RNS Number : 2589C
Comptoir Group PLC
12 April 2017

# Comptoir Group plc

("Comptoir" or the "Company")

## Preliminary Results

## Financial highlights

*For the year ended 31 December 2016*

- Group revenue increased 21% to £21.5m (2015 - £17.7m)
- Gross profit increased 21% to £15.7m (2015 - £13.0m)
- Adjusted* EBITDA up 7% to £2.7m (2015 - £2.5m)
- Adjusted* pre-tax profit was 4% lower at £1.6m (2015 - £1.6m)
- IFRS loss before tax of £1.0m (2016 - £1.3m profit)
- Loss per share from IFRS loss of (1.70)p (2015: 1.79p earnings per share)
- Earnings per share from adjusted* pre-tax profit of 2.92p (2015: 3.03p)
- Six new restaurants opened and three acquired.
- Twenty-two restaurants trading as at 31 December 2016

*Adjusted EBITDA is calculated excluding the impact of £1.2m (2015 - Nil) non-trading costs and £1.4m opening costs

12 April 2017

**Enquiries:**

**Comptoir Group plc**
Chaker Hanna Tel: 0207 486 1111

**Cenkos Securities plc (NOMAD and Broker)**
Bobbie Hilliam Tel: 020 7397 8900
Harry Pardoe
Alex Aylen

*This announcement contains inside information.*

## Chairman's statement

*For the year ended 31 December 2016*

I am pleased to present the Group's results for the year ended 31 December 2016, being our first set of full-year results since successfully listing on AIM. I am also pleased to report considerable progress with our strategy to grow our operations and extend the presence of our brands to new locations both in and outside of London.

**Results**

Group revenue increased by £3.8m or 21% from £17.7m to £21.5m and adjusted* EBITDA was 7% higher at £2.7m (2015 - £2.5m).

Given that we opened six new restaurants in the period, off a base of only 13 restaurants, the one-off costs incurred in connection with these openings rose sharply to £1.4m (2015 £0.3m), with a commensurate impact on reported profits. For this reason, we add back these opening costs in calculating adjusted* EBITDA, as the Board believes this gives the most useful measure of the underlying performance of the business.

After the inclusion restaurant opening costs and £1.2m non-trading items, which comprises £0.5m (2015 - Nil) on impairment of property, plant and equipment, £0.5m share option charge (2015 - Nil) and £0.2m (2015 - Nil) of AIM listing fees, the Income Statement shows a pre-tax loss of £1.0m (2015 - £1.3m profit).

The Board does not recommend the payment of any dividend at this time, as it is anticipated that all available funds will be required for investment in new restaurants or the existing estate for the foreseeable future.

**Growth in operations**

The Group has delivered on its plan to step up its rate of expansion in the second half of the year, following the successful IPO, increasing the number of restaurants trading from 14 to 22 at the close of the year.

We have invested £7.5m in the fit-out of these new openings, the acquisition of Yalla Yalla and the purchase of the freehold of our Central Processing Unit (CPU). Taken together with one further additional opening in London in January, this has been funded by the proceeds of our AIM flotation and at the end of the year we had retained cash and cash equivalents of £0.8m (2015 - £0.7m).

**People**

The friendliness, dedication and passion of our people is at the heart of our success as a business. The busy opening programme that we embarked on over the second half of 2016 has presented new challenges for our management team, who have risen to the task magnificently. I would like to thank them particularly and also our new recruits who are delivering our delicious food with great service and enthusiasm in our new restaurants, for all their efforts.

**Current trading**

The Board is pleased that the financial outcome for 2016 was in line with expectations.

The Group ended the year with 22 restaurants and 2 franchise operations, ahead of expectations and is currently trading from 23 restaurants. Due to the Group's opening programme being ahead of the schedule anticipated at the time of IPO, the Group expects to only open a further three restaurants during the current year. 2017 will therefore be focused on bedding in new openings, promoting the Comptoir brand to consumers in new locations and delivering on anticipated returns.

