requirements through FY2021.

The Directors and management of the business have reviewed the Group's detailed forecast cash flows for the forthcoming twelve months from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process. These have been analysed in the light of the COVID-19 outbreak, subjected to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust.

As part of this assessment, the Directors performed a "stress test" in order to model a scenario to identify the adequacy of the Group's cash resources as a whole to fund all of the various parts of the Group for the next twelve months. This scenario modelled the impact of a second wave of COVID-19 which results in a two month closure of the Group's eight Golf businesses otherwise trading at a reduced basis of 80% of sales until March 2021; furthermore, all of the Bars division sites, continue to be closed until March 2021, and the pier closes for two months due to the national lockdown then enters its traditionally quiet winter period where sales no longer fund its operating costs. This scenario included other critical assumptions specifically in relation to the Group including:

That the Pier Division;

- remained fully open to the end of summer 2020, benefitting from trading from the start of July (traditionally this sales period represents a significant proportion of the division's profits);
- that the pier is closed for most of November and December 2020 due to the national lockdown;
- only the usual essential staff remain after January 2021 until the pier gears up again for Easter and the following summer period;
- returns most staff on the pier to furlough for the two months of the lock down period except for security and essential maintenance, and
- has no further mitigations that are available to further reduce direct operational costs or other fixed overheads once the pier reopens.

That the Bars Division;

- disposes of sites generating marginal EBITDA and/or with leases that are due to expire in the next 12 months;
- receives ongoing support from landlords by agreeing three-year deals with a significant reduction from pre-COVID-19 rent, combined with a turnover rent paid when sales return to prior year levels;
- retains only essential management in the business and that they remain on reduced salary until the businesses reopen, and

## 1. Accounting policies (*continued*)

- obtains support where necessary for staff, from the corona virus Job Support Scheme.

That the Golf division;

- remained fully open to the end of October 2020;
- thereafter the Golf division is closed for all of November and December 2021 due to the national lockdown;
- reopening from January 2021 albeit at a reduced level of 80% of the prior year revenue through until March 2021;
- returns most staff in the Golf division to furlough for the two months of lock down period, and
- has no further mitigations that are available to further reduce direct operational costs or other fixed overheads once the businesses reopen.

In addition, this assumes that the Group gets no additional Government support other than that already announced, which includes ongoing savings until March 2021 from the Government's rates relief scheme, benefit from the 'Job Retention Bonus' (this bonus is a £1,000 one-off taxable payment for each eligible employee that was furloughed and kept continuously employed until 31 January 2021), Job Support Scheme and benefit from the extended furlough grant during lock down at 80%.

This stress test shows that the Group as a whole has adequate resources to continue to trade, despite these extended closures. Furthermore, until the September 2021 quarter, the Group's bank has waived all existing covenant tests and introduced a new monthly minimum liquidity test that is triggered when the Group's cash resources fall below £1.75 million. Even under the stress test scenario, the Group's forecast shows significant headroom on the liquidity test throughout the forecast period to the end of June 2022.

The Group's existing covenant testing had been agreed to restart from the quarter ending September 2021. These tests, prepared at the time of the refinancing, assumed that all the Group's trading operations will have been open for the prior twelve months.

In light of ongoing events, formal bank credit approval has now also been received from the Group's bank for the waiver of the September 2021 quarterly covenant tests (legal documentation is now in process) which will provide further headroom over the coming 12 months.

However, if closures in the Bars division were to extend beyond the stress test assumptions into July 2021, then given the sensitivity of these covenant tests, it is possible that a breach could occur in December 2021 if the tests were applied with no modifications. Even with extended closure of the Bars to the end of July 2021 and a three month closure of the rest of the business through until the end of January 2021, the liquidity test would not be breached.

Nevertheless, the Directors believe that given the low levels of leverage, the asset-backed nature of the debt and the level of cash that is forecast to be available at the end of summer 2021, renegotiated covenant levels could be agreed with the Bank to take into account the loss of cash flow during the forced extended closures.

Whilst stress testing the business is important given the unprecedented nature of the events surrounding COVID-19, the Directors expect the Group to continue to meet its day-to-day working capital requirements from the cash flows generated by its trading activities, loan facilities with its bank as well as cash resources available to it throughout the three divisions should it be required. Accordingly, these financial statements have been prepared on the going concern basis.

### ***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 financial statements, 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 Practice (UK GAAP) using the FRS 101 Reduced Disclosure Framework.

## 1. Accounting policies (*continued*)

### *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 and freehold improvements	15 - 20 years or the term of the lease where this is shorter*
Fixtures, fittings & equipment	3 - 10 years
Computers	3 years
Motor vehicles	4 - 5 years

\*Leasehold improvements - where the contractual term of the property lease is shorter than the allocated asset life in the fixed assets register; the asset is depreciated based on the number of years remaining on the lease.

No depreciation charge has been recorded in respect of the pier as the amount of depreciation is immaterial. Readers should refer to the critical estimates and judgements note in respect of further detail in respect of this.

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 de-recognition 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.

### *Assets held for sale*

When a non-current asset has been identified as meeting the criteria under IFRS 5 it is no longer measured under the historical cost convention but measured at the lower of carrying amount and fair value less costs to sell. The asset is also reclassified from tangible fixed assets to assets held for sale on the face of the statement of financial position.

### *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.

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 period.

## 1. Accounting policies (*continued*)

### *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 and 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.

### *Financial assets*

Financial assets within the scope of IFRS 9 are classified as fair value through profit or loss, fair value through other comprehensive income or at amortised cost.

The Group currently holds no financial assets held at fair value through profit or loss or fair value through other comprehensive income.

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.

### *Amortised cost*

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

For other receivables, at each period-end, the Group assesses whether the credit risk on financial assets has increased significantly since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for financial assets at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since initial recognition or for credit impaired financial assets, the Group measures the allowance account for the financial assets at an amount equal to the lifetime expected credit losses.

## 1. Accounting policies (*continued*)

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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.

### *Financial liabilities*

Financial liabilities within the scope of IFRS 9 are classified as fair value through profit or loss or amortised cost.

The Group currently holds no financial assets held at fair value through profit or loss.

The Group's accounting policy for each category is as follows:

#### *Amortised cost*

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### *De-recognition of liabilities*

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### *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.

- 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.

## 1. Accounting policies (*continued*)

### *Leases*

*Leases accounting policy for the period ended 28 June 2020 (under IFRS 16: Leases):*

The majority of the Group's accounting policies for leases are set out in Note 11.

*As lessee:*

#### *Identifying Leases*

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and
- (c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

*As lessor:*

Leases in which the Group is the lessor are classified as either operating or finance leases. Leases where a significant portion of the risks and rewards of ownership are retained by the Group are classified as operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee.

Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the net investment in the finance lease excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

*Leases accounting policy for the period ended 30 June 2019 (under IAS 17: 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 material and fall within one of the categories below:

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

Acquisition and pre-opening costs are highlighted because they are 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. For the reasons outlined above, these costs have also been highlighted in order to aid comparability with prior periods.

Costs relating to impairments, site closures and other legal costs are highlighted to the extent that they relate to 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 and Value Added Taxes.

Revenue from sale of goods (principally the sale of food and beverage) is recognised when control of the goods have passed to the buyer, usually on consumption. Revenue from services (principally use of our entertainment machines on the pier and our indoor golf courses) is recognised on delivery of service. All revenue is recognised on a point in time basis.

***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.

## 1. Accounting policies (*continued*)

### *Post-employment defined contribution plans*

The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

### *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.

### *New standards and interpretations effective for the period*

New standards impacting the Group that have been adopted in the annual financial statements for the period ended 28 June 2020, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16); and
- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

Details of the impact of IFRS 16 is given in Note 28. IFRIC 23 did not have a material impact on the Group. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

## 1. Accounting policies (continued)

### *Government grants*

During the period ended 28 June 2020, the Group has received grants from the UK Government in relation to the Coronavirus Job Retention Scheme and business rates relief. The income from these grants has been offset against the expense to which they relate.

### *New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 29 June 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

## 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:

### *Estimates and assumptions*

#### *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 Group has considered the risk of impairment further within Note 12.

#### *Depreciation of Brighton Palace Pier*

As noted in the Group's accounting policies, the amount of depreciation in respect of the Brighton Palace Pier (the structure which includes everything below the deck of the pier) is considered to be immaterial. The Directors have assessed depreciation based on a useful economic life of approximately 20 years and a residual value that is not materially lower than the current carrying value of the pier.

In estimating the useful economic life to the Group, which is shorter than the life of the asset, the Directors have considered that the most likely expected method of recovery will principally be through sale. Notwithstanding the Directors expectation around recovery method over the medium-long term, there is no intention or plan in place to sell the pier in the foreseeable future.

In estimating the residual value of the pier after the end of its useful economic life to the group, the Directors have taken into account their commitment to maintain the structure in the longer term and the increasing profitable nature of the pier.

The residual value would need to have been assessed to be £2,000,000 lower than the current carrying value of £17,344,000 (assuming a useful economic life of 20 years) to have created a material depreciation charge in the current year.

#### *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.

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

### *Judgements and assumptions (continued)*

#### *The determination of lease term for some lease contracts in which the Group is a lessee*

Some of the Group's property leases (where the Group is a lessee) include options to extend the lease contract beyond the initial term. IFRS 16 'Leases' requires the Group to determine the term of a lease by assessing the likelihood of such extension options being exercised. The lease term has a direct impact on the value of the right-of-use asset and the lease liability recognised in the Balance Sheet.

Where relevant, the Directors have assessed the likelihood of such extension options being exercised with reference to the remaining useful economic life of property, plant and equipment held at each site. Where there is a material amount of assets at a site with useful lives in excess of the contractual lease term, the Directors have deemed that it would be reasonably certain to exercise an option to extend the lease. This is because the cost to exit the lease would not be insignificant, as a result of the required write-downs to property, plant and equipment.

In such cases, the lease term is extended to equal the expected new lease following extension. In all other cases, the lease term is assumed to be equal to the existing contractual length.

On adoption of IFRS 16 on 1 July 2019, this judgement resulted in an increase in non-current lease liabilities and right-of-use assets of £1,127,000.

