

C1 2014 Limited

Consolidated Financial Statements for the
period ended 25 September 2016

Registered number: 09316845

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COMPANIES HOUSE

C1 2014 Limited

COMPANY INFORMATION

DIRECTORS:

Carl Leaver (Chairman)
Neil Wickers (Chief Executive Officer)
Jonathan Blanchard (Chief Financial Officer)
Sarah Murray (Chief Operating Officer)
Nitin Ramchandani (Non Executive Director)
Anuraag Malhotra (Non Executive Director)

SECRETARY:

Jonathan Blanchard

REGISTERED OFFICE:

35 Rose Street
London
WC2E 9EB

REGISTERED NUMBER:

09316845

AUDITORS:

BDO LLP
55 Baker Street
London
W1U 7EU

C1 2014 Limited

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C1 2014 Limited

STRATEGIC REPORT

C1 2014 Limited is a holding company, owning 100% of C1 Acquisitions Limited which in turn owns 100% of Carluccio's Limited, its operating subsidiary. C1 2014 Limited was formed in November 2014 as a result of a share capital restructuring completed in the same month.

As a Group, Carluccio's uniquely combines the retailing of high quality Italian food with a full-service Italian restaurant in the same location. Carluccio's strategy is to grow shareholder value by building a business that is capable of delivering sustainable, increasing and long-term cash flows. Carluccio's remains focussed on the casual dining sector.

UK and International expansion

The Group opened a further 11 Carluccio's within the UK during the year in review, in locations as diverse as Ilkley, Metro Centre in Newcastle and within the Marriott Hotel at Regents Park London, to name a few. Two locations were closed during the year, on one the lease was assigned to another party. Since the year-end, two further locations have been opened.

The Group took an important step during the year in terms of delivering its international expansion strategy by opening the second Carluccio's in Maryland, United States. During the year, three sites were closed by the Company's franchise partners, one in Dubai and two in Turkey, however the second location in Qatar has opened post year end.

Key Performance Indicators

The Board of Directors and senior management receive a wide range of indicators to enable accurate management of progress. Some of the more important ones are discussed below.

Sales Revenue and Growth

The new stores opened during the year both in the UK and in the Company's international territories helped drive turnover growth of 4.3% (2015: +8.0%) to £146.3m (2015: £140.3m). At the year end, the Group traded from 100 locations in the UK, 2 in Ireland, 2 in the US and 14 franchised locations, a total of 118 locations. Since the year end, this has increased to 120 locations.

EBITDA

One of the key measures used by the business to determine the success of its restaurants is earnings before interest, tax, depreciation and amortisation (EBITDA). After removing the impact of £5.4m of non-trading items, an adjusted EBITDA measured £11.2m (2015: £13.0m).

Principal uncertainties and risks

Economic environment

Following the Brexit vote, economic growth in the UK remains uncertain and therefore discretionary expenditure, including eating out of the home, could be adversely impacted. However, operationally the Company's business model remains principally debt free and the Directors are able to adjust capital expenditure if necessary, to offset any cash impact from softer trading conditions to maintain positive cash flows.

Interest rate risk

The Group's current financing is through loan notes which have redemption dates of late 2017. The Board of the Directors are considering the different options and opportunities available to the Group to ensure subsequent financing meets the full requirements of the growing Carluccio's brand, nationally and internationally. The Group has access to a loan facility which is predominately utilised to fund the expansion of the national and international markets.

Foreign Currency

The Group imports a large proportion of its products from Europe, either directly or indirectly, through distributors. This means that it is sensitive to movements in the sterling/euro exchange rate, which may result in higher food input costs. The Group uses a number of third party purchasing consultants to help mitigate the effect of supplier price pressure, as well as hedging foreign currency commitments where possible.

The Group's expansion into the US exposes the Group to fluctuations in the sterling/dollar exchange rate. Whilst this risk is modest in nature, given the relative size of the US operations, the size of the exposure will increase as the Group continues to expand in that market. Once again, foreign currency commitments are hedged where possible.

C1 2014 Limited**STRATEGIC REPORT AND REVIEW OF BUSINESS (continued)****Principal uncertainties and risks (continued)***Development programme*

The Group's future growth is largely dependent on securing further good quality locations at a sensible price to generate appropriate economic returns. The Group manages this risk by using an experienced in-house team working with external property agents to ensure a continuous supply of high quality properties. Furthermore the Board are focussed on generating appropriate economic returns which exceed a hurdle rate, thereby ensuring that property costs are commensurate with the return expected.

The Group has recently embarked on an expansion into the USA through one of its subsidiaries where the market for properties is proving to be just as highly competitive as in the UK. Whilst the US is a large and potentially attractive market, the market is relatively unknown to the Carluccio's management team and there is a risk that future locations are not as successful as the first opening. The Group has attempted to mitigate this risk by working closely with US property agents as well as hiring a local management team.

Employees

Carluccio's offers a "best in class" training programme for its employees and monitors employee engagement to remain an attractive employer.

This report was approved by the board of directors on 10 February 2017 and signed on its behalf by:



Jonathan Blanchard
Director
(registered number 09316845)

C1 2014 Limited

DIRECTORS' REPORT

The directors present their report and the consolidated financial statements of C1 2014 Limited ("the Company") for the 52 weeks ended 25 September 2016. C1 2014 Limited was incorporated on 18 November 2014, the prior period is longer than the period since incorporation as the directors have adopted merger accounting in order to give a true and fair view of the substance of the restructure. The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up for the 52 weeks to 25 September 2016.

RESULTS AND DIVIDENDS

The Statement of Comprehensive Income is set out on page 6 and shows the loss for the financial period

No final dividend has been declared and no interim dividend was paid in either year.

DIRECTORS

The directors, who served throughout the period unless stated below, were as follows:

Carl Leaver	<i>Chairman (appointed 16 September 2016)</i>
Simon Kossoff	<i>Chairman (resigned 1 August 2016)</i>
Neil Wickers	<i>Chief Executive Officer</i>
Jonathan Blanchard	<i>Chief Financial Officer (appointed 5 September 2016)</i>
Frank Bandura	<i>Chief Financial Officer (resigned 5 September 2016)</i>
Sarah Murray	<i>Chief Operating Officer</i>
Nitin Ramchandani	<i>Non-Executive</i>
Philip Wrigley	<i>Non-Executive (resigned 30 September 2016)</i>
Anuraag Malhotra	<i>Non-Executive</i>

Directors' Remuneration

No executive director has a notice period in excess of 12 months and no non-executive director has a notice period in excess of 6 months. Details of Directors' Remuneration are contained in note 10 to the financial statements.

All directors are employed under service contracts with the immediate subsidiary company, C1 Acquisitions Limited.

EMPLOYEES

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through formal and informal meetings and the company intranet. Employees are consulted regularly on a wide range of matters affecting their current and future interests. The Group's employees are encouraged to participate in and contribute to the success of the Group through incentive schemes.

The Group wholeheartedly supports the principle of Equal Opportunities and does not discriminate between employees or potential employees on the grounds of colour, race, nationality, ethnic or national origin, gender, sexual orientation, religion or similar belief, marital status, age or disability. Consideration is given to all applicants for employment from candidates with disabilities where the requirements of the job can be met. Where reasonable and practicable within existing legislation, all persons and employees that have become disabled have been treated in the same way in matters relating to employment, training, career development and promotion.

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group are contained in note 30 to the financial statements.

INDEMNITY COVER

Third party indemnity cover was in force for the directors throughout the financial period.

FUTURE DEVELOPMENTS

The company will continue to act as the management holding company for its subsidiary, C1 Acquisitions Limited. The services performed by the Company are not expected to change substantially in the foreseeable future. The Group continues to focus on sustainably expanding the estate both nationally and internationally.