During the first quarter of 2017 we have experienced the UK consumer being cautious. Trading in January and February, traditionally the Company's quietest months, was below expectations, however, we saw improved trading in March. The Group expects further positive trading in April (which includes Easter) and into the summer months.

The Board has made the decision to reduce its opening schedule for 2018 to 4 restaurants in 2018 (4 in 2017), which will impact the financial performance in 2018. The Board will increase the numbers of openings ahead of this revised 2018 target if suitably attractive locations become available and dependent on market conditions.

Richard Kleiner
**Chairman**
11 April 2017

## Chief Executive's review

*For the year ended 31 December 2016*

I am delighted to report on what has been an exciting period of development for the Group. We have had an extremely busy and productive second half of the year, in which we have opened six new restaurants, before acquiring three additional restaurants under the Yalla Yalla brand, taking our portfolio up to twenty-two units at the end of the year.

As a result, we have grown our annual sales to £21.5m (2015 - £17.7m) and adjusted EBITDA (excluding one-off costs incurred in opening new restaurants and other highlighted items) rose 7% to £2.7m (2015 - £2.5m).

### Review of operations

The existing estate delivered a solid performance, with further growth from the restaurants that were opened late in 2016. Despite, cost pressures in the supply chain in the wake of Brexit and the introduction of the National Living Wage for employees over the age of 25 in April 2016, our teams worked hard to control costs and I am pleased to report that overall margins have been maintained.

As anticipated, much of the focus over the second half of the year has been on opening and bedding in our new restaurants. We have recruited and trained 237 new staff over this period and this has provided the opportunity for existing members of the team to take on greater responsibility in the General Manager and Assistant Manager roles.

### Opening costs

Opening costs during the period were £1.4m (2015 - £0.3m) and are added back in adjusted* EBITDA.

There are a number of aspects of our particular operations that are important to fully understand.

- While Lebanese food is growing in popularity, it is not familiar to all our potential customers and for this reason we have to educate the local population and our sales tend to build towards maturity over a number of years rather than maturing after several months.
- With all but two items on our menu, being freshly prepared either in our central processing unit (CPU) or in our own restaurant kitchens, means that we have to hire skilled chefs and sous chefs and our

wage costs will always be higher in the initial months following opening compared to other casual dining concepts.

- With our current small scale, the costs incurred on recruiting, training and supporting the teams put in place in our restaurants, particularly those out in more isolated regional locations, are necessarily higher than they would likely be in a much larger chain which already enjoys national coverage.

For these reasons, it takes us a few months after opening a new restaurant to bring our wage costs fully into line with our model and for this reason our policy in respect of Opening costs is to include not only the costs of overheads (rent, rates, insurance) and wage costs up to the date of opening, but we also include an element of wages, training and marketing costs incurred over the first three months of trading only so that the level of costs included in the site profit & loss account are "normalised".

We believe this approach is both appropriate for our offering and is consistent with the policy we have always applied. We also feel it is appropriate for our stage of development.

**Estate development**

In the second half of the year, we opened new restaurants in Bath, Exeter and Leeds to augment our existing regional presence in Manchester which was opened in 2015.

At the same time we also extended our operations in London. Firstly, we relocated our Soho branch of Comptoir Libanais to larger premises on Poland Street and then we also opened a Comptoir Libanais within the John Lewis store on Oxford Street. In addition, we also launched our first Shawa branch which is not in a shopping centre, on Haymarket.

In December, we announced that we had acquired three operations (located in Soho, Fitzrovia and Greenwich) trading as Yalla Yalla. With a distinct offering, billed as Beirut street food, we believe that there may be potential to extend the presence of Yalla Yalla strategically to additional London locations. Importantly, Yalla Yalla, while a distinct brand, is also able to use the Group's Central Production Unit (CPU) and food skills within the business, enabling its integration into the Group to be seamless.

We opened a further Comptoir Libanais restaurant directly opposite Gloucester Road tube station in January, where sales are building steadily week to week and so we are now trading from 23 restaurants and two franchise operations.