### 3. 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 28 June 2020.

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 has defined the 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 owned bar sites should be aggregated into the segment 'Owned Bars' and all Paradise Island Adventure Golf sites should be aggregated into the segment 'Golf'. 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:

<b>52-week period ended 28 June 2020</b>	<b>Owned Bars</b>	<b>Brighton Palace Pier</b>	<b>Golf</b>	<b>Total segments</b>	<b>Head office costs</b>	<b>2020 consolidated total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	8,878	9,459	4,284	22,621	-	22,621
Cost of sales	(1,704)	(1,561)	(64)	(3,329)	-	(3,329)
<b>Gross profit</b>	<b>7,174</b>	<b>7,898</b>	<b>4,220</b>	<b>19,292</b>	<b>-</b>	<b>19,292</b>
Gross profit %	81%	84%	99%	85%	-	85%
Administrative expenses (excluding depreciation and amortisation)	(6,077)	(7,671)	(2,287)	(16,035)	(821)	(16,856)
<b>Divisional earnings/(loss)</b>	<b>1,097</b>	<b>227</b>	<b>1,933</b>	<b>3,257</b>	<b>(821)</b>	<b>2,436</b>
Highlighted items					(8,117)	(8,117)
Depreciation and amortisation (excluding depreciation of right-of-use assets)					(1,612)	(1,612)
Depreciation of right-of-use assets					(1,860)	(1,860)
Net finance cost (excluding interest on lease liabilities)					(398)	(398)
Net finance costs arising on lease liabilities					(656)	(656)
<b>Profit/(loss) before tax</b>	<b>1,097</b>	<b>227</b>	<b>1,933</b>	<b>3,257</b>	<b>(13,464)</b>	<b>(10,207)</b>
Income tax					-	-
<b>Profit/(loss) after tax</b>	<b>1,097</b>	<b>227</b>	<b>1,933</b>	<b>3,257</b>	<b>(13,464)</b>	<b>(10,207)</b>
EBITDA (before highlighted items)	1,097	227	1,933	3,257	(759)	2,498
EBITDA (after highlighted items)	1,097	227	1,933	3,257	(796)	2,461

Concession income from the pier which is recognised over time and is included within pier revenue and amounted to £136,000 for the period ended 28 June 2020 (2019: £201,000).

**3 Segmental information (continued)**

<b>52-week period ended 30 June 2019</b>	<b>Owned Bars</b>	<b>Brighton Palace Pier</b>	<b>Golf</b>	<b>Total segments</b>	<b>Head office costs</b>	<b>2019 consolidated total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	12,845	14,695	4,482	32,022	-	32,022
Cost of sales	(2,525)	(2,423)	(47)	(4,995)	-	(4,995)
<b>Gross profit</b>	<b>10,320</b>	<b>12,272</b>	<b>4,435</b>	<b>27,027</b>	<b>-</b>	<b>27,027</b>
Gross profit %	80%	84%	99%	84%		84%
Administrative expenses (excluding depreciation and amortisation)	(8,959)	(9,204)	(2,855)	(21,018)	(728)	(21,746)
<b>Divisional earnings</b>	<b>1,361</b>	<b>3,068</b>	<b>1,580</b>	<b>6,009</b>	<b>(728)</b>	<b>5,281</b>
Highlighted items					(557)	(557)
Depreciation and amortisation					(1,555)	(1,555)
Finance cost					(480)	(480)
<b>Profit before tax</b>					<b>(3,320)</b>	<b>2,689</b>
Income tax					(446)	(446)
<b>Profit after tax</b>					<b>(3,766)</b>	<b>2,243</b>
EBITDA (before highlighted items)	1,361	3,068	1,580	6,009	(683)	5,326
EBITDA (after highlighted items)	1,361	3,068	1,580	6,009	(1,240)	4,769

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

Segment revenues are generated from the sale of goods to external customers on a point in time basis, with the exception of concession income on the Pier as detailed above. 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.

**4. Highlighted items**

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
<b>Acquisition and pre-opening costs</b>		
Site pre-opening costs	37	356
	<b>37</b>	<b>356</b>
<b>Impairment, closure and legal costs</b>		
Impairment of goodwill	3,209	-
Impairment of property, plant and equipment	1,408	-
Impairment of right-of-use assets	3,463	-
Profit on disposal of Derby freehold	-	(133)
Other closure costs & legal costs	-	334
	<b>8,080</b>	<b>201</b>
<b>Total</b>	<b>8,117</b>	<b>557</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.

*Period ended 28 June 2020*

Site pre-opening costs of £37,000 incurred during the period ended 28 June 2020 relate to expenses incurred during the development of two new sites at Rushden Lakes and Plymouth.

Impairments to goodwill, property, plant and equipment and right-of-use assets totalling £8,080,000 relate to 8 sites in the Bars division and one site in the Golf division. Further details can be found in Note 12.

*Period ended 30 June 2019*

Site pre-opening costs of £356,000 incurred during the period ended 30 June 2019 relate to expenses incurred during the redevelopment of 'Le Fez' in Putney and of two new sites at Rushden Lakes and Plymouth.

Other closure and legal costs of £201,000 were incurred during the period ended 30 June 2019. These arose from the closure of Reading Coalition £236,000, a book profit of £133,000 from the disposal of the Derby freehold site and a further £98,000 of costs related to redundancies.

**5. Employee costs**

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
<b><i>Employee benefits expense</i></b>		
<b><i>Included in other operating costs</i></b>		
Wages and salaries	7,180	9,013
Social security costs	509	647
Pensions – defined contribution plans	80	59
	<b>7,769</b>	<b>9,719</b>

Wages and salaries expense for the period ended 28 June 2020 is shown net of £1,386,000 received from the UK Government in relation to the Coronavirus Job Retention Scheme.

<i>Average number of people employed (including Executive Directors)</i>	<i>2020</i>	<i>2019</i>
Number of employees	549	590
<b><i>Split between:</i></b>		
Operational	520	560
Administration	29	30
<b>Total average headcount</b>	<b>549</b>	<b>590</b>

Prior year figures have been restated to the average number of employees rather than the average number of full-time equivalent (FTE) employees as originally reported.

***Directors' remuneration***

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
Aggregate remuneration in respect of qualifying services	417	621
Aggregate remuneration in respect of the highest paid Director	183	197

An analysis of Directors' remuneration is set out in the report of the Remuneration and Nominations Committee on page 26.

Payments totalling £1,315 (2019: £1,673) were made on behalf of two (2019: two) Directors into the Group's auto-enrolment 'People's Pension Scheme'.

**6. Other income and expenditure***Finance Income*

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
Interest on finance lease receivables	18	-

*Finance costs*

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
Interest on borrowings	398	480
Interest on leases	673	-
	<b>1,071</b>	<b>480</b>

*Total operating expenses excluding highlighted items  
included in operating expenses*

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
Depreciation of owned property, plant and equipment	1,528	1,493
Depreciation of right-of-use assets	1,860	-
Amortisation of intangible assets	84	62
Loss/(profit) on disposal of property, plant and equipment	10	(96)
Operating lease rentals – land and buildings	-	1,966
Rates and service charge	1,806	1,870
Insurance and licenses	1,207	1,120
Property costs	1,995	2,099
Staff costs (see Note 5)	7,769	9,719
Contract security costs	713	927
Other operating expenses	3,357	4,141
	<b>20,329</b>	<b>23,301</b>

## FINANCIAL STATEMENTS

### 7. Income tax

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

The tax is made up as follows:

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
<i>Current tax:</i>		
UK corporation tax charge on the profit for the period	-	398
Adjustment in respect of prior periods	(296)	(71)
Total current tax	(296)	327
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(418)	119
Total tax (credit)/charge for the period	(714)	446

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

The tax credit for the current period was £0.7 million (2019: charge of £0.4 million). The tax charge for the previous period benefitted from the utilisation of brought-forward tax losses and movements on deferred tax from timing differences. The tax credit for the current year is lower than the expected 19% tax credit due to the following:

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
(Loss)/profit on ordinary activities before tax	(10,207)	2,689
(Loss)/profit on ordinary activities multiplied by standard rate		
of corporation tax in the UK of 19% (2019: 19%)	(1,939)	511
<i>Effects of:</i>		
Expenses not deductible for tax purposes and non-taxable income	580	(11)
Losses carried forward	888	-
Losses carried back	(240)	
Non-qualifying depreciation	53	17
Adjustment in respect of prior periods	(56)	(71)
Total tax charge for the period	(714)	446

**7. Income tax (continued)**

## c). Deferred tax

In March 2020, the Chancellor announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. The deferred taxation liability, using a tax rate of 19% (2019: 17%), comprises the following:

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
<b>Assets</b>		
Other timing differences	-	34
Taxable losses carried forward	<b>302</b>	171
	<b>302</b>	205
<b>Liabilities</b>		
Capital allowances in advance of depreciation	<b>(191)</b>	(45)
Goodwill	<b>(111)</b>	(544)
Taxable losses carried		
<b>Total deferred tax balance recognised in the balance sheet</b>	<b>-</b>	<b>(384)</b>

Deferred tax balances as at 28 June 2020 and 30 June 2019 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 2020, there were unrecognised deferred tax assets totalling £888,000 arising in relation to carried forward losses (2019: £Nil).

**8. 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 period.

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.

Adjusted basic and diluted earnings per share are calculated based on the profit for the period adjusted for highlighted items and their related tax effects.

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

<i>Basic (loss)/earnings per share</i>	<i>Period ended 28 June 2020</i>	<i>Period ended 30 June 2019</i>
(Loss)/profit for the period (£'000)	(9,493)	2,243
Basic weighted number of shares (number)	37,286,284	36,641,819
(Loss)/earnings per share - Basic (pence)	(25.5)	6.1

<i>Basic adjusted (loss)/earnings per share</i>	<i>Period ended 28 June 2020</i>	<i>Period ended 30 June 2019</i>
(Loss)/profit for the period before highlighted items (£'000)	(1,977)	2,669
Basic adjusted weighted number of shares (number)	37,286,284	36,641,819
Adjusted (loss)/earnings per share - Basic (pence)	(5.3)	7.3

<i>Diluted basic (loss)/earnings per share</i>	<i>Period ended 28 June 2020</i>	<i>Period ended 30 June 2019</i>
(Loss)/profit for the period (£'000)	(9,493)	2,243
Diluted weighted number of shares (number)	37,286,284	36,779,103
(Loss)/earnings per share - Diluted (pence)	(25.5)	6.1

<i>Adjusted diluted (loss)/earnings per share</i>	<i>Period ended 28 June 2020</i>	<i>Period ended 30 June 2019</i>
(Loss)/profit for the period before highlighted items (£'000)	(1,977)	2,669
Diluted weighted number of shares (number)	37,286,284	36,779,103
Adjusted (loss)/earnings per share - Diluted (pence)	(5.3)	7.3

**Reconciliation of adjusted (loss)/profit for the period**

Adjusted profit is calculated as follows:

	<i>Period ended 28 June 2020</i>	<i>Period ended 30 June 2019</i>
	£'000	£'000
(Loss)/profit for the period	(9,493)	2,243
Highlighted items	8,117	557
Tax on highlighted items	(601)	(131)
Adjusted (loss)/profit for the period	(1,977)	2,669

**8. Earnings per share (continued)*****Diluted basic earnings per share***

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

	2020	2019
	Number	Number
Weighted average number of shares for Basic EPS	37,286,284	36,641,819
Dilutive effect of share options and warrants	-	137,284
Weighted average number of shares for Diluted EPS	37,286,284	36,779,103

In the prior year, share options with exercise prices of 55p, 63.5p, 95p and 111p as noted in Note 18 were not included in the calculation of weighted average number of shares for diluted earnings per share as these options were anti-dilutive.