DIRECTORS' REPORT (continued)**DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

BDO LLP, who were appointed during the year, have signified their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

GOING CONCERN

The Group is loss-making and the Company and Group both report net liabilities, due to the loan notes in issue and related interest costs incurred. The Company's ultimate parent company, Landmark Retail Holdings 1 Limited, has provided a letter of support, confirming its intention to underwrite, guarantee, settle, fund or otherwise take full responsibility for the liabilities of the Company and Group, should the Company or Group be unable to do so.

As a result of this letter of support the Board consider that the Group has adequate resources and facilities to continue in operational existence for the foreseeable future, and therefore the financial statements contained herein are prepared on a going concern basis.

Liquidity risks are considered in more detail in note 30.

By order of the Board



Jonathan Blanchard
Director
10 February 2017

(registered number 09316845)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF C1 2014 LIMITED

We have audited the financial statements of C1 2014 Limited for the period from 28 September 2015 to 25 September 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated balance sheet, the company balance sheet, the consolidated statement of cash flows, the company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 25 September 2016 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Mark RA Edwards (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory Auditor, London, United Kingdom
16 February 2017

C1 2014 Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 25 September 2016

		52 weeks ended 25 September 2016	52 weeks ended 27 September 2015
	Note	£'000	Restated* £'000
Revenue	4	146,275	140,263
Cost of sales		(128,302)	(122,088)
GROSS PROFIT		17,973	18,175
Other operating income	5	185	636
Administrative expenses		(23,453)	(18,080)
Operating profit excluding Non-trading items		57	3,144
Non-trading items	11	(5,352)	(2,413)
OPERATING (LOSS)/PROFIT	6	(5,295)	731
Finance income		5	2
Finance expense	7	(14,680)	(13,319)
LOSS BEFORE TAXATION		(19,970)	(12,586)
Income tax benefit	8	2,451	399
LOSS FOR THE FINANCIAL PERIOD		(17,519)	(12,187)
Other comprehensive income to be reclassified to the profit and loss in subsequent periods:			
Exchange differences from translation of foreign operations		1,119	(69)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(16,400)	(12,256)

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 7.

The notes on pages 13 to 35 form part of these financial statements.

All the above activities relate to continuing operations.

C1 2014 Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 25 September 2016	Share capital	Share premium	Retained earnings	Currency translation reserve	Merger reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 28 September 2014 (Restated*)	1	1,999	(21,837)	(204)	-	(20,041)
Loss for the financial period	-	-	(12,187)	-	-	(12,187)
Combination of C1 2014 Limited	9	(1,999)	-	-	1,990	-
Issue of equity share capital	3	-	-	-	-	3
Exchange differences from translation of foreign operations	-	-	-	(69)	-	(69)
At 27 September 2015 (Restated*)	13	-	(34,024)	(273)	1,990	(32,294)
Loss for the financial period	-	-	(17,519)	-	-	(17,519)
Exchange differences from translation of foreign operations	-	-	-	1,119	-	1,119
At 25 September 2016	13	-	(51,543)	846	1,990	(48,694)

* Certain amounts shown here do not correspond to the 2015 and 2014 financial statements and reflect adjustments made, refer to note 7.

The notes on pages 13 to 35 form part of these financial statements.

C1 2014 Limited

COMPANY STATEMENT OF CHANGES IN EQUITY

For the period ended 25 September 2016	Share capital	Retained earnings	Merger reserve	Total Equity
	£'000	£'000	£'000	£'000
At 18 November 2014 (date of incorporation)	-	-	-	-
Loss for the financial period	-	(217)	-	(217)
Issue of equity share capital	13	-	-	13
Investment in C1 Acquisitions Limited	-	-	(10)	(10)
At 27 September 2015	13	(217)	(10)	(214)
Loss for the financial period	-	-	-	-
At 25 September 2016	13	(217)	(10)	(214)

The notes on pages 13 to 35 form part of these financial statements.

C1 2014 Limited

CONSOLIDATED BALANCE SHEET
 (registered number 09316845)
 As at 25 September 2016

		2016	2015	As at 29 September 2014
		£'000	Restated* £'000	Restated* £'000
Note				
NON CURRENT ASSETS				
Goodwill	13	30,922	30,922	30,922
Other intangible assets	14	38,674	41,169	43,478
Property, plant and equipment	15	60,429	58,779	55,146
Prepaid operating lease charges	16	2,202	2,458	2,723
		<u>132,227</u>	<u>133,328</u>	<u>132,269</u>
CURRENT ASSETS				
Inventories	17	2,079	4,079	2,898
Corporation tax assets		165	385	81
Trade and other receivables	18	3,248	1,753	967
Prepayments		4,592	4,186	4,499
Prepaid operating lease charges	16	252	260	263
Derivative financial instruments		-	2	-
Cash and cash equivalents	19	2,873	2,329	259
		<u>13,209</u>	<u>12,994</u>	<u>8,967</u>
TOTAL ASSETS		<u>145,436</u>	<u>146,322</u>	<u>141,236</u>
CURRENT LIABILITIES				
Bank overdraft		-	-	755
Loans and borrowings	20	5,000	5,000	-
Trade payables	21	6,898	7,425	7,917
Other tax and social security	22	4,321	4,635	4,237
Accruals and deferred income	23	9,037	6,623	6,059
Corporation tax liabilities		-	-	57
Provisions	25	269	88	116
		<u>25,525</u>	<u>23,771</u>	<u>19,141</u>
NON-CURRENT LIABILITIES				
Loan notes	30	153,294	138,941	125,907
Accruals and deferred income	23	6,494	4,595	4,189
Deferred tax liabilities	24	8,641	11,085	11,742
Provisions	25	176	224	298
		<u>168,605</u>	<u>154,845</u>	<u>142,136</u>
TOTAL LIABILITIES		<u>194,130</u>	<u>178,616</u>	<u>161,277</u>
NET LIABILITIES		<u>(48,694)</u>	<u>(32,294)</u>	<u>(20,041)</u>
EQUITY				
Share capital	26	13	13	1
Share premium		-	-	1,999
Merger Reserve	31	1,990	1,990	-
Retained earnings	31	(51,543)	(34,024)	(21,837)
Currency translation reserve	31	846	(273)	(204)
TOTAL EQUITY		<u>(48,694)</u>	<u>(32,294)</u>	<u>(20,041)</u>

* Certain amounts shown here do not correspond to the 2015 and 2014 financial statements and reflect adjustments made, refer to note 7. The notes on pages 13 to 35 form part of these financial statements.

The consolidated financial statements were approved by the Board of directors and authorised for issue on 10 February 2017 and signed on its behalf by:

Neil Wickers (Director)

Jonathan Blanchard (Director)




COMPANY BALANCE SHEET**As at 25 September 2016**

	Note	2016 £'000	2015 £'000
NON CURRENT ASSETS			
Investment in subsidiary		-	-
Deferred tax assets		-	-
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Trade and other receivables		-	-
Other tax and social security		-	-
Cash and cash equivalents		-	-
		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>-</u>	<u>-</u>
CURRENT LIABILITIES			
Other tax and social security		-	-
Related party payables	10	214	214
Accruals		-	-
		<u>214</u>	<u>214</u>
NON-CURRENT LIABILITIES			
Loan notes		-	-
		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>214</u>	<u>214</u>
NET LIABILITIES		<u>(214)</u>	<u>(214)</u>
EQUITY			
Share capital	26	13	13
Share premium account		-	-
Merger Reserve	31	(10)	(10)
Retained earnings	31	(217)	(217)
TOTAL EQUITY		<u>(214)</u>	<u>(214)</u>

The notes on pages 13 to 35 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 10 February 2017 and signed on its behalf by:



Neil Wickers
Director



Jonathan Blanchard
Director

(registered number 09316845)