We continue to develop our property pipeline. Further openings are anticipated in Reading and Oxford, come summer and autumn, respectively, and a number of other site opportunities are being evaluated, both for 2018 and beyond. As set out earlier, however, the Board is adopting a cautious approach to new openings in 2018.

**Cashflows and financing**

Cash generated from operations was £0.4m (2015 - £2.0m), once again impacted by a relatively high level of one-off costs in connection with the opening of new restaurants.

Capital expenditure, principally incurred on the fitting-out of new restaurants totalled £6.0m (2015 - £3.0m), but also including the purchase of three Yalla Yalla restaurants. A further £1.6m was incurred in the purchase of the Group's Central Production Unit (CPU) towards the end of the year, taking the total level of investment up to £7.6m.

With an additional £0.8m of bank loans advanced during the year and £7.4m proceeds from the AIM flotation, this resulted in an overall cash inflow of £0.2m (2015 - £1.1m outflow) and at the end of the year the Group had cash balances of £0.8m (2015 - £0.7m).

The three further anticipated openings for 2017 can be funded from internally generated cash and we are currently in discussions with our bank regarding additional funding which will enable us to continue the roll-out in 2018. Depending on the outcome, the freehold of the CPU (which has been independently valued at £1.8m also provides a means to raise additional funds if required.

**Outlook**

As set out in the Chairman's statement trading in the first two months of the year was below expectations, however we saw a marked improvement in March and we anticipate strong sales in April, particularly over the Easter holiday period.

Sales at the new restaurants are gradually building towards the levels anticipated at maturity and the Company is putting in place a number of marketing initiatives, including a new menu, ahead of the critical summer trading period to promote sales at both existing and new restaurants. The Company is also heavily focused on cost control.

The Directors believe the Group's current Comptoir Libanais restaurant estate has significant potential for organic growth which will continue to provide attractive returns for shareholders.

Chaker Hanna
**Chief Executive Officer**
11 April 2017

## Strategic Report

*For the year ended 31 December 2016*

The Directors present their strategic report for the year ended 31 December 2016.

**Business model**

The Group's principal brand is Comptoir Libanais, which offers a fresh and healthy all-day dining experience based on Lebanese and Eastern Mediterranean cuisine. This type of food is growing steadily in popularity due to its flavorsome, healthy, low fat and vegetarian friendly ingredients, as well as the ability to share many of the (Mezze) dishes across the table with a group of friends.

We seek to design each restaurant with a bold and fresh design and give it a Middle Eastern café culture feel, which is welcoming to all age groups and types of consumer. This is further enhanced by an in-store retail offering that offers Arabic products including colourful embroidered bags, harissa tins, and assorted pastries and sweets.

Shawa is Lebanese grill concept serving lean grilled meats, rotisserie chicken, homemade falafel, halloumi and fresh salads, through a counter service operation located in high footfall locations.

The estimated average spend per head at Comptoir Libanais is c. £14 and the average spend at Shawa is lower than this, so our offering is positioned in the affordable or value for money segment of the UK casual dining market. In addition, our offering is well-differentiated and faces only limited direct competition, in marked contrast to other areas of the market.

**Strategy for growth**

Our strategy is to grow our owned operations under both the Comptoir Libanais and Shawa brands. While Comptoir Libanais is likely to remain the main focus of our operations, Shawa provides the opportunity to offer our Lebanese food from a smaller footprint and therefore create greater flexibility to our roll-out plans.

We also believe that there is considerable potential to grow the Group's franchised operations and we see this as a complimentary and relatively low-risk route to extend the presence of our brands, both within the UK and in overseas territories.

**Review of the business and key performance indicators (KPIs)**

Group revenue increased by 21% to £21.5m (2015 - £17.7m) and the Income Statement shows a pre-tax loss of £1.0m (2015 - £1.3m). However, as stated above, at this stage in the development of the business the Board believes that it is more helpful to focus on adjusted EBITDA, which excludes non-recurring items and costs incurred in connection with the opening of new restaurants and on this measure we were ahead by 7% at £2.7m (2015 - £2.5m).

