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Financial Statements Stonebeach Limited

For the year ended 30 September 2011

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Company No. 4396961

Stonebeach Limited
Financial statements for the year ended 30 September 2011

Company information

Company registration number	4396961
Registered office	146 - 158 Sarehole Road BIRMINGHAM B28 8DT
Directors	V Scalzo C Marsh P May
Secretary	V Scalzo
Bankers	HSBC 69 Pall Mall LONDON SW1Y 5EY
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House Kettering Parkway KETTERING Northants NN15 6XR

Stonebeach Limited
Financial statements for the year ended 30 September 2011

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 September 2011

Principal activities

The principal activity of the company continued to be that of restaurateur

Business review and future developments

The profit for the year after taxation amounted to £4,082,927 (2010 - £3,093,901) The directors do not recommend payment of a dividend (2010 - £nil)

The directors are encouraged that turnover continues to rise and the company is achieving like for like sales growth and 'gross profit less staff costs' continues to increase due to a reduction in staff costs and the success of the new stores On 1 October 2011, all of the trade and assets of Spice Bakery Limited were transferred to the company

Financial risk management objectives and policies

The company uses various financial instruments, these include loans, cash, equity investments and various items such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Short term flexibility is achieved by overdraft facilities but currently the company is not using these

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities The company's long term loan is being repaid monthly

Credit risk

The company's principal financial assets are mainly cash with very limited trade debtors The credit risk associated with cash is limited, the principal credit risk arises therefore from its trade debtors However, very few customers are given accounts and these are reviewed regularly and collections are kept up to date

Economic environment

In common with other restaurant businesses, the company relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover

Competition

The company operates in a highly competitive market putting pressure on margin and turnover growth

Financial risk management objectives and policies (continued)

Legislation

The licensed venue market is regulated and the company continues to monitor legislation to ensure it complies to the current rules and regulations

Key performance indicators

The company is monitored in line with a number of key performance indicators. These are formulated at weekly and monthly Board meetings and are reviewed at both operating and Board level

Turnover growth

The company is measured against like for like sales growth

Margin

The company is measured against gross profit less staff and fixed costs with a target of 40%

Budget

The company is measured against targeted EBITDA

Internal control

The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

The key elements of the company's control system are as follows

- a comprehensive budgeting system with an annual budget approved by the Board
- actual results are compared monthly with budgets and past results, as appropriate
- all significant capital expenditure and organisational changes are reviewed and approved by the Board
- the integrity and competence of personnel is ensured through high recruitment standards and subsequent training
- a clearly defined organisation structure

Future developments

It is the directors' intention to continue the company's opening programme

Disabled employees

The company's policy of employment of disabled persons is to give full consideration to applications for employment having regard to their particular aptitudes and abilities and to encourage training and career developments for all employees, including disabled employees

Employee involvement

The company has put in place mechanisms to provide information to employees with particular emphasis on operational and health and safety matters. Regular meetings are held between site General Managers and Head Office Operational Management

Payment policy and practice

It is the company's policy to establish payment terms with suppliers and to adhere to those terms, provided that the goods and services are in accordance with the agreed terms and conditions

Directors of the company

The present membership of the Board is set out below

C Marsh
V Scalzo
P May

All directors served throughout the year

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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.

In so far as each of the directors 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

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



C Marsh
Director
26 January 2012



Independent Auditor's Report to the Members of Stonebeach Limited (registered number 4396961)

We have audited the financial statements of Stonebeach Limited for the year ended 30 September 2011 which comprise the principal accounting policies, profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Independent Auditor's Report to the Members of
Stonebeach Limited**
(registered number 4396961)

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

A handwritten signature in black ink, appearing to read "S. Robinson".

Steve Robinson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Kettering
26 January 2012

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice)

The company's accounting policies are unchanged from the previous year

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts

Revenue arising from the sale of goods is recognised when significant risks and benefits of ownership of the product has been transferred to the buyer

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of each asset over its expected useful life, as follows

Leasehold improvements	-	Over the term of the lease
Plant and machinery	-	15% per annum reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value after provisions are made in respect of obsolete and slow moving items

Leased assets

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Retirement benefits

Defined contribution scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. There is no effect on the financial statements as a result of this policy