C1 2014 Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 25 September 2016	52 weeks ended 25 September 2016	52 weeks ended 27 September 2015 Restated*
	£'000	£'000
Loss before taxation	(19,970)	(12,586)
Depreciation	6 7,819	6,723
Amortisation of prepaid operating lease charges	6 264	268
Amortisation of intangible assets	6 3,044	2,912
Net finance costs	14,675	13,317
Movement on onerous lease provision	25 104	(143)
Impairment of property, plant and equipment	11 5,404	1,972
Impairment of intangible assets	11 5	-
Loss /(profit) on disposal of property, plant and equipment	(179)	492
Cash flows from operating activities before changes in working capital	11,166	12,955
<i>Changes in:</i>		
Inventories	17 2,000	(1,181)
Trade and other receivables	18,30 (1,493)	(788)
Prepayments	(406)	313
Trade and other payables	3,488	840
Cash generated from operating activities before tax	14,755	12,139
Corporation tax refunded/(paid)	227	(562)
Net cash inflow from operating activities	14,982	11,577
Cash flows from investing activities		
Finance income	5	2
Proceeds from sale of property, plant and equipment	1,049	250
Payments to acquire intangible assets	14 (480)	(606)
Payments to acquire property, plant and equipment	(14,713)	(13,114)
Net cash used in investing activities	(14,139)	(13,468)
Cash flows from financing activities		
Finance cost	7 (299)	(284)
New bank loans raised	-	5,000
Net cash generated/(used in) financing activities	(299)	4,716
Net increase/(decrease) in cash and cash equivalents	544	2,825
Cash and cash equivalents at start of period	2,329	(496)
Cash and cash equivalents at end of period	2,873	2,329

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 7.

The notes on pages 13 to 35 form part of these financial statements.

C1 2014 Limited

COMPANY STATEMENT OF CASH FLOWS

For the period ended 25 September 2016

	52 weeks ended 25 September 2016 £'000	42 weeks ended 27 September 2015* £'000
Loss before taxation	-	(217)
Adjustments to reconcile profit and loss before tax to net cash flows:		
Share for share	-	3
Working capital adjustments	-	(214)
<i>Changes in:</i>		
Receivables	-	-
Payables	-	214
Net cash flows from operating activities before tax	-	-
Corporation tax paid	-	-
Net cash flow from operating activities	-	-
Net cash used in investing activities	-	-
Net cash from financing activities	-	-
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at start of period	-	-
Cash and cash equivalents at end of period	-	-

*For the period ended 27 September 2015 from 18 November 2014 (date of incorporation)

The notes on pages 13 to 35 form part of these financial statements.

C1 2014 Limited**NOTES TO THE FINANCIAL STATEMENTS
For the period ended 25 September 2016****1 GENERAL INFORMATION**

The financial statements of the Group for the period ended 25 September 2016 were authorised for issue in accordance with a resolution of the directors on 10 February 2017.

C1 2014 Limited is incorporated in the United Kingdom with registration number 09316845. The Company is domiciled in the United Kingdom and has its registered office at 35 Rose Street, London WC2E 9EB.

2 ACCOUNTING POLICIES**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU").

Basis of preparation

The financial statements have been prepared on a historical cost basis and are presented in sterling, rounded to the nearest thousand, except where indicated otherwise.

The financial statements are prepared to the end of whole week (Sunday) ending within 7 days of 30 September.

Changes in accounting policies

At the date of authorisation of these financial statements, the following new and revised Standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in the financial statements.

IFRS 11 (Amended) Accounting for Acquisitions of Interests in Joint Operations
IAS 19 (Amended) Defined Benefit Plans: Employee Contributions
IAS 16 (Amended) Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 2010 – 2012 Cycle
IFRS 2011 – 2013 Cycle

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9 (Revised) Financial Instruments
IFRS 15 (Revised) Revenue from Contracts with Customers
IFRS 16 (Issued) Leases
IAS 12 (Issued) Recognition of Deferred Tax Assets for Unrealised Losses
IAS 1 (Issued) Disclosure Initiative
IFRS 2012 – 2014 Cycle

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 9 will impact both the measurement and disclosure of financial instruments, but will not impact on the underlying cash flows of the Company.
IFRS 16 will have a material impact on the reported assets, liabilities and Statement of Comprehensive Income, but no impact on the underlying cash flows of the Company.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The significant accounting policies adopted by the Group are as follows:

Going concern

The Company's ultimate parent company, Landmark Retail Holdings 1 Limited, has provided a letter of support, confirming its intention to underwrite, guarantee, settle, fund or otherwise take full responsibility for the liabilities of the Company and Group, should the Company or Group be unable to do so.

As a result of this letter of support the Board consider that the Group has adequate resources and facilities to continue in operational existence for the foreseeable future, and therefore the financial statements contained herein are prepared on a going concern basis.

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Company loss for the financial period

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Statement of comprehensive Income in these financial statements. The Company's loss after tax for the period ended 25 September 2016 was £nil (2015: £217,000).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group drawn up to 25 September 2016.

On 27 November 2014 the Group completed a share capital reorganisation which resulted in a new company, C1 2014 Limited acquiring 100% of the share capital of C1 Acquisitions Limited for a mixture of equity and cash as well as a transfer of management loan notes to Landmark Retail Holdings 1 Limited, the ultimate parent company.

Under the requirements of the Companies Act 2006, it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. In such circumstance, the pre-combination results would be those of C1 2014 Limited and its subsidiary undertakings from 27 November 2014. This would portray the combination as an acquisition of C1 Acquisitions Limited by C1 2014 Limited, and would, in the opinion of the Directors, fail to give a true and fair view of the substance of the restructure.

Accordingly, the Directors have adopted merger accounting as the basis of consolidation. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up for the 52 weeks to 25 September 2016 and the 52 weeks to 27 September 2015 respectively.

Unlike acquisition accounting, using merger accounting net assets, which includes the issue of shares, are not restated to fair value, and as such any difference arising on consolidation does not represent goodwill but is deducted, or added to, reserves within the 'merger reserve'.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Investment in subsidiary

Investments are initially recognised at cost plus directly attributable transactions costs. The carrying value of the investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Business combinations

Under the requirements of IFRS 3 (revised), 'Business Combinations'; other than noted above all business combinations are accounted for using the acquisition method. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer less any costs directly attributable to the business combination.

On acquisition of a subsidiary, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at that date. Any excess of the cost of acquisition over the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) would be credited to the Consolidated Statement of Comprehensive Income in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue

Revenue consists of sales to customers and franchise income excluding sales tax.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2 ACCOUNTING POLICIES (continued)****Revenue (continued)**

Sales to customers represent amounts received or receivable for goods and services provided in the normal course of business (net of VAT and voluntary gratuities left by customers for the benefit of employees). Revenue is recognised at the point of delivery of goods and services to customers.

Franchise income comprises store opening fees and on-going fees. Store opening fees are negotiated between both parties and the precise terms are specific to each franchise agreement. Store opening fees are payable prior to the opening of each store and are recognised at that time. The first store opening fee is usually higher than subsequent store opening fees reflecting the substantial transfer of value that occurs between the Group and the franchisee prior to the opening of the first store. On-going fees are based on a percentage of franchisee turnover and are recognised throughout the year.

Pre-opening expenses

The Group incurs expenditure on the creation and marketing of new cafes and food shops prior to opening to the public and generating revenue. These costs are expensed in the period incurred.

Income taxes

In accordance with IAS 12, income taxes, current taxes and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and legislation that is enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. The balance sheet method is used to calculate the deferred tax, on an undiscounted basis, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and legislation that is enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that there will be sufficient taxable profit available to offset against the deductible temporary differences, carried forward tax credits or losses. Deferred tax is charged or credited directly to the Statement of comprehensive Income unless it relates to items charged or credited to equity in which case it is also accounted for within equity.

Pensions

The Company contributes to defined contribution schemes for qualifying employees. The Company has no exposure to defined benefit pension schemes.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

Goodwill

Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the net identifiable assets and liabilities of the acquired business at the date of acquisition.