The Board and management team use a range of performance indicators to monitor and measure the performance of the business. However, in common with most businesses, the critical KPI's are focused on growth in sales, gross and operating profit margins percentages and these are appraised against budgeted, forecast and last year's achieved levels.

In terms of non-financial KPI's, the standard of service provided to customers is monitored via the scores from a programme of regular monthly "mystery diner" audits carried out at each store and we use feedback from health and safety audits conducted by an external consultant to ensure that critical operating procedures are being adhered to.

Further explanation of the performance of the business over the year is provided in the Chairman's Statement on page 1 and the Chief Executive's Review on page 3.

**Principal risks and uncertainties**

The Board of Directors ("the Board") has overall responsibility for identifying the most significant risks faced by the business and for developing appropriate policies to ensure that those risks are adequately managed.

The following have been identified as the most significant risks faced by the Group, however, it should be noted that this is not an exhaustive list and the Company has policies and procedures to address other risks facing the business.

**Consumer demand**

Frequent or regular participation in the eating-out market is afforded by the consumer is afforded out of household disposable income. Macroeconomic factors such as employment levels, interest rates and inflation can impact disposable income and consumer confidence can dictate their willingness to spend. Any weakness in consumer confidence could have an adverse effect on footfall and customer spend in our restaurants.

As indicated above, the core brands which the Group is rolling out are positioned in the affordable segment of the casual dining market. A strong focus on superior and attentive service together with value added marketing initiatives can help to drive sales when customer footfall is more subdued.

**Input cost inflation**

The Group's key input variables are the cost of food and drink and associated ingredients and the progressive increases in the UK National Living Wage and Minimum Wage rates present a challenge we must face up to alongside our peers and competitors.

We aim to maintain an appropriate level of flexibility in our supplier base so we can work to mitigate the impact of input cost inflation. Our teams work hard on predictive and responsive labour scheduling so that our costs are well controlled.

**Strategic and execution**

The Group's central strategy is to open additional new outlets under its core Comptoir Libanais and Shawa brands. Despite making every effort, there is no guarantee that the Group will be able to secure a sufficient number of appropriate sites to meet its growth and financial targets and it is possible that new openings may take time to reach the anticipated levels of mature profitability or to match historical financial returns.

The Group has secured the services of an experienced property consultant and having raised its profile as a consequence of its successful AIM flotation, is developing stronger contacts with potential landlords and their agents and advisers. However, there will always be competition for the best sites and the Board will continue to be highly selective in its evaluation of new sites in order to ensure that target levels of return on investment are achieved.

**Future developments**

The Group will continue with its plans to roll out its Comptoir Libanais and Shawa brands to further new sites across the UK and to explore further opportunities to grow the Comptoir Libanais brand via franchising with suitable partners.

On behalf of the Board

Chaker Hanna
**Chief Executive Officer**
11 April 2017

## Consolidated statement of comprehensive income

***For the year ended 31 December 2016***

| | Notes | Year ended 31 December 2016 £ | Year ended 31 December 2015 (Restated) £ |
|---|---|---|---|
| Revenue | 2 | 21,513,813 | 17,727,212 |
| Cost of sales | | (5,818,647) | (4,755,920) |
| Gross profit | | 15,695,166 | 12,971,292 |
| Distribution expenses | | (5,551,084) | (4,459,684) |
| Administrative expenses | | (11,025,955) | (7,146,583) |
| Other income | 2 | 2,114 | 50,000 |
| **Operating (loss)/profit** | 3 | (879,759) | 1,415,323 |
| Finance costs | 7 | (125,237) | (127,810) |
| **(Loss)/profit before tax** | | (1,004,996) | 1,287,513 |
| Taxation credit/(charge) | 8 | 86,883 | (317,706) |
| **(Loss)/profit for the year** | | (918,113) | 969,807 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive (loss)/income for the year** | | **(918,113)** | **969,807** |
| **Basic (loss)/earnings per share (pence)** | 9 | (1.70) | 1.79 |
| **Diluted (loss)/earnings per share (pence)** | 9 | (1.66) | 1.79 |
| **Adjusted EBITDA:** | | | |
| **Operating (loss)/profit** - as above | | (879,759) | 1,415,323 |
| Add back: | | | |
| Depreciation and amortisation | | 979,583 | 755,533 |
| Non-trading items | 3 | 1,183,592 | - |
| Restaurant opening costs | 3 | 1,401,546 | 348,130 |
| **Adjusted EBITDA** | | **2,684,962** | **2,518,986** |