**9. Intangible assets**

	<i>Goodwill</i>	<i>Computer software and websites</i>	<i>Total</i>
	£'000	£'000	£'000
<b><i>Cost:</i></b>			
At 1 July 2018	16,851	353	17,204
Additions	34	74	108
At 30 June 2019	16,885	427	17,312
Additions	-	45	45
<b>At 28 June 2020</b>	<b>16,885</b>	<b>472</b>	<b>17,357</b>
<b><i>Amortisation &amp; impairments:</i></b>			
At 1 July 2018	4,489	46	4,535
Charge for the period	-	62	62
At 30 June 2019	4,489	108	4,597
Charge for the period	-	84	84
Impairment (see Note 12)	3,209	-	3,209
<b>At 28 June 2020</b>	<b>7,698</b>	<b>192</b>	<b>7,890</b>
<b><i>Net book value</i></b>			
At 1 July 2018	12,362	307	12,669
At 30 June 2019	12,396	319	12,715
<b>At 28 June 2020</b>	<b>9,187</b>	<b>280</b>	<b>9,467</b>

## 9. Intangible assets (continued)

The brought-forward goodwill balance relates primarily to the Group's acquisition of Lethington Leisure Limited, (owner of Paradise Island Adventure Golf), on 8 December 2017, along with twelve sites in the Bars division in 2006. The remaining sites included in the brought forward balance as at 1 July 2019 relating to Bars were: Bath Po Na Na, Bristol Lola Lo, Embargo, Putney Fez and Wimbledon Smash.

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

The Group has three 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 in the Bars segment 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, impairments of £3,209,000 were identified in the current financial year (2019: no impairment). These impairments related to eight sites in the Bars division and one site in the Golf division. As a result, one site in the Bars division and six sites in the Golf division contain goodwill as at 28 June 2020.

The remaining valuations indicate that headroom in the Bars division, along with headroom in some sites in the Golf division, is sensitive to reasonably possible changes to key assumptions, resulting in possible further impairment of goodwill being required in future. Refer to Note 12 for further information on the impairment review.

Computer software and website additions relate to the creation of new revenue-generating website platforms.

The remaining amortisation period of the computer software and website intangible asset is five years.

**10. Property, plant and equipment**

	<i>Computers</i>	<i>Motor vehicles</i>	<i>Fixtures, fittings &amp; equipment</i>	<i>Leasehold improvement</i>	<i>Pier, landing stage &amp; deck</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost:</b>						
At 1 July 2018	379	67	10,337	7,238	17,344	35,365
Additions	70	1	635	1,734	-	2,440
Disposals	(28)	(36)	(1,024)	(478)	-	(1,566)
<b>At 30 June 2019</b>	<b>421</b>	<b>32</b>	<b>9,948</b>	<b>8,494</b>	<b>17,344</b>	<b>36,239</b>
Additions	96	-	487	957	-	1,540
Disposals	-	(14)	(23)	-	-	(37)
<b>At 28 June 2020</b>	<b>517</b>	<b>18</b>	<b>10,412</b>	<b>9,451</b>	<b>17,344</b>	<b>37,742</b>
<b>Depreciation:</b>						
At 1 July 2018	316	18	6,035	2,362	-	8,731
Charge for the period	40	9	1,041	403	-	1,493
Disposals	(27)	(8)	(1,002)	(117)	-	(1,154)
<b>At 30 June 2019</b>	<b>329</b>	<b>19</b>	<b>6,074</b>	<b>2,648</b>	<b>-</b>	<b>9,070</b>
Charge for the period	59	6	921	542	-	1,528
Disposals	-	(13)	(14)	-	-	(27)
Impairments	7	-	357	1,044	-	1,408
<b>At 28 June 2020</b>	<b>395</b>	<b>12</b>	<b>7,338</b>	<b>4,234</b>	<b>-</b>	<b>11,979</b>
<b>Net Book value:</b>						
<b>28 June 2020</b>	<b>122</b>	<b>6</b>	<b>3,074</b>	<b>5,217</b>	<b>17,344</b>	<b>25,763</b>
Net Book value; 30 June 2019	92	13	3,874	5,846	17,344	27,169
Net Book value; 1 July 2018	63	49	4,302	4,876	17,344	26,634

The gross cost of fully depreciated property, plant and equipment that is still in use was £5,504,000 (2019:£5,378,000).

The value of the property, plant and equipment was tested for impairment during the current financial period 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, impairments of £1,408,000 were identified in the current financial period (2019:£nil). See Note 12 for further details.

## 11. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 July 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 July 2019, see Note 28. The following policies apply subsequent to the date of initial application, 1 July 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments arising from turnover rent are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease; and
- initial direct costs incurred;

On transition to IFRS 16, provisions previously recognised in respect of outstanding rent reviews were also deducted from the right-of-use asset (see Note 21 for further details) at initial recognition.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. In this case an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

### COVID-19 practical expedient

The onset of the COVID-19 pandemic prompted the IASB to issue a practical expedient to provide relief for lessees from lease modification accounting for rent concessions related to COVID-19. The practical expedient allows entities to recognise the value of any agreed rent concessions in the Statement of Comprehensive Income rather than adjusting the underlying right-of-use asset and lease liability. The Group has recognised total credits of £53,000 within administrative expenses in the Statement of Comprehensive Income for the period ended 28 June 2020.

**11. Leases (continued)****Nature of leasing activities (in the capacity as lessee)**

The Group leases a number of properties in the UK from which it operates late night bars (operated by the Bars division) and indoor adventure golf sites located in shopping centres (operated by the Golf division). The term of these leases typically ranges from 3 to 18 years. The rent payable on all leased sites is reset periodically to market rental rates. One site in the Bars estate is subject to variable payments linked to meeting a certain turnover threshold. This threshold was not met during the period ended 28 June 2020 and is not forecast to be for the foreseeable future.

The Group also leases certain items of fittings and office equipment, such as photocopiers, telephone systems and bar equipment. The Group's Pier division also leases a storage facility in Brighton. These leases comprise only fixed payments over the lease terms.

**Right-of-use assets**

	Property £'000	Equipment £'000	Total £'000
At 1 July 2019	23,164	19	23,183
Depreciation	(1,854)	(6)	(1,860)
Impairments	(3,463)	-	(3,463)
Derecognition of sublet property	(577)	-	(577)
<b>At 28 June 2020</b>	<b>17,270</b>	<b>13</b>	<b>17,283</b>

On 19 August 2019, the Group agreed to sub-let one of its leased bar sites in Reading on a 15-year term (equal to the remaining life of the head lease). At the date of transfer, the right-of-use asset was derecognised and reclassified as a net investment in a lease. The Group's liability in relation to this lease remains on the balance sheet.

**Lease liabilities**

	Property £'000	Equipment £'000	Total £'000
At 1 July 2019	23,645	19	23,664
Interest expense	670	3	673
Payments	(1,343)	(8)	(1,351)
Concessions received from landlords	(53)	-	(53)
<b>At 28 June 2020</b>	<b>22,919</b>	<b>14</b>	<b>22,933</b>

**Net investment in finance leases**

Net investment in finance leases relates to sites in Edinburgh and Reading that the Group no longer trades and has sublet to a new tenant. The leases are classified as finance leases as both sites have been leased for the remainder of the contractual terms as defined in the head lease. On adoption of IFRS 16 (see Note 28) the lease liabilities for the Group's obligation under the head lease was recognised with the corresponding net investment in finance leases recognised. Where a site is sub-leased during the period, the right-of-use asset is derecognised and a net investment in finance lease is recognised. The value of the net investment is the equivalent of the right-of-use asset at the point the lease is assigned, adjusted for any lease incentives offered to the new tenant. The liability remains unchanged. A reconciliation of sublet property is as follows (no comparative figures have been provided for this reconciliation as the head lease was classified as operating type in the prior year and was not recognised in the consolidated balance sheet):

	£'000
As at 1 July 2019	121
Reclassification from right-of-use asset	618
Rental income received – gross	(68)
Interest	18
<b>As at 28 June 2020</b>	<b>689</b>

**11. Leases (continued)**

A gain of £40,000 was recognised in the Statement of Comprehensive Income as a result of the derecognition of a right-of-use asset with a carrying value of £577,000 and reclassification as a net investment in finance lease.

The maturity analysis of amounts receivable from finance leases is provided below:

<i>Period ended 28 June 2020</i>	<i>Total</i>	<i>Up to 1</i>	<i>1-2</i>	<i>2-5</i>	<i>5+</i>
	<i>year</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Undiscounted amounts receivable	828	137	52	157	482
Interest	(139)	(18)	(17)	(43)	(61)
<b>Total amounts receivable from finance leases</b>	<b>689</b>	<b>119</b>	<b>35</b>	<b>114</b>	<b>421</b>

**12. Impairment review**

The Group performed its annual impairment test in June 2020 (2019: June). The Group considers the relationship between the trading performance of each CGU and their book value when reviewing for indicators of impairment. The onset of the COVID-19 pandemic resulted in the compulsory closure of all the Group's trading sites on 20 March 2020. As at 28 June 2020, almost all of the Group's trading estate remaining closed, however the Pier and the Golf sites located in England were due to reopen on 4 July 2020. In addition, the Lowlander and Brighton Coalition sites were due to reopen on 4 July 2020, albeit at a significantly reduced capacity. As at the period end date all remaining sites in the Bars division remained closed with no prospective date for reopening issued by the UK Government. Further information relating to the impact of COVID-19 on the Group can be found in the Strategic Report.

The COVID-19 pandemic has therefore been treated by management as an indicator for impairment, prompting a full review of the recoverable amount of all cash generating units (CGUs) within the Group. Each of the Group's sites represents a separate CGU, which were assessed individually for impairment. The carrying value of each CGU consists of the net book value of goodwill (where applicable), property plant and equipment and right-of-use assets. Goodwill is allocated to the site on which it arose.

Based on management's review of the expected performance of the core estate, impairments totalling £8,080,000 were identified. These impairments, along with their impact on the carrying value of the Group's CGUs is detailed in the table below. There were no impairments required during the prior period.

	<b>Carrying value prior to impairment review</b>	<b>Impairment</b>	<b>Carrying value carried forward</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Goodwill	12,396	(3,209)	9,187
Property, plant and equipment	27,171	(1,408)	25,763
Right-of-use assets	20,746	(3,463)	17,283
<b>Total carrying value of CGUs</b>	<b>60,313</b>	<b>(8,080)</b>	<b>52,233</b>

**12. Impairment review (continued)**

The impairments mostly relate to the Bars division, with some also occurring in the Golf division, as shown in the table below. There were no impairments required in respect of the Pier division.