Goodwill is recognised as an asset when the cost of acquisition is greater than the fair value of the net identifiable assets and liabilities. The asset is reviewed for impairment at least annually and goodwill is allocated to cash generating units for the purpose of impairment testing at the level of reportable segment. Any impairment would be recognised immediately in the Statement of comprehensive Income and is not subsequently reversed. Goodwill is carried at cost less aggregated impairment losses.

When the fair value of the net assets identified is greater than the cost of acquisition as a result of a bargain purchase, the resulting credit is immediately recognised in the Statement of comprehensive Income.

Other intangible assets

Intangibles acquired separately and through business combinations, i.e. licences and other intangible assets, where material, are included at cost or fair value respectively and amortised over their useful economic lives:

Brands, Franchise contracts and Reacquired rights

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition costs. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2 ACCOUNTING POLICIES (continued)****Other intangible assets (continued)**

The estimated useful lives are as follows:

Brands	25 years
Franchise contracts	9 years
Reacquired rights	14 years

Computer software

Computer software is stated at cost less accumulated amortisation and any impairment loss. Externally acquired or developed software and software licences are capitalised at the cost of bringing the software into use within the business. Computer software is only capitalised when it is separately identifiable and is not bundled with any computer hardware. Software that is bundled with hardware is treated as an integral part of the hardware and classified within property, plant and equipment. Computer software is considered to have a finite economic life of 3 years and is amortised over this period on a straight line basis through the cost of sales line or the administrative expenses line in the Statement of Comprehensive Income. The classification is dependent on where the software is used: if in the cafes then amortisation is classified as part of cost of sales; if in the Head Office then as part of administrative expenses.

Trademarks

Where the Group incurs costs that protect the Carluccio's trademark in various territories around the World, such costs are capitalised and amortised over their estimated useful lives. Trademarks are stated at cost less accumulated amortisation and any impairment loss. Trademarks are considered to have a useful life of between 6 and 20 years. The resultant amortisation is included within administrative expenses in the Statement of Comprehensive Income.

The Group does not carry out research and development activities that may lead to the recognition of internally generated intangible assets. The Group's internally generated brands represent commercially valuable intangibles but are not eligible for recognition as assets under IAS 38, 'Intangible Assets'.

Impairment

The Group considers at each balance sheet date whether there is any indication that assets have become impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the recoverable amount. If the carrying value of the asset is higher than the recoverable amount (higher of value in use and fair value less costs to sell), a provision for impairment is made and charged to the Statement of Comprehensive Income. In subsequent years, a previously recognised impairment provision may be reversed in whole or in part if there has been a change in the estimates used to determine the asset's recoverable amount.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Development costs

Costs associated with the development and opening of new Carluccio's restaurants in relation to certain staff, where their time is directly attributable to the development of specific assets have been capitalised.

Depreciation

Depreciation is calculated to write down the costs of assets over their estimated useful economic lives using the straight line method. The estimated useful lives are as follows:

Leasehold improvements	5 to 35 years, according to lease terms
Furniture, fixtures, CCU* and computer equipment	3 to 10 years
Development costs	in accordance with the lease terms

*Crockery, cutlery and utensils

Depreciation is charged to cost of sales in the Consolidated Statement of Comprehensive Income if the asset is used in the cafes and charged to administrative expenses in the Consolidated Statement of Comprehensive Income if the asset is used in Head Office.

Assets in the course of construction are not depreciated until the asset is ready for use.

The Group considers at each balance sheet date whether there is any indication that assets have become impaired.

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Impairment

If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the recoverable amount. If the carrying value of the asset is higher than the recoverable amount (higher of value in use and fair value less costs to sell), a provision for impairment is made and charged to the Statement of Comprehensive Income. In subsequent years, a previously recognised impairment provision may be reversed in whole or in part if there has been a change in the estimates used to determine the asset's recoverable amount.

Dividends and non-cash distributions

Dividends and non-cash distributions to holders of equity instruments are recognised in the financial statements when appropriately authorised for payment and no longer at the discretion of the Directors.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rates as at the dates of the initial transactions. Transactions in foreign currencies are translated into Sterling at a rate ruling on the date of the transaction unless a contracted rate has been negotiated, in which case that rate is used.

A number of subsidiaries within the Group have a non- sterling functional currency. The financial performance and end position of these financial entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the applicable rate at the balance sheet date. Transactions reported in the Statement of comprehensive Income are translated at a rate which equates to an average rate over the year.

The difference that arises from translating the results of foreign subsidiaries at average rates of exchange and their assets and liabilities at closing rates are dealt with in a separate component of equity and disclosed within Other Comprehensive Income.

Leases

Finance Leases

Leases classified as finance leases are those where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. After examining its portfolio of property leases, the Group has determined that none of its leases satisfy the criteria for classification as a finance lease and accordingly all property leases have been classified as operating leases.

Operating Leases

Leases other than those classified as finance leases are included as operating leases. The minimum lease payments under the terms of a lease are charged to the Statement of comprehensive Income on a straight line basis over the lease term. To the extent that any turnover based rent is payable, this is recognised when the liability arises.

Lease premiums

Lease premiums are usually paid as consideration to a landlord or an outgoing tenant of a property before the expiry of the lease term on that property. These payments are treated as prepaid operating lease costs and classified as such. These costs are subsequently amortised over the length of the lease term.

Lease incentives

The Group is able to secure lease incentives, such as rent-free periods for example, on certain of its properties by negotiation with the landlord. Lease incentives are deferred and amortised over the full lease term. They are included within current and non-current accruals on the balance sheet.

Onerous Leases

Where unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to dispose of the inventory.

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for irrecoverable amounts.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Short-term deposits are classified as such where the original maturity of the deposit is 3 months or less.

Financial liabilities

The Group's financial liabilities consist of trade and other payables, accruals and loan note instruments. All of which, are initially recognised at fair value and subsequently carried at amortised cost.

The parent company has unsecured loan notes which are listed on the Cayman Island Stock Exchange.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 30.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss within foreign exchange immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining contractual period to maturity, of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Non-trading Items

The Group classifies items of income and expenses outside of Administrative Expenses, where the nature of the item is deemed significant in terms of size or nature that separate disclosure would aid the readers understanding of the financial statement. Such items include the impairments of assets and the losses following disposal of stores which are not deemed to be exceptional.

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount and impairment losses are recognised in the Statement of comprehensive income.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the directors to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed in more detail below.

(a) Accruals

In order to provide for all valid liabilities which exist at the balance sheet date, an estimate is made and accrued for certain costs or expenses which have not been invoiced and therefore the amount of which cannot be known with certainty. Such accruals are based on the best judgement and past experience of the Directors. Delayed billing in some significant expense categories such as utility costs can lead to sizeable levels of accruals. The total value of accruals as at the balance sheet date is set out in note 23.

NOTES TO THE FINANCIAL STATEMENTS (continued)**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****(b) Useful lives of property, plant and equipment**

Property, plant and equipment are depreciated over their estimated useful lives. Useful lives are based on the Directors' estimates of the period that the assets will generate revenue and are periodically reviewed for continued appropriateness. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the Statement of comprehensive Income as depreciation in a particular period. The current rates of depreciation are set out in the accounting policies.

(c) Deferred taxation

The deferred tax liability provided in the accounts is based on temporary differences between the tax written down values of assets and liabilities in the accounts and their carrying values in the accounts and as such, it is dependent on assumptions made in the corporation tax computations. The assumptions on the proportion of certain elements of capital expenditure which will be eligible for tax relief are subjective and the final amounts agreed with HMRC could differ from the provision currently made in the financial statements.

(d) Onerous Leases

Provisions for onerous lease commitments are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and the amount can be measured reliably.