Profit and loss account

	Note	2011 £	2010 £
Turnover	1	37,156,497	31,078,309
Cost of sales		<u>(8,450,888)</u>	<u>(7,019,039)</u>
Gross profit		28,705,609	24,059,270
Administrative expenses		<u>(23,158,716)</u>	<u>(20,060,840)</u>
Operating profit	1	5,546,893	3,998,430
Interest payable and similar charges		<u>(82,857)</u>	<u>(84,302)</u>
Profit on ordinary activities before taxation		5,464,036	3,914,128
Tax on profit on ordinary activities	3	<u>(1,381,109)</u>	<u>(820,227)</u>
Profit for the year	10	<u>4,082,927</u>	<u>3,093,901</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the profit for the year as set out above

Balance sheet

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	4		9,873,115		7,132,795
Current assets					
Stocks	5	1,390,397		1,017,945	
Debtors	6	8,635,810		5,935,076	
Cash at bank and in hand		86,333		69,256	
			10,112,540	7,022,277	
Creditors: amounts falling due within one year	7	(7,873,491)		(6,149,243)	
Net current assets			2,239,049		873,034
Total assets less current liabilities			12,112,164		8,005,829
Provisions for liabilities and charges	8		(743,361)		(719,953)
			11,368,803		7,285,876
Capital and reserves					
Called up share capital	9		150,100		150,100
Profit and loss account	10		11,218,703		7,135,776
Shareholders' funds	11		11,368,803		7,285,876

These financial statements were approved by the Board of Directors and authorised for issue on 26 January 2012. They were signed on its behalf by



C Marsh
 Director

Registration number 4396961

Notes to the financial statements

1 Turnover on profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the one activity as disclosed in the Report of the Directors

Operating profit is stated after charging

	2011 £	2010 £
Auditor's remuneration	46,650	45,300
Depreciation of tangible assets		
- owned	1,303,186	907,192
- held under finance leases	5,964	5,964
Impairment of fixed assets	130,000	-
Recharge from Patisserie Holdings Limited	177,826	1,671,912
Depreciation recharge from Patisserie Valerie Holdings Limited	75,000	-
Operating lease rentals - land and buildings	<u>5,007,059</u>	<u>4,604,328</u>

Fees paid to the company's auditor for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements for the company's parent, Patisserie Holdings Limited, disclose non-audit fees on a consolidated basis

2 Directors and employees

Staff costs during the year were as follows

	2011 £	2010 £
Wages and salaries	13,190,630	10,876,265
Social security costs	840,082	739,992
Pension costs	7,769	7,636
	<u>14,038,481</u>	<u>11,623,893</u>

The average number of employees of the company during the year was 1,230 (2010 – 1,025)

Remuneration in respect of directors was as follows

	2011 £	2010 £
Emoluments	<u>337,400</u>	<u>337,400</u>

During the year no directors (2010 - no directors) participated in money purchase pension schemes

Emoluments of highest paid director

	2011 £	2010 £
Emoluments	<u>108,900</u>	<u>108,900</u>

3 Tax on profit on ordinary activities

The tax charge represents

	2011 £	2010 £
Current tax		
UK corporation tax	1,403,961	762,601
Adjustments in respect of previous periods	<u>(46,260)</u>	<u>(515,329)</u>
Total current tax	1,357,701	247,272
Deferred tax		
Origination and reversal of timing differences	<u>23,408</u>	<u>572,955</u>
Tax on profit on ordinary activities	<u>1,381,109</u>	<u>820,227</u>

Factors affecting current tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 27% (2010 - 28%) The differences can be explained as follows

	2011 £	2010 £
Profit on ordinary activities before tax	<u>5,464,036</u>	<u>3,914,128</u>
Profit on ordinary activities multiplied by the standard rate of tax	1,475,290	1,095,956
Effect of		
Expenses not deductible for tax purposes	49,967	45,559
Capital allowances in excess of depreciation	(36,325)	(104,656)
Group relief	(83,471)	(275,659)
Other short term differences	(1,500)	1,401
Adjustments in respect of previous periods	<u>(46,260)</u>	<u>(515,329)</u>
Current tax charge for the year	<u>1,357,701</u>	<u>247,272</u>