	Goodwill	Property, plant and equipment	Right-of-use assets	Total	Recoverable amount (value-in-use)
	£'000	£'000	£'000	£'000	£'000
<b>Bars division</b>					
Embargo	860	-	-	860	2,548
Lowlander	736	115	103	954	57
Putney Fez	298	-	-	298	2,950
Bath Po Na Na	268	91	966	1,325	-
Bristol Po Na Na	249	-	-	249	855
Brighton Coalition	130	337	135	602	-
Wimbledon Smash	137	407	922	1,466	-
Reading Lola Lo	-	33	279	312	975
Reading Smash	-	296	767	1,063	-
Cambridge Fez	-	30	25	55	-
<b>Total Bars</b>	<b>2,678</b>	<b>1,309</b>	<b>3,197</b>	<b>7,184</b>	<b>7,385</b>
<b>Golf division</b>					
Derby	531	99	266	896	1,711
<b>Total group impairments</b>	<b>3,209</b>	<b>1,408</b>	<b>3,463</b>	<b>8,080</b>	

**Methodology**

The recoverable amount of each CGU has been determined based on a value in use calculation performed as at 28 June 2020 using cash flow projections from financial budgets as at 28 June 2020 approved by senior management covering the period to June 2022. In order to reflect the uncertainty regarding future performance resulting from the COVID-19 pandemic, these cash flow projections modelled two scenarios – a 'base case', which represents management's realistic expectation for the performance of each site, and a 'stress test' scenario which models a reasonably possible situation in which the impact of the pandemic is more severe and long-lasting. Management then applied a percentage likelihood of each scenario occurring and from that derived weighted average forecast cash flows for each CGU. Cash flows for each CGU beyond June 2022 are extrapolated, using assumed terminal growth and pre-tax discount rates for each operating segment as follows:

Division	Terminal growth rate	Pre-tax discount rate
Bars	2%	13.74%
Golf	2%	12.42%
Pier	2%	12.42%

In the prior period, a terminal growth rate of 1.5% and a pre-tax discount rate of 9.60% was used across all divisions. This was because in the prior period, each CGU shared similar risks and had materially similar geographical characteristics, being UK sites located out of town in shopping centres or similar retail outlets. The COVID-19 pandemic has resulted in the Bars division facing uncertainty over when or if its sites can resume normal trading. This uncertainty is not shared by the Pier and Golf divisions, which fully reopened during summer 2020. Management has therefore applied an additional risk to the pre-tax discount rate applied to the CGUs within the Bars division.

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. Impairments to property, plant and equipment and right-of-use assets are allocated on a proportional basis based on the carrying value of each category of asset and the impairment required.

## 12. Impairment review (continued)

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 each division 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 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.

**Period of cash flows** – the Group considers the period of cash flows over which it expects the future cash generating units to be operational. This can be longer than the current period upon which the sites hold rental agreements and therefore require an element of judgement by the Group. The majority of leasing arrangements are inside the Landlords and Tenants Act 1954, therefore it can be reasonably assumed that an extension will occur. For leases outside the Landlords and Tenants Act 1954 the Group considers the best available information to determine whether a lease extension is likely, and whether the period of cash flows should be reviewed on a period longer than the current lease agreement. For those leases outside of the act, the extension required to the existing lease terms to result in no impairment would be as follows:

Glasgow	– 9 years
Manchester	– 8 years
Livingston	– 6 years

Headroom is dependent upon sensitivities to these and other assumptions. The only element of goodwill remaining in the Bars division is in 'Putney Le Fez'. An increase in the WACC or a decrease in the long-term growth rate would result in further impairment of goodwill at this site.

All sites in the Golf division are sensitive to small to moderate changes in either the WACC or the long-term growth rate. An increase to the WACC or decrease in the long-term growth rate of less than 0.5% would result in goodwill impairments at the Livingston, Cheshire Oaks and Rushden sites.

The site which is allocated the most goodwill in the Golf division, Manchester, is able to support an increase in the WACC discount factor to 18.4% before an impairment is triggered. Similarly, the site is able to support a reduction in the terminal growth rate of 6.1% before an impairment is triggered.

The other sites, excluding Plymouth which does not have goodwill, are able to support increases in the WACC to between 14.6% (Sheffield) and 14.7% (Glasgow), and a reduction in the terminal growth rate of 2.0% (Sheffield and Glasgow) before an impairment is triggered.

Should EBTIDA remain in line with management forecasts to FY22, but then remain flat after FY22 and into perpetuity, then this would result in further impairments of £0.8million in the Bars division and £1.0million in the Golf division.

Should EBTIDA suffer a fall of 5% per year over the forecast two year period to June 2022, before recovering to 2% growth in perpetuity, then this would result in further impairments of £0.5million in the Bars division and £0.7million in the Golf division. Neither of these scenarios would result in impairments being required to the Pier division.

**12. Impairment review (continued)**

An analysis of goodwill by CGU for those CGUs where the goodwill is significant in the context of the overall goodwill is as follows:

	£'000
<b>Bars</b>	
Putney	888
<b>Golf</b>	
Glasgow	2,055
Manchester	2,997
Sheffield	1,012
Rushden	1,272
	<b>8,224</b>
Other sites	<b>963</b>
<b>Total goodwill</b>	<b>9,187</b>

**13. Other financial assets and liabilities***Financial assets*

	As at 28 June 2020 Amortised cost £'000	As at 30 June 2019 Amortised cost £'000
Group		
<i>Non-current assets as per balance sheet</i>		
Net investment in finance leases	689	-
<i>Current assets as per balance sheet</i>		
Trade and other receivables excluding prepayments	1,186	733
Cash and cash equivalents	2,649	2,725
<b>Total financial assets</b>	<b>4,524</b>	<b>3,458</b>

There were no financial assets measured at fair value through profit or loss at 28 June 2020 (30 June 2019: £nil).

Financial assets at amortised cost are non-derivative financial assets. The carrying value may be affected by changes in the credit risk of the counterparties.

*Financial liabilities: Trade and other payables**Other financial liabilities held at amortised cost*

		2020 £'000	2019 £'000
<b>Group</b>	<b>Maturity</b>		
Trade payables	Payable within 1 year	1,680	2,069
Other payables, accruals and provisions	Payable within 1 year	1,713	2,304
Lease liabilities	Payable within 1 year	2,250	-
Lease liabilities	Payable in more than 1 year	20,683	-
		<b>26,326</b>	<b>4,373</b>

**13. Other financial assets and liabilities (continued)****Financial liabilities: Borrowings**

			As at 28 June 2020 Amortised cost £'000	As at 30 June 2019 Amortised cost £'000
Group	Interest rate %	Maturity		
<b>Liabilities as per balance sheet</b>				
<b>Current:</b>				
<i>Other loans:</i>				
£14.85m bank loans (2019:£14.85m)	LIBOR + 2.25%	Dec 2022	-	1,453
£1.75m revolving loan facility (2019:£1.75m)	LIBOR + 2.25%	Dec 2022	-	550
				2,003
<b>Non-current:</b>				
<i>Other loans:</i>				
£14.85m bank loans (2019:£14.85m)	LIBOR + 2.25%	Dec 2022	11,797	11,799
£1.75m revolving loan facility (2019:£1.75m)	LIBOR + 2.25%	Dec 2022	-	988
£3.2m coronavirus business interruption loan	Base rate + 2.00%	Mar 2023	3,200	-
£1.8m coronavirus business interruption loan	Base rate + 2.00%	Jun 2022	1,800	-
			16,797	12,787

**£14.85 million bank loan**

This term loan commenced on 27 April 2016 and was renewed and extended on 5 December 2017. The purpose of the loan was to facilitate the acquisitions of Brighton Palace Pier in April 2016 and Lethington Leisure Limited in December 2017. The amount outstanding at the period end was £11,797,000 (2019: £13,252,000), net of unamortised arrangement fees. The loan is repayable in equal biannual instalments and is due for final repayment on 5 December 2022. As a result of the COVID-19 pandemic, the lender has agreed to a 12-month capital repayment holiday on the term loan to the end of June 2021.

**£1.75 million revolving credit facility**

This revolving credit facility commenced on 27 April 2016 and was renewed and extended on 5 December 2017, with a further extension agreed on 26 June 2020. The latest extension continues the facility to the end of June 2022, after which the facility steps down to £1million until its maturity on 5 December 2022.

The original purpose of this facility was to fund capital expenditure and new site acquisitions. However, the COVID-19 pandemic and resulting closures of the Group's trading estate has meant this facility will primarily support the working capital requirements of the Bars division. The amount drawn down on the facility as at 28 June 2020 was £nil, net of unamortised arrangement fees (2019: £1,538,000). As at the date of the signing of these accounts the revolving credit facility had been fully repaid.

Barclays Bank Plc has a fixed and floating charge, including a negative pledge, over the assets of the Group.

**Coronavirus business interruption loans (CBILs)**

As a result of the COVID-19 pandemic, the business successfully applied for two CBILs with a combined value of £5 million. These facilities were made available from 27 April 2020. The purpose of these facilities was to ensure the Group had sufficient cash to meet its liabilities as they fell due during the enforced closure and subsequent recovery periods during 2020. The UK Government will meet the cost of interest payments for a period of 12 months after initial drawdown. Both facilities enjoy a capital repayment holiday of 12 months, with quarterly repayments due to commence in September 2021. There were no arrangement fees arising on either loan.

**13. Other financial assets and liabilities (continued)*****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 28 June 2020</i>		<i>As at 30 June 2019</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	11,797	11,816	14,790	14,914

CBILS have been excluded from the above table on the basis that they are non-interest bearing for a 12 month period. 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 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.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under 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 28 June 2020 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.

***Financial instruments not measured at fair value***

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, lease liabilities, loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans and borrowings, which are classified in level 2 of the fair value hierarchy, refer to the above.

***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 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:

**13. Other financial assets and liabilities (continued)****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> £000
<b>2020</b>		
<i>Sterling</i>	+ 100	(168)
<i>Sterling</i>	- 100	168
<b>2019</b>		
<i>Sterling</i>	+ 100	(148)
<i>Sterling</i>	- 100	148

**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 28 June 2020 and 30 June 2019 based on contractual (undiscounted) payments and interest.

<i>Period ended 28 June 2020</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>5+ years</i>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Interest-bearing loans and borrowings</b>	17,648	-	-	3,591	14,057	-
<b>Lease liabilities</b>	26,567	-	2,938	2,151	6,149	15,329
<b>Trade payables</b>	1,680	-	1,680	-	-	-
<b>Other payables</b>	1,713	-	1,713	-	-	-
	47,608	-	6,331	5,742	20,206	15,329
<b>Period ended 30 June 2019</b>						
	£'000	£'000	£'000	£'000	£'000	£'000
Interest-bearing loans and borrowings	13,252	-	1,453	1,453	10,346	-
Revolving credit facility	1,538	-	550	988	-	-
Trade payables	2,069	-	2,069	-	-	-
Other payables	1,950	-	1,950	-	-	-
Deferred consideration	354	-	354	-	-	-
	19,163	-	6,376	2,441	10,346	-

**13. Other financial assets and liabilities (continued)****Liquidity risk (continued)**

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 the 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.