The Directors provide for onerous obligations under operating leases where the property is closed, vacant or not generating returns in excess of its minimum lease rentals. Provision is made for rent and other property related costs for the period the Directors believe a sub-let or assignment of the lease is not probable.

The estimated timings and amounts of relevant cash flows are determined using the experience of internal and external property experts. Any changes to the estimated method of exiting from the property could lead to significant changes to the level of the provision recorded.

(e) Asset Impairment

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial period end.

Intangible assets with indefinite useful lives are tested for impairment annually in accordance with IAS 36. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model for which it has been necessary to make a number of assumptions and estimates. These assumptions and estimates cover critical areas such as future cash flows arising from future business performance, and rely in part on past performance providing a good guide to future performance. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The actual results may differ materially from these assumptions and estimates and therefore the actual impairment loss may be different from that provided for.

The key assumptions used to determine the fair value of intangible assets and goodwill, including sensitivity analysis, are disclosed and further explained in note 13.

In reviewing tangible assets for impairment in accordance with IAS 36, it has been necessary to make estimates and judgements regarding the future performance and cash flows generated by individual trading units which cannot be known with certainty. Past performance will often be taken as the best available guide to future performance, unless it is known that the circumstances surrounding a particular trading unit have changed. Consideration has been made of revenue growth rates, outcomes of future rent reviews and changes in internal performance among other requirements. Where the circumstances surrounding a particular trading unit have changed or will change in the future then it can be even more difficult to forecast future performance. For these reasons the actual impairment required in the future may differ from the charge made in the financial statements. Details of any impairment charge required in the financial statements are provided in note 11.

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION

Revenue is attributable to the principal activity of the Group, which is carried out substantially in the United Kingdom.

The Group operates in one business sector (cafe and food shops) and in substantially one geographical market (the United Kingdom), therefore no segmental information is presented.

5 OTHER OPERATING INCOME

On 1 April 2015, a site closed following a substantial fire. In the prior year, insurance funds of £250,000 were received against the £264,000 loss on disposal of assets, the net loss was included within 'Loss on disposal/Impairment' (see note 11) and £534,000 was received in respect of business interruption which was included within revenue. This has been reclassified in to 'Other Income' within the comparative figures. In the current year, a further £185,000 relating to business interruption was received and classified to 'Other Income'. Additionally, £778,000 relating to material damage and £30,000 for inventory loss was received, this has been included as 'Profit on disposal' (see note 11).

In the prior year, £102,000 was received in respect to assigning an underlease on a separate site.

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Operating lease rentals for land and buildings – minimum contract amounts	11,758	10,777
Operating lease rentals for land and buildings – turnover based amounts	2,209	2,284
Amortisation of intangible assets	3,044	2,912
Depreciation of property, plant and equipment	7,819	6,723
Amortisation of prepaid operating lease charges	264	268
Net foreign exchange currency differences	(90)	(107)
Movement on onerous lease provision	240	(22)

The Group paid the following amounts to the company's auditors in respect of the audit of the financial statements and for other services provided to the Group:

Group	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Audit of the financial statements	10	10
Audit of subsidiaries	85	89
Total audit	95	99
Other services	78	9
Total fees	173	108

'Other services' in the current year include tax compliance services and other tax advisory services. The audit and non-audit services incurred in the year ended 27 September 2015 were payable to Ernst & Young LLP. 'Other services' in prior year related to other assurance services.

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 FINANCE EXPENSE

Group	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 Restated* £'000
Bank interest	299	244
Loan note interest	14,352	13,034
Unwinding of discount on provisions	29	41
Total finance expense	<u>14,680</u>	<u>13,319</u>

*The prior period figures have been restated to correct a prior period accounting error in the calculation of the effective interest rate on the loan notes. As a result, the prior period interest charge has been reduced by £660,000, and the loan note amount due, including accrued interest has been reduced by £2,972,000 at 27 September 2015.

8 INCOME TAX BENEFIT

	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 Restated* £'000
UK Corporation tax		
Current tax on profits for the period	-	84
Adjustment in respect of prior periods	<u>(7)</u>	<u>174</u>
Total current tax	(7)	258
Deferred tax		
Current period deferred tax movements	(1,863)	80
Unwinding of deferred tax on acquired intangible assets	(516)	(602)
Prior period (over)/under provisions	<u>(65)</u>	<u>(135)</u>
Total deferred tax	<u>(2,444)</u>	<u>(657)</u>
Total credit for the period	<u>(2,451)</u>	<u>(399)</u>

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INCOME TAX BENEFIT (continued)

The credit for the year can be reconciled to the loss in the Statement of comprehensive Income as follows:

	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 Restated* £'000
Loss before taxation	(19,970)	(12,586)
Loss on ordinary activities multiplied by effective rate of corporation tax in the UK of 20% (2015: 20.51%)	(3,994)	(2,581)
Adjustments for the effect of:		
Expenses not deductible for tax purposes	2,965	2,224
Impact of tax rate change on acquired intangible assets	(1,313)	-
Difference due to change in tax rates	(565)	-
Deferred tax not recognised	521	(318)
Current tax - adjustment in respect of prior periods	8	174
Deferred tax - adjustment in respect of prior periods	(80)	(135)
Unrecognised brought forward tax losses utilised	(27)	-
Exchange difference arising on opening/closing amounts of gross temporary differences	(2)	-
Difference in foreign tax rates	36	237
Total credit for the period	(2,451)	(399)

The Finance (No.2) Act 2015 introduced a reduction in the main rate of the corporation tax from 20% to 19% from April 2017 and from 19% to 18% from April 2020. On 16 March 2016, it was announced that the rate would fall a further 1% to 17% by 1 April 2020. Since these reductions have been substantively enacted the deferred tax provision at the balance sheet date has been calculated using 17%.

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to note 7.

9 EMPLOYEES

Group	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Staff costs (including directors) consist of:		
Wages and salaries	52,346	50,029
Social security costs	3,812	3,500
Other pension costs	362	321
	56,520	53,850

The average monthly number of persons, including executive directors, employed by the Group during the period was:

Group	52 weeks ended 25 September 2016 Number	52 weeks ended 27 September 2015 Number
Administration	95	87
Caffe & Food Shops	3,036	2,955
	3,131	3,042

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 RELATED PARTY TRANSACTIONS

Related party transactions during the period comprised compensation of directors, regarded as key management personnel, and transactions with the Middle East franchises, which are held by the Landmark Group, the Company's parent group.

Directors	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Emoluments	1,172	1,220
Contributions to money purchase pension schemes	14	42
	<u>1,186</u>	<u>1,262</u>

The remuneration of directors disclosed above include the following amounts paid to the highest paid director:

	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Emoluments	418	409
Contributions to money purchase pension schemes	-	17
	<u>418</u>	<u>426</u>

During the period, 1 directors (2015: 4) accrued benefits under money purchase pension schemes.

Franchised undertakings

During the period ended 25 September 2016, the Group entered into transactions with franchisees owned by the Landmark Group.

Middle East

On 21 July 2008, the Company granted a franchise to Landmark Food Limited, a subsidiary of the Landmark Group, one of the largest retail conglomerates in the Middle East. The agreement is for an initial ten year period with the possibility of a further ten year extension. The development rights are for seven countries in the Middle East. The first Carluccio's opened in March 2009 in Dubai. During the period ended 25 September 2016 one site was closed. As at year end there are ten sites (2015: eleven sites) operating in Dubai and one site (2015: one site) operating in Qatar.

Turkey

On 27 September 2011, the Company granted a franchise agreement to Carluccio's Gida Ve Restoran Isletmeciligi San. Ve Tic. Ltd. Sti, a company incorporated in Turkey. The agreement is for an initial ten year period with the possibility of a further ten year extension. During the period ended 25 September 2016 two sites were closed and no additional sites were opened. As at year end there are three sites (2015: five sites) operating in Turkey.