4 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 October 2010	4,763,876	6,331,760	11,095,636
Additions	1,554,264	2,625,206	4,179,470
At 30 September 2011	<u>6,318,140</u>	<u>8,956,966</u>	<u>15,275,106</u>
Depreciation			
At 1 October 2010	1,053,538	2,909,303	3,962,841
Provided in the year	404,969	904,181	1,309,150
Impairment charge	130,000	-	130,000
At 30 September 2011	<u>1,588,507</u>	<u>3,813,484</u>	<u>5,401,991</u>
Net book amount at 30 September 2011	<u>4,729,633</u>	<u>5,143,482</u>	<u>9,873,115</u>
Net book amount at 30 September 2010	<u>3,710,338</u>	<u>3,422,457</u>	<u>7,132,795</u>

Included in the above is a motor vehicle acquired under finance lease with a net book value of £nil (2010 - £5,964) and depreciation charged in the year of £5,964 (2010 - £5,964)

5 Stocks

	2011 £	2010 £
Raw materials	1,155,595	840,702
Work in progress	126,287	80,334
Finished goods	108,515	96,909
	<u>1,390,397</u>	<u>1,017,945</u>

6 Debtors

	2011 £	2010 £
Trade debtors	38,075	10,942
Amounts owed by group undertakings	5,394,527	3,663,330
Other debtors	250,845	1,409
Prepayments	2,952,363	2,259,395
	<u>8,635,810</u>	<u>5,935,076</u>

7 Creditors: amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	1,040,549	748,800
Trade creditors	2,993,263	2,769,908
Amounts owed to group undertakings	1,782,270	1,227,353
Corporation tax	1,570,302	762,601
Social security and other taxes	348,674	403,983
Amounts due under finance leases and hire purchase contracts	-	1,722
Accruals	138,433	234,876
	<u>7,873,491</u>	<u>6,149,243</u>

The bank facility is secured by a fixed and floating charge over all the assets of the company. Amounts due under finance leases and hire purchase contracts are secured over the assets to which they relate.

8 Deferred taxation

	£
At 1 October 2010	719,953
Provided during the year	<u>23,408</u>
At 30 September 2011	<u>743,361</u>

Deferred taxation provided for in the financial statements is set out below:

	2011 £	2010 £
Accelerated capital allowances	<u>743,361</u>	<u>719,953</u>

9 Share capital

	2011 £	2010 £
Authorised Equity shares 151,000 Ordinary shares of £1 each	<u>151,000</u>	<u>151,000</u>
Allotted, called up and fully paid Equity shares 150,100 Ordinary shares of £1 each	<u>150,100</u>	<u>150,100</u>

10 Reserves

	Profit and loss account £
Balance at 1 October 2010	7,135,776
Profit for the year	<u>4,082,927</u>
Balance at 30 September 2011	<u>11,218,703</u>

11 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the financial year and net increase in shareholders' funds	<u>4,082,927</u>	3,093,901
Opening shareholders' funds	<u>7,285,876</u>	<u>4,191,975</u>
Closing shareholders' funds	<u>11,368,803</u>	<u>7,285,876</u>

12 Leasing commitments

Operating lease payments amounting to £300,000 (2010 - £300,000) are due within one year. The leases to which these relate expire as follows

	Land and buildings	
	2011 £	2010 £
In more than five years	<u>300,000</u>	<u>300,000</u>

13 Capital commitments

The company had capital commitments of £476,716 at 30 September 2011 (2010 - £nil) relating to the purchase of assets

14 Contingent liabilities

The company has a cross company guarantee with its connected companies, namely Patisserie Valerie Limited, Leonardo Limited, Patisserie Valerie Express Limited, Hewmark Limited, Spice Bakery Limited, Patisserie Valerie Holdings Limited and Patisserie Holdings Limited. This guarantees the Patisserie Holdings Limited bank loan of £16.4 million. If Patisserie Holdings Limited defaults on that loan the company will be required to make good. The directors believe the financial condition of Patisserie Holdings Limited is such that this guarantee will not be called upon.

15 Controlling party

Patisserie Valerie Holdings Limited is the company's controlling related party by virtue of its shareholding. The ultimate controlling related party of the company is Patisserie Holdings Limited as a result of its shareholding in Patisserie Valerie Holdings Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Patisserie Holdings Limited, incorporated in England and Wales. Copies of the group accounts can be obtained from Companies House.

16 Related party transactions

The company is a wholly owned subsidiary and is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Patisserie Holdings Limited on the grounds that the consolidated accounts of Patisserie Holdings Limited are publicly available.

17 Post balance sheet event

On 1 October 2011, all of the trade and assets of Spice Bakery Limited, a fellow group company, were transferred into Stonebeach Limited.