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.

**Composition of net debt**

Net debt is made up as follows:

	2020 £'000	2019 £'000
Cash and cash equivalents	2,649	2,725
Short term borrowings	-	(2,003)
Long term borrowings	(16,797)	(12,787)
Lease liabilities	(22,932)	-
Deferred consideration	-	(354)
<b>Total net debt</b>	<b>(37,080)</b>	<b>(12,419)</b>

Cash flows from financing activities can be reconciled to the balance sheet movements as follows:

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Non-current lease liabilities £'000	Current lease liabilities £'000	Total cash flows £'000
<b>At 1 July 2019</b>	<b>12,787</b>	<b>2,003</b>	-	-	<b>14,790</b>
Cash flows	3,693	(1,728)	-	(732)	1,233
Non-cash flows:					
Unwinding of unamortised arrangement fees	33	9	-	-	42
Deferral of payment due to COVID-19	284	(284)	-	-	-
Lease adjustments (see notes 11 and 28)	-	-	22,165	1,500	23,665
Lease payments becoming current during the period	-	-	(1,482)	1,482	-
<b>At 28 June 2020</b>	<b>16,797</b>	<b>-</b>	<b>20,683</b>	<b>2,250</b>	<b>39,730</b>

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

	<i>Non-current loans and borrowings</i>	<i>Current loans and borrowings</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Total cash flows</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>At 2 July 2018</b>	<b>14,988</b>	<b>1,696</b>	<b>8,916</b>	<b>15,426</b>	<b>41,026</b>
Cash flows	(230)	(1,705)	406	567	(962)
Non-cash flows:					
Unwinding of unamortised arrangement fees	32	9	-	-	41
Loan repayments becoming current during the period	(2,003)	2,003	-	-	-
<b>At 30 June 2019</b>	<b>12,787</b>	<b>2,003</b>	<b>9,322</b>	<b>15,993</b>	<b>40,105</b>

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
Lethington Leisure Limited	Ordinary shares	100%	Operation of Paradise Island
Brighton Marine Palace & Pier Company (The) ±	Ordinary shares	100%	Adventure Golf
Brighton Palace Pier (Assets) Limited ∞	Ordinary shares	100%	Operation of Brighton Palace Pier
Eclectic Icon Limited	Ordinary shares	100%	Operation of Brighton Palace Pier
Eclectic Bars Limited †	Ordinary shares	100%	Holding Company
Eclectic Bars Trading Limited *	Ordinary shares	100%	Funding entity
Eclectic Bars (Bath) Limited □	Ordinary shares	100%	Management & operation of bars
Eclectic Bars (Cambridge) Limited □	Ordinary shares	100%	Management of bars
Eclectic Bars (Deansgate Locks) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (East Street) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Embargo) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Friar Street) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Manchester) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Norwich) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Brighton Arches) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Sidney Street) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (West Street) Limited □	Ordinary shares	100%	Dormant
Sakura Bars Limited □	Ordinary shares	100%	Dormant
HSB Clubs Limited □	Ordinary shares	100%	Dormant
Newman Bars Limited	Ordinary shares	100%	Dormant
Chalice Bars Limited ^	Ordinary shares	100%	Dormant

± held indirectly by Brighton Palace Pier (Holdings) Limited

∞ held indirectly by Brighton Marine Palace and Pier Company (The)

† held indirectly by Eclectic Icon Limited

\* held indirectly by Eclectic Bars Limited

□ held indirectly by Eclectic Bars Trading Limited

^ held indirectly by Newman Bars Limited

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

For the period ended 28 June 2020, 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
Eclectic Bars (Bath) Limited	Registered Number 04968281

The registered office of all entities listed above is at 36 Drury Lane, London, WC2B 5RR.

**14. Inventories**

	<i>As at 28 June 2020 £000</i>	<i>As at 30 June 2019 £000</i>
Goods for re-sale	562	624
	<b>562</b>	<b>624</b>

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,224,000 (2019:£4,318,000).

**15. Trade and other receivables**

	<i>As at 28 June 2019 £'000</i>	<i>As at 30 June 2019 (reclassified) £'000</i>
<b>Current assets</b>		
Trade receivables	277	305
Other receivables	542	61
Prepayments and accrued income	1,107	1,198
	<b>1,926</b>	<b>1,564</b>
<b>Non-current assets</b>		
Other receivables	367	367
	<b>2,293</b>	<b>1,931</b>

Trade receivables are non-interest bearing and are payable on 30 day terms. All outstanding trade receivables are considered recoverable. Included within current Other receivables is £504,000 receivable from the UK Government in respect of the Coronavirus Job Retention Scheme (or "furlough").

The prior year comparatives have been reclassified to reflect how £367,000 of other receivables relating to lease deposits were incorrectly classified as current assets on the face of the consolidated balance sheet and are now presented separately on the face of the consolidated balance sheet within non-current assets

**16. Cash and cash equivalents**

	<i>As at 28 June 2019 £'000</i>	<i>As at 30 June 2019 £'000</i>
Cash at bank and in hand	2,649	2,725
Cash and cash equivalents	<b>2,649</b>	<b>2,725</b>

At 28 June 2020, the Group had available £1,750,000 (2019: £200,000) of undrawn committed borrowing facilities.

**17. Issued capital and reserves*****Ordinary shares called up and fully paid***

<b><i>Ordinary shares issued and fully paid</i></b>	<b><i>Period ended 28 June 2020</i></b>		<b><i>Period ended 30 June 2019</i></b>	
	<b><i>Thousands</i></b>	<b><i>£'000</i></b>	<b><i>Thousands</i></b>	<b><i>£'000</i></b>
Ordinary shares of £0.25 each	37,286	9,322	37,286	9,322

There were no movements in share capital during the current period. During the period ended 30 June 2019, the following movements in share capital took place:

On 23 November 2018, the Group's Chairman, Luke Johnson, fully exercised warrants issued on 30 July 2015 to subscribe to 1,622,274 Ordinary Shares of 25p each at a subscription price of 60p per Ordinary Share.

***Share premium***

	<b><i>£'000</i></b>
<b>At 1 July 2018</b>	<b>15,426</b>
Issue on 23 November 2018	567
<b>At 30 June 2019</b>	<b>15,993</b>
<b>At 28 June 2020</b>	<b>15,993</b>

***Number of shares in issue***

<b>At 1 July 2018</b>	<b>35,664,010</b>
Issue on 23 November 2018	1,622,274
<b>At 30 June 2019</b>	<b>37,286,284</b>
<b>At 28 June 2020</b>	<b>37,286,284</b>

***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.

The merger reserve also contains merger relief of £464,210 arising on consideration shares issued on purchase of Lethington Leisure Limited on 8 December 2017, as total equity secured in the target company exceeded 90%. The merger relief reserve is a requirement under the Companies Act 2006.

***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 equal annual instalments provided the employee remains in employment on the vesting date.

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. All share option contracts expire on the tenth anniversary of the grant date. There are no cash settlement alternatives.

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

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
Total expense arising from share-based payment transactions	45	45

***Movements in the year***

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

	<b>Number</b>	<b>WAEP (£)</b>
<b>Outstanding at 1 July 2018</b>	<b>1,311,390</b>	<b>0.74</b>
Forfeited during the period	(190,261)	0.44
Exercised during the period	-	-
<b>Outstanding at 30 June 2019</b>	<b>1,121,129</b>	<b>0.75</b>
Forfeited during the period	(230,793)	0.66
Exercised during the period	-	-
<b>Outstanding at 28 June 2020</b>	<b>890,336</b>	<b>0.77</b>
<b>Exercisable at 28 June 2020</b>	<b>812,086</b>	<b>0.74</b>

The weighted average remaining contractual life for the share options outstanding as at 28 June 2020 is 5 years (2019:6 years).

The weighted average exercise price for all options outstanding at the end of the period was £0.77 (2019:£0.75).

The highest and lowest market price of the Group's shares during the period ended 28 June 2020 was £0.67 and £0.28 respectively.

No options were granted during the periods presented.

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.

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

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

<b>Grant-vest</b>	<b>Expiry date - 30 June</b>	<b>Exercise price in £ per share options</b>	<b>Share options (thousands)</b>
2013-14	2023	0.64	39
2013-15	2023	0.64	39
2013-16	2023	0.64	39
2013-17	2023	0.64	51
2014-14	2024	0.64	3
2014-15	2024	0.64	3
2014-16	2024	0.64	3
2014-17	2024	0.64	3
2015-16	2026	0.64	11
2015-17	2026	0.64	23
2015-18	2026	0.64	23
2015-19	2026	0.64	23
2016-16	2026	0.55	67
2016-17	2026	0.55	79
2016-18	2026	0.55	86
2016-19	2026	0.55	86
2016-17	2026	1.11	78
2017-18	2027	1.11	78
2017-19	2027	1.11	78
2017-20	2027	1.11	78
			<b>890</b>

**19. Dividends paid and proposed**

No dividends were paid or proposed during the period ended 28 June 2020 (2019:£nil).

**20. Trade and other payables**

	<i>As at 28 June 2020 £'000</i>	<i>As at 30 June 2019 £'000</i>
Trade payables	1,680	2,069
Other payable	123	54
Accruals	1,590	1,765
Deferred consideration	-	354
Other taxes and social security costs	552	780
	<b>3,945</b>	<b>5,022</b>

**21. Provisions**

	<i>Rent review provision £'000</i>	<i>Onerous lease provision £'000</i>	<i>Total £'000</i>
Balance at 1 July 2018	59	-	59
Amounts utilised or reversed during the period	(48)	(38)	(86)
Additional provision charged to the statement of comprehensive income	21	137	158
<b>Balance at 30 June 2019</b>	<b>32</b>	<b>99</b>	<b>131</b>
Reclassified to right-of-use assets on adoption of IFRS 16	(32)	(45)	(77)
Amounts utilised or reversed during the period	-	(54)	(54)
<b>Balance at 28 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Reclassification of balances following adoption of IFRS 16*

The Group adopted IFRS 16 *Leases* on 1 July 2019 using a modified retrospective approach. As part of this approach, all provisions relating to rent were offset against the right-of-use asset recognised on adoption of the new standard. This resulted in the elimination of all rent review provisions and any amounts included in onerous lease provisions relating to rent. Other costs provided for as a result of onerous leases remained on the balance sheet. See Notes 11 and 28 for further information.

*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. This provision is expected to be utilised within twelve months of the date of approval of these financial statements.

*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.