Amounts recharged to the Landmark group and balances at the period end are as follows:

	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Sales commission	878	852
Opening fees	-	30
Recharged costs	69	183
	<u>947</u>	<u>1,065</u>

Of these transactions, £113,000 remains outstanding at the year end (2015: £107,000).

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 RELATED PARTY TRANSACTIONS (continued)

Subsidiary

The Company has entered into transactions with Carluccio's Limited, the wholly owned subsidiary of the Company's immediate subsidiary C1 Acquisitions Limited. Transactions entered into and balances at the period end are as follows:

	52 weeks ended 25 September 2016 £'000	52 weeks ended 27 September 2015 £'000
Recharged costs	-	214
	<hr/>	<hr/>
	-	214

As at the year end, £214,000 was owed to Carluccio's Limited from C1 2014 Limited (2014: £214,000).

Ultimate parent undertaking

On 27 November 2014 the Group completed a share capital reorganisation which resulted in the formation of new holding company, C1 2014 Limited, acquiring 100% of the share capital of C1 Acquisitions Limited for a share for a mixture of equity and cash as well as a transfer of management loan notes to Landmark Retail Holdings 1 Limited, the ultimate parent company.

During the period ended 25 September 2011, the Company issued loan notes to the value of £83,512,000 to its ultimate parent undertaking. These loan notes accrue interest at 10%, which is compounded quarterly. At the period end the outstanding balance, including accrued interest, on the existing loan notes and transferred loan notes from management to the ultimate parent undertaking (see notes above) was £153,294,000 (2015 restated: £138,941,000). Transactions with related parties are made at normal market prices. Outstanding balances with the franchises are unsecured, interest free and cash settlement is expected within 30 days of invoice.

11 NON-TRADING ITEMS

Group	2016 £'000	2015 £'000
Fixed asset impairment	(5,409)	(1,972)
Profit/(Loss) on disposal of property, plant & equipment	297	(441)
Provision for onerous leases	(240)	-
	<hr/>	<hr/>
	(5,352)	(2,413)

Fixed asset impairment

In accordance with IAS36 Impairment of Assets, the Group has carried out a review of the carrying values of plant, property and equipment, taking into consideration the current trading performance and anticipated future cashflows discounted at a pre-tax rate of 9% in order to assess whether there is any indication of impairment. Assets are carried at their recoverable amount which is the higher of fair value less costs to sell or their economic use in the business. When a trading units recent performance and anticipated cashflows would suggest that it may have no economic value in use to the business, it has been valued at net realisable value based on the Directors' experience of the commercial property market and their view of its likely value on disposal.

As a result of the above process, a provision for impairment of £5,409,000 (2015: £1,972,000) has been made against the book value of twelve (2015: six) properties.

Profit/(Loss) on disposal of property, plant & equipment

During the period two sites closed (2015: two), one site was previously impaired the other site generated the loss of disposal of fixed assets of £523,000. Insurance proceeds of £820,000 in respect to a store which closed following a fire in the prior year were received in the year. In prior year the net book value of disposed assets from the site was £264,000, for which £250,000 of insurance funds was received in the same year. The insurance funds were offset against the loss on disposal. In the prior year, the Company ceased trading at a poor performing site and assigned an underlease to a secondary party; the associated loss on disposal of property, plant & equipment was £422,000.

C1 2014 Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 NON-TRADING ITEMS (continued)

Provision for onerous leases

At the balance sheet date there are two (2015: one) onerous leases. A provision of £170,000 has been made against a site closed in the current period. The remaining £70,000 relates to the movement on the second onerous lease. In the prior year, a release of £22,000 on the provision was included within Administrative Expenses. Due to the size and nature of the expense it is deemed more appropriate to disclose the expense within 'Non-trading items' in the current year.

12 INVESTMENTS

The Company has an investment in the following subsidiary undertakings:

Name	Incorporated in	Ordinary shares % owned	Principal activities
C1 Acquisitions Limited	UK	100	Italian cafes & foodshops

C1 Acquisitions Limited directly owns all the issued ordinary shares of Carluccio's Limited. Unless otherwise stated Carluccio's Limited directly owns all the issued ordinary shares of the following:

Name	Incorporated in	Principal activities
Carluccio's Ireland Limited	Ireland	Italian cafes & foodshops
Carluccio's USA Limited	UK	Management of investment in USA and general partner in USA GP
Carluccio's USA Incorporated *	USA	Managing partner in USA GP
Carluccio's USA GP *	USA	Italian cafes & foodshops in USA

* Owned by Carluccio's USA Limited

13 GOODWILL

£'000

Cost and net book value at 28 September 2014 and 27 September 2015 30,922

Cost and net book value at 25 September 2016 30,922

Goodwill arose on the purchase of Carluccio's Limited by C1 Acquisition Limited in 2010. Under IAS 36 the resulting goodwill is required to be subject to an annual impairment test

Impairment of goodwill

For the purposes of the annual impairment review, the recoverable amount has been estimated on the Value In Use ("VIU") basis. The Group estimates the VIU of its subsidiary using a discounted cash flow model ("DCF"), which discounts management's expected cash flows over a 5 year period using a post-tax discount rate of 9% (2015: 9%). Cash flows beyond the five year period are extrapolated using the average growth rate of 2% (2015: 2.0%). Management recognise that the leisure market growth rates fluctuate both above and below this rate in the short-term.

The VIU calculations have not included the benefits arising from any future asset enhancement expenditure, as this is not permitted by IAS 36. The VIU calculations, therefore, exclude any benefits anticipated from future asset enhancing refurbishments, together with the related capital expenditure.

Management have performed the annual impairment review of goodwill as required by IAS 36 and have concluded that no impairment is indicated with the fair value of goodwill exceeding the book value of £32.4m.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 GOODWILL (continued)****Key assumptions and sensitivity to changes in assumptions**

The key assumptions are based upon management's historical experience. The calculation of VIU is most sensitive to the following assumptions:

- Sales and EBITDA - this is based on reasonable forecasts for the first year. These have then been forecast for years two to five based on expected sales trends. A -20% reduction in EBITDA would result in impairment.
- Discount rate - post-tax discount rate of 9% reflects the Directors estimate of an appropriate rate of return, taking into account the relevant risk factors. A +5% variance in discount rate would result in impairment.
- Growth rate - used to extrapolate beyond the budget period and for terminal values - based upon a long-term average growth rate of 2.0%. A -2.0% long-term average growth rate will result in impairment.

Management believe that no reasonably possible change in key assumptions would lead to an impairment of goodwill.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14 OTHER INTANGIBLE ASSETS

Group	Brand £'000	Franchise Contracts £'000	Reacquired Rights £'000	Trademarks £'000	Computer software £'000	Total £'000
COST						
At 28 September 2014	47,471	3,761	466	65	1,787	53,550
Additions	-	-	-	-	606	606
Disposals	-	-	-	-	-	-
Foreign exchange	-	-	-	-	(2)	(2)
At 27 September 2015	47,471	3,761	466	65	2,391	54,154
Additions	-	-	-	5	502	507
Disposals	-	-	-	-	(521)	(521)
Foreign exchange	-	-	-	-	15	15
At 25 September 2016	47,471	3,761	466	70	2,387	54,155
AMORTISATION						
At 28 September 2014	7,570	1,665	33	14	790	10,072
Charge for the period	1,892	416	33	7	564	2,912
Disposals	-	-	-	-	-	-
Foreign exchange	-	-	-	-	1	1
At 27 September 2015	9,462	2,081	66	21	1,355	12,985
Charge for the period	1,892	416	25	7	704	3,044
Disposals	-	-	-	-	(505)	(505)
Impairment	-	-	-	-	5	5
Foreign exchange	-	-	-	-	(48)	(48)
At 25 September 2016	11,354	2,497	91	28	1,511	15,481
NET BOOK VALUES						
At 25 September 2016	36,117	1,264	375	42	876	38,674
At 27 September 2015	38,009	1,680	400	44	1,036	41,169
At 28 September 2014	39,901	2,096	433	51	997	43,478

Brand, franchise contract intangible assets have been recognised on acquisition of Carluccio's Limited, in line with IFRS 3. On 24 October 2013 the Group completed the purchase of 100% of the share capital of Carluccio's Ireland Limited. As part of the transaction, the Irish franchise agreement was cancelled and thus deemed disposed of. The disposal of the franchise contracts resulted in the addition of reacquired rights, in line with IFRS 3.

Trademarks additions in the year relate to payments made to licence the use of the Carluccio's brand. Computer software intangible assets held by Carluccio's Ireland at the point of acquisition by the Carluccio's Limited have been recorded at book value, which approximates fair value at that point. Additions in the year relate to the purchase of business intelligence software and a bespoke logistics platform.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvements £'000	Furniture, fixtures, CCU and computer equipment £'000	Assets in the course of construction £'000	Total £'000
COST				
At 28 September 2014	47,923	22,151	1,785	71,859
Additions	7,285	5,176	850	13,311
Disposals	(1,435)	(975)	-	(2,410)
Reclassification	1,409	230	(1,639)	-
Foreign exchange	(116)	13	4	(99)
At 27 September 2015	55,066	26,595	1,000	82,661
Additions	7,740	5,442	1,919	15,101
Disposals	(1,013)	(7,991)	(66)	(9,070)
Reclassification	393	112	(505)	-
Foreign exchange	764	121	20	905
At 25 September 2016	62,950	24,279	2,368	89,597
DEPRECIATION				
At 28 September 2014	7,625	9,088	-	16,713
Charge for the period	3,087	3,636	-	6,723
Disposals	(840)	(629)	-	(1,469)
Impairment	1,972	-	-	1,972
Foreign exchange	(49)	(8)	-	(57)
At 27 September 2015	11,795	12,087	-	23,882
Charge for the period	3,532	4,287	-	7,819
Disposals	(568)	(7,589)	-	(8,157)
Impairment	5,131	273	-	5,404
Reclassification	45	(45)	-	-
Foreign exchange	132	88	-	220
At 25 September 2016	20,067	9,101	-	29,168
NET BOOK VALUE				
At 25 September 2016	42,883	15,178	2,368	60,429
At 27 September 2015	43,271	14,508	1,000	58,779
At 28 September 2014	40,298	13,063	1,785	55,146

Included within Leasehold Improvements are £447,000 (2015: £316,000) of capitalised salary costs

Fixed Asset Impairment

As discussed in Note 11, in accordance with IAS 36 the Company has carried out its impairment review of the carrying value of property, plant and equipment, taking into account the current trading performance and anticipated future cashflows discounted at a 9% pre-tax rate from individual cash generating units (locations). For twelve locations, the recent performance and anticipated future cash flows indicated that they had no value in use to the business and accordingly, the directors have written down the assets to their fair value. Using the directors' knowledge and experience of the restaurant market, the carrying value for these locations has been written down by £5,404,000 (2015: £1,972,000). This reflects the value of the equipment that cannot be transferred and used in other locations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 PREPAID OPERATING LEASE CHARGES

Group	2016 £'000	2015 £'000
Held within non-current assets	2,202	2,458
Held within current assets	252	260
	<u>2,454</u>	<u>2,718</u>

Prepaid operating lease charges represent lease premiums paid for the acquisition of prime sites, which are charged to the cost of sales line of the Statement of comprehensive Income over the period of the lease.

17 INVENTORIES

Group	2016 £'000	2015 £'000
Raw materials	502	898
Finished goods and goods for resale	1,577	3,181
	<u>2,079</u>	<u>4,079</u>

In the Directors' opinion, there is no material difference between the replacement cost of the inventories and the amounts stated above.

The group expensed inventory of £48,261,000 (2015: £43,545,000) in the Statement of comprehensive Income in the period.

18 TRADE AND OTHER RECEIVABLES

Group	2016 £'000	2015 £'000
Trade receivables	1,336	673
Related party receivables	160	144
Other receivables	1,752	936
	<u>3,248</u>	<u>1,753</u>

All amounts are expected to be received within one year. Other receivables include payments made in respect of stores which have yet to open.

19 CASH AND SHORT TERM DEPOSITS

Group	2016 £'000	2015 £'000
Cash at bank and on hand	2,873	2,329
	<u>2,873</u>	<u>2,329</u>

20 LOANS AND BORROWINGS

The Group has in place a four year £8,000,000 revolving loan facility (2015: £8,000,000). The facility is available until July 2018. Drawings will have 2.5% over LIBOR (London InterBank Offering Rate) p.a. interest rates applied to them. The facility is multi-currency.

As at the end of the period, the Group had drawn £5,000,000 (2015: £5,000,000) on the loan facility.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 TRADE PAYABLES

Group	2016 £'000	2015 £'000
Trade payables	6,898	7,425
	<u>6,898</u>	<u>7,425</u>

All amounts fall due for payment within one year.

22 OTHER TAXES AND SOCIAL SECURITY

Group	2016 £'000	2015 £'000
Value Added Tax	3,233	3,557
Payroll taxes	1,088	1,078
	<u>4,321</u>	<u>4,635</u>

All amounts fall due for payment within one year.

23 ACCRUALS AND DEFERRED INCOME

Group	2016 £'000	2015 £'000
Held within current liabilities:		
Accruals	8,896	6,430
Deferred rent	<u>141</u>	<u>193</u>
	9,037	6,623
Held within non-current liabilities:		
Deferred rent	<u>6,494</u>	<u>4,595</u>
	6,494	4,595
Total accruals and deferred income	<u>15,531</u>	<u>11,218</u>

24 DEFERRED TAX

Group	2016 £'000	2015 £'000
At the start of the period	11,085	11,742
Credit to statement of comprehensive income (see note 7)	(2,444)	(657)
At the end of the period	<u>8,641</u>	<u>11,085</u>
The deferred tax liability can be analysed as follows:		
Depreciation in excess of capital allowances	1,736	2,426
Other timing differences	(18)	(13)
Deferred tax on intangible assets	6,923	8,672
	<u>8,641</u>	<u>11,085</u>

In the current period, an asset of £340,000 (2015: £312,000) relating to unutilised losses was not recognised as it was not expected to be recovered in the foreseeable future.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

25 PROVISIONS

Group	2016 £'000	2015 £'000
Balance at the beginning of the year	312	414
Utilised in period	(136)	(121)
Provided in the period	240	-
Released unutilised in period	-	(22)
Unwinding of discount rate	29	41
Balance at the end of the year	445	312
Current	269	88
Non-current	176	224
	445	312

Provision for onerous leases

Provisions for onerous leases represent onerous commitments on operating leases for properties currently vacant or closed. Provision is made for rent and related property costs for the period the Directors estimate the property would not be sub-let, or until an assignment of the lease is made. At year end there are two (2015: one) onerous leases.

In the period, management evaluated the assumptions surrounding the anticipated costs and related items in respect of the onerous lease provision. This has resulted in an increase of £240,000 being provided in the period (2015: release of £22,000). The movement in the current year has been taken within non-trading items (see note 11).

The amount and timing of the cash outflows relating to onerous leases are subject to variations. In estimating the amount and timing of cashflows, the Directors utilise the skills and experience of both internal and external property specialists, and are satisfied that the resulting estimated provision is appropriate. Onerous lease provisions have been discounted at post-tax rate of 9% (2015: 9.0%).