**22. Related party transactions****Group**

The Parent Company and ultimate controlling entity of the Group is The Brighton Pier Group PLC.

Notes 13 and 27 provide information about the Group's structure, which also includes details of the subsidiaries and the holding Company.

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

	<i>As at</i> <b>28 June</b> <b>2020</b> <b>£'000</b>	<i>As at</i> <b>30 June</b> <b>2019</b> <b>£'000</b>
Short-term employee benefits	<b>465</b>	694
Post-employment pension	<b>1</b>	2
Share-based payment transactions	<b>-</b>	8
<b>Total compensation paid to key management personnel</b>	<b>466</b>	704

Amounts paid to Directors as part of short-term employee benefits including employer's national insurance contributions was £466,000 during the period (2019:£704,000).

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

On 23 November 2018, the Group's Chairman, Luke Johnson, fully exercised warrants issued on 30 July 2015 to subscribe to 1,622,274 Ordinary Shares of 25p each at a subscription price of 60p per Ordinary Share.

**23. Commitments*****Operating lease commitments******Lessee:***

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

	<i>Period ended</i> <b>28 June</b> <b>2020</b> <b>£'000</b>	<i>Restated*</i> <i>Period ended</i> <b>30 June</b> <b>2019</b> <b>£'000</b>
Operating leases payment due:		
Within one year	-	2,345
In two to five years	-	6,877
In over five years	-	18,811
	-	28,033

The Group adopted IFRS 16 Leases on 1 July 2019, resulting in the recognition of right-of-use assets and lease liabilities on the balance sheet. See Notes 11 and 28 for further details.

\*Operating lease commitments for the period ended 30 June 2019 have been restated due to an error in the disclosure made in the prior year. The remaining lease terms used to calculate the prior year reported figures commitments were inaccurate, resulting in amount payable within one year being understated by £315,000, amounts due in two to five years being overstated by £1,133,000 and amounts due in more than 5 years being overstated by £2,068,000.

All operating lease commitments disclosed in the prior period relate to non-cancellable leases on the Group's portfolio of trading sites.

***Lessor:***

	<i>Period ended</i> <b>28 June</b> <b>2020</b> <b>£'000</b>	<i>Period ended</i> <b>30 June</b> <b>2019</b> <b>£'000</b>
Minimum lease payments:		
Within one year	120	120
In two to five years	-	-
In over five years	-	-
	120	120

Operating lease income relates to the rental of concession stalls to tenants on a 12 month contract.

**24. Events after the reporting period**

The Government announced its decision to restrict the terminal hours and the sale of alcohol in all hospitality settings from 10.00p.m. on 25 September 2020. This decision will not have a significant impact for the Pier or the Golf divisions however it has for the time being resulted in the halt of our trial at Embargo and Putney 'Le Fez', as well as forcing earlier closures of Lowlander in Covent Garden. We want this trial to restart as soon as these restrictions are lifted.

With the Government's original Coronavirus Job Retention Scheme closing at the end of October 2020, and with the majority of the late night bars still closed, the Group was forced to come to the difficult decision that the Bars division could no longer continue to keep large numbers of staff without prospect of future work and support from the furlough grant. On the 14 August 2020 therefore, the Company started a process to serve notice on all non-essential staff, with most of these redundancies completed by the end of September 2020.

The announcement from the Prime Minister on 31 October indicating a return to a four week lockdown was not unexpected. Whilst disappointing, with only 'Lowlander' now trading in the Bars division and the Pier in its traditionally quiet period as we head into the winter months, the impact in all three divisions will be mitigated to a large degree by the extension of the furlough scheme to the end of November. This limited closure period was part of our considerations at the time we performed our stress testing of the business and does not in any way change the conclusions we reached.

**25. Auditor remuneration**

	<i>Period ended 28 June 2020 £'000</i>	<i>Period ended 30 June 2019 £'000</i>
<i>Fees payable to the Group's auditor and its associates for the audit of the parent Company and consolidated financial statements:</i>	<b>96</b>	51
Audit of the Group's subsidiaries	<b>34</b>	34
<i>Fees payable to the Group's auditor and its associates for other services:</i>		
Audit related assurance services	<b>6</b>	6
	<b>136</b>	91

**26. Non-GAAP measures**

The Group uses certain alternative performance measures such as EBITDA as a means of evaluating the trading performance and cash generation of the underlying business. EBITDA is presented before and after highlighted items. Highlighted items reflect non-comparable costs included in the consolidated statement of comprehensive income for each period. This allows users of the annual report and financial statements to assess the current period trading performance of the Group and compare it to the prior period on a like-for-like basis.

Likewise, the impact of IFRS 16 has been highlighted in order to aid comparability with the prior period, which has not been restated to reflect the new accounting standard. The application of IFRS 16 results in a material change to the presentation of the Group's results. Prior to the adoption of IFRS 16, lease payments were treated as an expense which was included in EBITDA. From 1 July 2019, these costs were reflected through right-of-use asset depreciation and finance costs which result in significant cash outflows and are excluded from EBITDA.

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

	2020			2019		
	26 week period to 29 December 2019	26 week period to 28 June 2020	52 week period to 28 June 2020	26 week period to 30 December 2018	26 week period to 30 June 2019	52 week period to 30 June 2019
<b>EBITDA Reconciliation</b>						
Profit before tax for the year	1,846	(12,053)	(10,207)	1,438	1,251	2,689
Add back depreciation of property, plant and equipment	710	818	1,528	907	586	1,493
Add back depreciation of right-of-use assets	901	959	1,860	-	-	-
Add back amortisation	67	17	84	30	32	62
Add back finance costs	535	536	1,071	236	244	480
Add back share based payment charge	21	24	45	21	24	45
Add back highlighted items	110	8,007	8,117	303	254	557
<b>Group EBITDA before highlighted items</b>	<b>4,190</b>	<b>(1,692)</b>	<b>2,498</b>	<b>2,935</b>	<b>2,391</b>	<b>5,326</b>
Impact of IFRS 16	(1,197)	(1,026)	(2,223)	-	-	-
<b>Pre-IFRS 16 Group EBITDA before highlighted items</b>	<b>2,993</b>	<b>(2,718)</b>	<b>275</b>	<b>2,935</b>	<b>2,391</b>	<b>5,326</b>

**26. Non-GAAP measures (continued)**

Group EBITDA after highlighted items excludes those highlighted items that do not impact EBITDA as follows:

	2020			2019		
	26 week period to 29 December 2019 £'000	26 week period to 28 June 2020 £'000	52 week period to 28 June 2020 £'000	26 week period to 30 December 2018 £'000	26 week period to 30 June 2019 £'000	52 week period to 30 June 2019 £'000
<b>EBITDA before highlighted items</b>	<b>4,190</b>	<b>(1,692)</b>	<b>2,498</b>	<b>2,935</b>	<b>2,391</b>	<b>5,326</b>
Highlighted items	(110)	(8,007)	(8,117)	(303)	(254)	(557)
<i>Add back impairments of:</i>						
Goodwill	-	3,209	3,209	-	-	-
Property, plant and equipment	-	1,408	1,408	-	-	-
ROU asset write down	-	3,463	3,463	-	-	-
<b>Group EBITDA after highlighted items</b>	<b>4,080</b>	<b>(1,619)</b>	<b>2,461</b>	<b>2,632</b>	<b>2,137</b>	<b>4,769</b>
Impact of IFRS 16	(1,197)	(1,026)	(2,223)	-	-	-
<b>Pre-IFRS 16 Group EBITDA after highlighted items</b>	<b>2,883</b>	<b>(2,645)</b>	<b>238</b>	<b>2,632</b>	<b>2,137</b>	<b>4,769</b>

Based on the above, EBITDA after highlighted items is split between the Group's operating segments as follows:

<i>For the 52 weeks ended 28 June 2020</i>	<i>As reported</i>	<i>IFRS 16 adjustments</i>	<i>Pre-IFRS 16</i>
	£'000	£'000	£'000
<i>Operating segment</i>			
Bars	1,097	(1,293)	(196)
Pier	227	(4)	223
Golf	1,933	(926)	1,007
Head office costs	(796)	-	(796)
<b>EBITDA (after highlighted items)</b>	<b>2,461</b>	<b>(2,223)</b>	<b>238</b>

<i>For the 26 weeks ended 29 December 2019</i>	<i>As reported</i>	<i>IFRS 16 adjustments</i>	<i>Pre-IFRS 16</i>
	£'000	£'000	£'000
<i>Operating segment</i>			
Bars	1,335	(699)	636
Pier	1,820	(20)	1,800
Golf	1,446	(478)	968
Head office costs	(521)	-	(521)
<b>EBITDA (after highlighted items)</b>	<b>4,080</b>	<b>(1,197)</b>	<b>2,883</b>

**26. Non-GAAP measures (continued)**

The apportionment of other alternative performance measures can be reconciled to statutory measures as follows:

	2020			2019		
	26 week period to 29 December 2019 £'000	26 week period to 28 June 2020 £'000	52 week period to 28 June 2020 £'000	26 week period to 30 December 2018 £'000	26 week period to 30 June 2019 £'000	52 week period to 30 June 2019 £'000
<b>Group revenue:</b>						
Bars division	6,602	2,276	8,878	6,627	6,218	12,845
Pier division	7,936	1,523	9,459	7,854	6,841	14,695
Golf division	2,793	1,491	4,284	2,053	2,429	4,482
<b>Total revenue</b>	<b>17,331</b>	<b>5,290</b>	<b>22,621</b>	<b>16,534</b>	<b>15,488</b>	<b>32,022</b>
<b>Group operating profit/(loss) before highlighted items</b>	<b>2,491</b>	<b>(3,528)</b>	<b>(1,037)</b>	<b>1,977</b>	<b>1,749</b>	<b>3,726</b>
Highlighted items	(110)	(8,007)	(8,117)	(303)	(254)	(557)
<b>Group operating profit/(loss) after highlighted items</b>	<b>2,381</b>	<b>(11,535)</b>	<b>(9,154)</b>	<b>1,674</b>	<b>1,495</b>	<b>3,169</b>
<b>Profit before tax and highlighted items</b>	<b>1,956</b>	<b>(4,046)</b>	<b>(2,090)</b>	<b>1,741</b>	<b>1,505</b>	<b>3,246</b>
Highlighted items	(110)	(8,007)	(8,117)	(303)	(254)	(557)
<b>Profit after tax and highlighted items</b>	<b>1,846</b>	<b>(12,053)</b>	<b>(10,207)</b>	<b>1,438</b>	<b>1,251</b>	<b>2,689</b>
<b>Earnings/(loss) per share:</b>						
Basic (pence)	3.9	(29.4)	(25.5)	3.5	2.6	6.1
Basic (with highlighted items added back) (pence)	4.1	(9.4)	(5.3)	4.3	3.0	7.3
Diluted (pence)	3.9	(29.4)	(25.5)	3.4	2.7	6.1
Diluted (with highlighted items added back) (pence)	4.1	(9.4)	(5.3)	4.3	3.0	7.3
<b>Cash flows generated from/(used in) operations</b>	<b>3,791</b>	<b>(3,229)</b>	<b>562</b>	<b>1,029</b>	<b>2,184</b>	<b>3,213</b>

## **27. Group arrangements**

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

Brighton Palace Pier (Holdings) Limited is 100% owned by The Brighton Pier Group PLC and acts as the holding company for the entities which operate as part of the Pier division, namely Brighton Marine Palace & Pier Company and Brighton Palace Pier (Assets) Limited. All cash and trading in relation to Brighton Palace Pier is managed by Brighton Marine Palace & Pier Company.