26 SHARE CAPITAL

	Authorised, allotted, called up and full paid			
	2016 Number (‘000)	2016 £'000	2015 Number (‘000)	2015 £'000
'A' Ordinary shares of 0.01p each	1,000	10	1,000	10
'B' Ordinary shares of 0.01p each	260	3	260	3
'C' Ordinary shares of 0.0001p each	534	0	534	0
	1,794	13	1,794	13

Movements in share capital

	Number (‘000)	£'000
At 18 November 2014 (date of incorporation)	-	-
Issued on exercise of shares	1,794	13
At 27 September 2015	1,794	13
At 25 September 2016	1,794	13

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27 CAPITAL COMMITMENTS

Group	2016 £'000	2015 £'000
Capital commitments contracted but not provided for in the financial statements:	1,233	916

Unprovided capital commitments relate to the construction costs of sites scheduled to open after the period end and of sites with committed refurbishments.

28 FUTURE COMMITMENTS UNDER OPERATING LEASES

The total future rental payments outstanding under non-cancellable operating leases as at 25 September 2016 are set out below:

Group	Land and buildings 2016 £'000	2015 £'000
Within 1 year	12,530	11,565
Within 2 to 5 years	50,097	46,550
After 5 years	120,608	116,522
	<u>183,235</u>	<u>174,637</u>

Leases for land and buildings are subject to rent reviews. Rent agreements on 49 sites (2015: 39) includes an element of contingent or turnover related rent. This is excluded from the commitments above as the Group is not committed to these payments at the balance sheet date.

The Group has commitments in respect of letters of credit to the US based landlords of \$627,186 (2015: \$275,000).

29 PENSIONS

The Group makes contributions to personal pension plans of directors. Carluccio's Limited makes pension contributions on behalf of all employees that have chosen not to opt out of pension contributions under the new auto-enrolment pension legislation. The Company also makes contributions towards a number of personal pension plans that are defined contribution schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The Group pension charge for the period was £362,000 (2015: £321,000). There were £108,000 of contributions outstanding at the period end (2015: £63,000) which are included in 'Accruals and deferred income'. The prior year amount has been reclassified between 'Other taxes and social security' and 'Accruals and deferred income' for consistency.

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group is exposed to certain risks arising from its use of financial instruments. IFRS 7 requires that the Group provides the following disclosures on its financial assets and liabilities as set out on the following pages.

The Group's financial assets and liabilities are shown on the face of the balance sheet and in the table below.

Group	2016 £'000	2015 Restated** £'000
Financial assets – loans and receivables: current		
Trade and other receivables	3,248	1,753
Cash and cash equivalents	2,873	2,329
Derivative Financial Instruments * - Current	-	2
	<u>6,121</u>	<u>4,084</u>
Financial liabilities		
Bank loans and borrowings	5,000	5,000
Trade payables - Current	6,898	7,425
Accruals- Current	8,896	6,430
Loan notes** - Non-current	153,294	138,914
	<u>174,088</u>	<u>157,769</u>

* Derivative financial instruments are forward currency contracts, see currency risk below for details.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

****** The loan notes are unsecured, accrue interest at 10%, which compounds quarterly, and fall due for repayment 12 October 2017. Included within the amount above is unpaid interest of £68,193,000 (2015 restated: £53,840,000). These loan notes comprise the entirety of the Company's non-current liabilities. All loan notes in issue are subject to interest at fixed rates and therefore not subject to movements in market interest rates.

Excluding the derivative financial instruments which are carried at fair value, in the opinion of the Directors there is no material difference between the book value and the fair value of any of the financial instruments. Derivative financial instruments are measured at fair value and are categorised within level 1 of the fair value hierarchy.

The Group has some exposure to credit risk, interest rate risk, liquidity risk and currency risk. There has been no material change to the financial instruments used within the business during the period and therefore no material changes to the risk management policies put in place by the Board.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day to day responsibility for designing and operating systems and controls which meet these risk management objectives to the finance and administration function. The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Group's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2015 and 2014.

Group	2016 £'000	2015 £'000
Trade and other receivables are due:		
Current	2,588	1,625
Within 30-60 days	507	49
Within 61-90 days	128	45
91 days and over	25	34
	<u>3,248</u>	<u>1,753</u>

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. In practice, the Group has limited exposure to credit risk as the receivables in the balance sheet are predominantly receivable from established customers or landlords. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the risk of default is considered to be low. As a result, there are no material debts which are past due, and no provision for doubtful debts has been made in the financial statements.

Group policy is that cash collected at its locations is banked on a regular and frequent basis to ensure that security risks are minimised and that cash resources are utilised efficiently. Cash is deposited with UK-based financial institutions, in funds that are readily converted into known amounts of cash and the credit risk on such assets is considered to be low.

Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Group's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Surplus funds are invested in short-term secured accounts such that the Group is not unduly exposed to market interest rate fluctuations.

Interest income received on such deposits in the period amounted to £5,000 (2015: £2,000) and represented 0.02% (2015: 0.02%) of loss before taxation adjusted for interest receivable. A two percentage point movement in market interest rates would not have had a material impact on profits in either the current or comparative periods.

Loan notes in issue are subject to interest at fixed rates and therefore not subject to movements in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital, including cash and cash equivalents and fixed term deposits. The Board's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as and when they become due.

Detailed budgeted cashflow forecasts are prepared for the Board setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on its cash balances.

The Group has entered into an £8,000,000 revolving loan facility (2015: £8,000,000). The facility is available until July 2018. Drawings will have variable interest rates applied to them linked to the relevant LIBOR (London InterBank Offering Rate). The facility is multi-currency.

As at the end of the period, the Group had drawn £5,000,000 (2015: £5,000,000) on the loan facility. In addition the Group has access to an overdraft facility of £5,000,000 (2015: £5,000,000).

Group	2016 £'000	2015 £'000
Trade payables and accruals are due for settlement:		
Current	9,061	9,413
Within 30-60 days	6,561	4,279
Within 61-90 days	135	-
91 days and over	153,331	139,105
	<u>169,088</u>	<u>152,797</u>

Currency risk

The Group sources some of its products directly from Italy and is therefore exposed to this risk and the risk of fluctuations in the rate of exchange between the Euro and the Pound Sterling.

The directors have considered this risk and have chosen at times to mitigate the associated currency risk by buying contracts for Euros in the forward foreign exchange markets at confirmed exchange rates. Contracts can vary in length from several days to 6 months. The fair value of the forward exchange contract outstanding at the end of the period of £nil (2015: an asset of £2,000). The fair value of the Derivative financial instruments has been charged to the Statement of comprehensive income within Other Comprehensive Income.

The following table demonstrates the sensitivity to reasonable possible change in the Sterling against the Euro exchange rate with all other variables held constant, of the Group's profit before tax (due to foreign exchange translation of monetary assets and liabilities):

	2016 £'000	2015 £'000
Change in Sterling vs. Euro rate:		
+10%	3	4
-10%	(3)	(4)

Capital

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

The primary objective of the Group is to maximise the return for equity shareholders through a combination of capital growth and equity distributions. In order to achieve its objectives in this area, the Group seeks to maintain a capital structure appropriate to its size, strategy for growth and underlying business risks.

NOTES TO THE FINANCIAL STATEMENTS (continued)**31 RESERVES**

The nature and purpose of each reserve is explained below:

Share capital – represents the nominal value of shares in issue.

Retained earnings – the cumulative income and expenses recognised in the Statement of comprehensive Income together with cumulative items, other than proceeds of share issues, recognised in equity.

Currency translation reserve - records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Merger reserve – records any difference between the share capital and premium in the previous group and the nominal value of share capital issued in accordance with merger accounting as a result of the group restructure.

32 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Group and Company's immediate parent undertaking is Landmark Investments Sarl., a company incorporated in Luxembourg.

The directors consider the ultimate parent undertaking and controlling party to be Landmark Retail Holdings 1 Limited, a company incorporated in the British Virgin Islands.

The parent undertaking of the smallest and largest groups of which the company is a member and for which group accounts are prepared is Landmark Retail Holdings 1 Limited.