In respect of the Bars division, all trading cash is controlled by Eclectic Bars Limited. Eclectic Bars Limited is 100% owned by Eclectic Icon Limited. All trading and leases of the Bar division are managed by Eclectic Bars Trading Limited, the principal trading entity of the Bar division. 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 Eclectic Bars Trading Limited.

Lethington Leisure Limited is a 100% subsidiary of The Brighton Pier Group PLC and manages all trading in relation to the Golf division of the Group.

**28. Impact of change in accounting policy**

On 1 July 2019, the Group adopted a new accounting standard, IFRS 16 Leases.

The new standard replaced IAS 17 Leases and fundamentally altered the classification and measurement of operating leases for lessees, removing the distinction between operating and finance leases.

The Group's leases predominantly relate to long-term property leases in the Bars and Golf divisions. In the prior period, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are initially measured as the total payments required under the terms of the lease, discounted by the incremental borrowing rate or the rate implicit in the lease to account for time value of money. On transition to IFRS 16, a discount rate of 3% was used. This represented the weighted average incremental borrowing rate at that time.

The Group adopted IFRS 16 on a modified retrospective basis, meaning comparative period information has not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The standard also permits a choice on initial adoption, on a lease-by-lease basis, to measure the right-of-use asset at either its carrying amount as if IFRS 16 had been applied since the commencement of the lease, or an amount equal to the lease liability, adjusted for accrued or prepaid rent and lease incentives. In all cases, the Group has opted to measure the right-of-use asset at an amount equal to the lease liability, adjusted for accrued or prepaid rent and lease incentives.

When applying IFRS 16, the Group has applied the following practical expedients, on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right of use assets at the date of initial application;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases; and
- The use of hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease.

The Group has applied the following key judgements and estimates when applying IFRS 16:

- The present value of lease liabilities relating to property were measured using the Group's incremental borrowing rate of 3%. All other leases were discounted using the rate implicit in the lease.
- When determining the lease term where extension or termination options exist, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

	£'000
Minimum operating lease commitment at 30 June 2019 (restated - see Note 23)	28,033
Plus: effect of extension options reasonably certain to be exercised	1,500
Undiscounted lease payments	29,533
Less: effect of discounting at the date of initial application	(5,869)
Lease liability as at 1 July 2019	23,664

**28. Impact of change in accounting policy (continued)*****Impact on consolidated balance sheet***

The adoption of IFRS 16 impacted the opening consolidated balance sheet as at 1 July 2019 as follows:

	<i>As reported at 30 June 2019</i>	<i>IFRS 16 adjustments</i>	<i>As at 1 July 2019</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non current assets</b>			
Intangible assets	12,715	-	12,715
Property, plant & equipment	27,169	-	27,169
Right-of-use assets	-	23,183	23,183
Net investment in finance leases	-	121	121
Other receivables due in more than one year	367		367
	<b>40,251</b>	<b>23,304</b>	<b>63,555</b>
<b>Current assets</b>			
Inventories	624	-	624
Trade and other receivables	1,564	(458)	1,106
Cash and cash equivalents	2,725	-	2,725
	<b>4,913</b>	<b>(458)</b>	<b>4,455</b>
<b>TOTAL ASSETS</b>	<b>45,164</b>	<b>22,846</b>	<b>68,010</b>
<b>EQUITY</b>			
Issued share capital	9,322	-	9,322
Share Premium	15,993	-	15,993
Merger reserve	(1,111)	-	(1,111)
Other reserve	407	-	407
Retained earnings	(167)	-	(167)
<b>Equity attributable to equity shareholders of the parent</b>	<b>24,444</b>	<b>-</b>	<b>24,444</b>
<b>TOTAL EQUITY</b>	<b>24,444</b>	<b>-</b>	<b>24,444</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5,022	(741)	4,281
Other financial liabilities - current	2,003	-	2,003
Lease liabilities - current	-	1,500	1,500
Income tax payable	393	-	393
Provisions	131	(77)	54
	<b>7,549</b>	<b>682</b>	<b>8,231</b>
<b>Non-Current liabilities</b>			
Other financial liabilities - non-current	12,787	-	12,787
Lease liabilities - non-current	-	22,164	22,164
Deferred tax liability	384	-	384
	<b>13,171</b>	<b>22,164</b>	<b>35,335</b>
<b>TOTAL LIABILITIES</b>	<b>20,720</b>	<b>22,846</b>	<b>43,566</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>45,164</b>	<b>22,846</b>	<b>68,010</b>

**28. Impact of change in accounting policy (continued)***Impact on operating segment disclosures*

Excluding the impact of IFRS 16, the performance of the Group's operating segments was as follows:

	Bars £'000	Brighton Pier £'000	Golf £'000	Total segments £'000	Head office costs £'000	2020 consolidated total £'000
Revenue	8,878	9,459	4,284	22,621	-	22,621
Cost of sales	(1,704)	(1,561)	(64)	(3,329)	-	(3,329)
<b>Gross profit</b>	<b>7,174</b>	<b>7,898</b>	<b>4,220</b>	<b>19,292</b>	-	<b>19,292</b>
Gross profit %	81%	84%	99%	85%	-	85%
Administrative expenses (excluding depreciation and amortisation)	(7,368)	(7,675)	(3,217)	(18,260)	(820)	(19,080)
<b>Divisional earnings</b>	<b>(194)</b>	<b>223</b>	<b>1,003</b>	<b>1,033</b>	<b>(820)</b>	<b>212</b>
Highlighted items					(8,117)	(8,117)
Depreciation and amortisation					(1,612)	(1,612)
Net finance cost					(398)	(398)
<b>Profit/(loss) before tax</b>	<b>(194)</b>	<b>223</b>	<b>1,003</b>	<b>1,033</b>	<b>(10,947)</b>	<b>(9,914)</b>
Income tax					714	714
<b>Profit/(loss) after tax</b>	<b>(194)</b>	<b>223</b>	<b>1,003</b>	<b>1,033</b>	<b>(10,233)</b>	<b>(9,200)</b>
EBITDA (before highlighted items)	(194)	223	1,003	1,033	(759)	275
EBITDA (after highlighted items)	(194)	223	1,003	1,033	(796)	238

# FINANCIAL STATEMENTS

## PARENT COMPANY ACCOUNTS

### Parent Company balance sheet

For the period ended 28 June 2020

	Notes	As at 28 June 2020 £'000	As at 30 June 2019 £'000
<b>Non-current assets</b>			
Investments	2	18,387	21,628
<b>Current assets</b>			
Trade and other receivables	3	5,840	6,196
Cash and cash equivalents		-	29
		5,840	6,225
<b>Total assets</b>		<b>24,227</b>	<b>27,853</b>
<b>Equity</b>			
Share capital	4	9,322	9,322
Share premium	4	15,993	15,993
Merger reserve		464	464
Other reserve		452	407
Retained earnings		(2,317)	811
<b>Total equity</b>		<b>23,914</b>	<b>26,997</b>
<b>Current liabilities</b>			
Other payables	5	312	747
Income tax payable		1	109
		313	856
<b>Total liabilities</b>		<b>313</b>	<b>856</b>
<b>Total equity and liabilities</b>		<b>24,227</b>	<b>27,853</b>

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 total comprehensive loss for the period ended 28 June 2020 was £3,128,000 (2019: total comprehensive loss of £112,000).

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 2 November 2020 and were signed on its behalf by:

J A Smith  
*Company Secretary and Director*  
 Company registration number: 08687172



**Parent Company statement of changes in equity****For the period ended 28 June 2020**

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 July 2018</b>		<b>8,916</b>	<b>15,426</b>	<b>464</b>	<b>362</b>	<b>699</b>	<b>25,867</b>
Loss and total comprehensive income for the period		-	-	-	-	112	112
<i>Transactions with owners:</i>							
Issue of shares	4	406	567	-	-	-	973
Share issue costs taken directly to equity	4	-	-	-	-	-	-
Share-based payments		-	-	-	45	-	45
<b>Balance at 30 June 2019</b>		<b>9,322</b>	<b>15,993</b>	<b>464</b>	<b>407</b>	<b>811</b>	<b>26,997</b>
Loss and total comprehensive loss for the period		-	-	-	-	(3,128)	(3,128)
<i>Transactions with owners:</i>							
		9,322	15,993	464	407	(3,128)	(23,869)
Share-based payments charge		-	-	-	45	-	45
<b>Balance at 28 June 2020</b>		<b>9,322</b>	<b>15,993</b>	<b>464</b>	<b>452</b>	<b>(3,128)</b>	<b>23,914</b>

## 1. Accounting Policies

### **Basis of Preparation**

The annual financial statements of The Brighton Pier 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").

The financial statements are presented in sterling under the historical cost convention. All values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements are prepared on a 52 or 53 week basis up to the last Sunday in June or the first Sunday in July each year (2019: 52-week period ended 28 June 2020; 2019: 52-week period ended 30 June 2019). The notes to the consolidated financial statements are on this basis.

### *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).

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

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

## 1. Accounting Policies (continued)

### Going concern

As a holding company and the ultimate parent company of The Brighton Pier Group Plc group (the "Group"), the ability of the business to continue as a going concern is intrinsically linked that of the Group as a whole.

The closure of the Group's operations in FY2020 and the gradual unlocking of trading in FY2021 has had, and will continue to have, a significant impact on historical and future trading. Despite these closures, the business has generated positive earnings before interest, tax, depreciation and amortisation ("EBITDA") for the 52-week period ended June 2020. All areas of the Pier and the Golf divisions are currently trading (with the children's soft play being the last to open in the week beginning 10 August 2020 and the two Scottish golf sites reopening on the 25 August 2020), albeit subject to the lockdown restrictions in England due to commence on 5 November 2021. The Directors believe that this trading, albeit below normal levels, along with existing cash reserves, will continue to fund the Group's cash requirements through FY2021.

The Directors and management of the business have reviewed the Group's detailed forecast cash flows for the forthcoming twelve months from the date of the approval of the financial statements and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process. These have been analysed in the light of the COVID-19 outbreak, subjected to stress testing, scenario modelling and sensitivity analysis, which the Directors consider sufficiently robust.

As part of this assessment, the Directors performed a "stress test" in order to model a scenario to identify the adequacy of the Group's cash resources as a whole to fund all of the various parts of the Group for the next twelve months. This scenario modelled the impact of a second wave of COVID-19 which results in a two month closure of the Group's eight Golf businesses otherwise trading at a reduced basis of 80% of sales until March 2021; furthermore, all of the Bars division sites, continue to be closed until March 2021, and the pier closes for two months due to the national lockdown then enters its traditionally quiet winter period where sales no longer fund its operating costs. This scenario included other critical assumptions specifically in relation to the Group including:

That the Pier Division;

- remained fully open to the end of summer 2020, benefitting from trading from the start of July (traditionally this sales period represents a significant proportion of the division's profits);
- that the pier is closed for most of November and December 2020 due to the national lockdown;
- only the usual essential staff remain after January 2021 until the pier gears up again for Easter and the following summer period;
- returns most staff on the pier to furlough for the two months of the lock down period except for security and essential maintenance, and
- has no further mitigations that are available to further reduce direct operational costs or other fixed overheads once the pier reopens.

That the Bars Division;

- disposes of sites generating marginal EBITDA and/or with leases that are due to expire in the next 12 months;
- receives ongoing support from landlords by agreeing three-year deals with a significant reduction from pre-COVID-19 rent, combined with a turnover rent paid when sales return to prior year levels;
- retains only essential management in the business and that they remain on reduced salary until the businesses reopen, and
- obtains support where necessary for staff, from the corona virus Job Support Scheme.

That the Golf division;

- remained fully open to the end of October 2020;
- thereafter the Golf division is closed for all of November and December 2021 due to the national lockdown;
- reopening from January 2021 albeit at a reduced level of 80% of the prior year revenue through until March 2021;
- returns most staff in the Golf division to furlough for the two months of lock down period, and
- has no further mitigations that are available to further reduce direct operational costs or other fixed overheads once the businesses reopen.

In addition, this assumes that the Group gets no additional Government support other than that already announced, which includes ongoing savings until March 2021 from the Government's rates relief scheme, benefit from the 'Job Retention Bonus' (this bonus is a £1,000 one-off taxable payment for each eligible employee that was furloughed and kept continuously employed until 31 January 2021), Job Support Scheme and benefit from the extended furlough grant during lock down at 80%.

## 1. Accounting Policies (continued)

This stress test shows that the Group as a whole has adequate resources to continue to trade, despite these extended closures. Furthermore, until the September 2021 quarter, the Group's bank has waived all existing covenant tests and introduced a new monthly minimum liquidity test that is triggered when the Group's cash resources fall below £1.75 million. Even under the stress test scenario, the Group's forecast shows significant headroom on the liquidity test throughout the forecast period to the end of June 2022.

The Group's existing covenant testing had been agreed to restart from the quarter ending September 2021. These tests, prepared at the time of the refinancing, assumed that all the Group's trading operations will have been open for the prior twelve months.

In light of ongoing events, formal bank credit approval has now also been received from the Group's bank for the waiver of the September 2021 quarterly covenant tests (legal documentation is now in process) which will provide further headroom over the coming 12 months.

However, if closures in the Bars division were to extend beyond the stress test assumptions into July 2021, then given the sensitivity of these covenant tests, it is possible that a breach could occur in December 2021 if the tests were applied with no modifications. Even with extended closure of the Bars to the end of July 2021 and a three month closure of the rest of the business through until the end of January 2021, the liquidity test would not be breached.

Nevertheless, the Directors believe that given the low levels of leverage, the asset-backed nature of the debt and the level of cash that is forecast to be available at the end of summer 2021, renegotiated covenant levels could be agreed with the Bank to take into account the loss of cash flow during the forced extended closures.

Whilst stress testing the business is important given the unprecedented nature of the events surrounding COVID-19, the Directors expect the Group to continue to meet its day-to-day working capital requirements from the cash flows generated by its trading activities, loan facilities with its bank as well as cash resources available to it throughout the three divisions should it be required. Accordingly, these financial statements have been prepared on the going concern basis.

### 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.

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.

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.

## 1. Accounting Policies (continued)

### 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 equity value of share-based payments issued to date.

### Financial assets

Financial assets within the scope of IFRS 9 are classified as fair value through profit or loss, fair value through other comprehensive income or at amortised cost.

The Company currently holds no financial assets held at fair value through profit or loss or fair value through other comprehensive income.

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.

#### *Amortised cost*

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

A loss allowance is recognised for expected credit losses on financial assets at amortised cost. At each period-end, the Company assesses whether the credit risk on financial assets has increased significantly since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance for financial assets at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since initial recognition or for credit impaired financial assets, the Company measures the allowance account for the financial assets at an amount equal to the lifetime expected credit losses.

The Company’s financial assets measured at amortised cost comprise amounts due from Group undertakings and 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.

### Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as fair value through profit or loss or amortised cost.

The Company currently holds no financial assets held at fair value through profit or loss.

*The Company’s accounting policy for each category is as follows:*

#### *Amortised cost*

Trade payables, other short-term monetary liabilities and amounts due to Group undertakings are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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 de-recognition 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.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company’s financial statements requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities at the Balance Sheet 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.

## **1. Accounting Policies (continued)**

In the process of applying the Company'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:

### **Estimates**

#### **Impairment of investments**

Impairment exists when the carrying value of an investment 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 Company 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. See Note 2 for further details.

## 2. Investments

	2020 £'000	2019 £'000
Investment in Lethington Leisure Limited	10,834	10,834
Investment in Eclectic Icon Limited	7,496	9,900
Investment in Newman Bars Limited	57	894
	<b>18,387</b>	<b>21,628</b>

During the period ended 28 June 2020, management identified impairments totalling £3,241,000 in relation to its investments. Of this, £837,000 related to the Company's investment in Newman Bars Limited, and £2,404,000 related to its investment in Eclectic Icon Limited. Both impairments were driven by the prolonged closures and uncertainty surrounding the Group's Bars division as a result of the COVID-19 pandemic.

The Company owns, directly or indirectly, 100% of the ordinary share capital of the following UK companies. All entities are incorporated in England and Wales, with the exception of Lethington Leisure Limited which is incorporated in Scotland.

	Holding	Proportion of voting rights and shares held	Nature of Business
Brighton Palace Pier (Holdings) Limited	Ordinary shares	100%	Holding Company
Lethington Leisure Limited	Ordinary shares	100%	Operation of Paradise Island Adventure Golf
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%	Dormant
Chalice Bars Limited ^	Ordinary shares	100%	Dormant
Eclectic Bars Trading Limited*	Ordinary shares	100%	Management & operation of bars
Eclectic Bars (Bath) Limited □	Ordinary shares	100%	Management of bars
Eclectic Bars (Cambridge) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Deansgate Locks) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (East Street) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Embargo) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Friar Street) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Manchester) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Norwich) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Brighton Arches) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (Sidney Street) Limited □	Ordinary shares	100%	Dormant
Eclectic Bars (West Street) Limited □	Ordinary shares	100%	Dormant
Sakura Bars Limited □	Ordinary shares	100%	Dormant
HSB Clubs Limited □	Ordinary shares	100%	Dormant

± held indirectly by Brighton Palace Pier (Holdings) Limited

∞ held indirectly by Brighton Marine Palace & Pier Company (The)

† held indirectly by Eclectic Icon Limited

\* held indirectly by Eclectic Bars Limited

□ held indirectly by Eclectic Bars Trading Limited

^ held indirectly by Newman Bars Limited

**3. Receivables**

	2020	2019
	£'000	£'000
Amounts due from group undertakings	5,829	6,196
Other receivable	11	-
	<b>5,840</b>	<b>6,196</b>

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

Of the total amount owing of £5,829,000, £1,991,000 is due from Brighton Palace Pier (Holdings) Limited. As Brighton Palace Pier (Holdings) Limited has sufficient liquid resources to be able to repay the receivable, if demanded, the Directors have assessed that there has not been a significant increase in credit risk and no impairment has been recognised.

£3,838,000 is due from Eclectic Bars Limited. This entity and its subsidiaries do not have sufficient liquid resources to be able to repay the receivable if it were demanded at the balance sheet date however the subsidiaries are cash generative and are expected to continue being so for the foreseeable future. The Directors consider that the subsidiaries will be able to repay the amounts owed (including any accrued interest) in the short to medium term even if estimates used in projecting future profitability are at the lower end of what the Directors consider a reasonable range. For this reason, no impairment is considered necessary.

**4. Issued capital and reserves*****Ordinary shares called up and fully paid***

	At 28 June 2020		At 30 June 2019	
<b><i>Ordinary shares issued and fully paid</i></b>	<b><i>Thousands</i></b>	<b><i>£'000</i></b>	<b><i>Thousands</i></b>	<b><i>£'000</i></b>
Ordinary shares at £0.25 each	37,286	9,322	37,286	9,322

On 23 November 2018, the Group's Chairman, Luke Johnson, fully exercised warrants issued on 30 July 2015 to subscribe to 1,622,274 Ordinary Shares of 25p each at a subscription price of 60p per Ordinary Share.

***Share premium***

	£'000
<b>At 1 July 2018</b>	<b>15,426</b>
Issue on 23 November 2018	567
<b>At 30 June 2019</b>	<b>15,993</b>
<b>At 28 June 2020</b>	<b>15,993</b>

***Merger Reserve***

The merger reserve contains merger relief of £464,210 arising on consideration shares issued on purchase of Lethington Leisure Limited on 8 December 2017, as total equity secured in the target company exceeded 90%. The merger relief reserve is a requirement under the Companies Act.

***Other reserve***

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

**5. Other payables**

<b>Current:</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Deferred consideration for Lethington Leisure	-	354
Accruals	14	14
Amounts due to Group undertakings	<b>298</b>	<b>379</b>
	<b>312</b>	<b>747</b>

The deferred cash consideration of £nil (2019: £354,000) arose from the acquisition of Lethington Leisure Limited on 8 December 2017. The remaining balance was settled in full on 2 July 2019.

Amounts owed to Group undertakings are repayable on demand and bear interest at 2.5% per annum (2019:2.5%). The counterparty has confirmed that demands for payment will not be made during the next twelve months from the date of the Balance Sheet.

**6. Related Parties and Directors' Transactions**

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

As at 28 June 2020, a loan of £3,838,000 (2019: £4,254,000) is due from Eclectic Bars Limited and £1,991,000 (2019: £1,942,000) is due from Brighton Palace Pier (Holdings) Limited. Both loans are interest bearing and repayable on demand.

As at 28 June 2020, a loan of £297,000 is payable to Brighton Marine Palace & Pier Company. This loan is interest-bearing and repayable on demand.

**7. Events after the reporting period**

Please refer to Note 24 of the consolidated Group financial statements.