All of the above results are derived from continuing operations. (Loss)/profit for the year and total comprehensive (loss)/income for the year is entirely attributable to the equity shareholders of the company.

## Consolidated balance sheet
***At 31 December 2016***

| | Notes | 31 December 2016 £ | 31 December 2015 (Restated) £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |

| | | | |
|---|---|---|---|
| Property, plant and equipment | **12** | 11,114,999 | 7,638,406 |
| Intangible assets | **11** | 1,121,021 | - |
| Deferred tax asset | **19** | 304,995 | 82,573 |
| | | 12,541,015 | 7,720,979 |
| **Current asset** | | | |
| Inventories | **14** | 479,830 | 304,199 |
| Trade and other receivables | **15** | 2,197,315 | 1,637,140 |
| Cash and cash equivalents | | 813,207 | 667,247 |
| | | 3,490,352 | 2,608,586 |
| **Total assets** | | 16,031,367 | 10,329,565 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | **17** | (632,041) | (2,050,986) |
| Trade and other payables | **16** | (3,557,649) | (3,433,163) |
| Current tax liabilities | | (94,024) | (273,341) |
| | | (4,283,714) | (5,757,490) |
| **Non-current liabilities** | | | |
| Borrowings | **17** | (1,380,407) | (1,236,258) |
| Provisions for liabilities | **18** | (35,050) | (27,388) |
| Deferred tax liability | **19** | (287,287) | (171,829) |
| | | (1,702,744) | (1,435,475) |
| **Total liabilities** | | (5,986,458) | (7,192,965) |
| **Net assets** | | **10,044,909** | **3,136,600** |
| **Equity** | | | |
| Share capital | **20** | 960,000 | 100 |
| Share premium | | 6,465,687 | - |
| Other reserves | **21** | 479,210 | - |
| Retained earnings | | 2,140,012 | 3,136,500 |
| **Total equity - attributable to equity shareholders of the company** | | **10,044,909** | **3,136,600** |

The financial statements of Comptoir Group PLC (company registration number 07741283) were approved by the Board of Directors and authorised for issue on 11 April 2017 and were signed on its behalf by:

Chaker Hanna
**Chief Executive Officer**

## Consolidated statement of changes in equity

### *For the year ended 31 December 2016*

| | Notes | Share capital £ | Share premium £ | Other reserves £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| **At 1 January 2015 (restated)** | | 100 | - | - | 2,836,368 | 2,836,468 |
| Profit for the year | | - | - | - | 998,651 | 998,651 |
| Prior year adjustment | **29** | | | | (28,844) | (28,884) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total comprehensive income** | | **-** | **-** | **-** | **969,807** | **969,807** |
| | | | | | | |
| **Transactions with owners** | | | | | | |
| Equity dividends | | - | - | | (669,675) | (669,675) |
| **Total transactions with owners** | | **-** | **-** | **-** | **(669,675)** | **(669,675)** |
| | | | | | | |
| **At 31 December 2015** | | **100** | - | - | **3,136,500** | **3,136,600** |
| | | | | | | |
| **Year ended 31 December 2016** | | | | | | |
| | | | | | | |
| At 1 January 2016 | | 100 | - | - | 3,136,500 | 3,136,600 |
| | | | | | | |
| Loss for the year | | | | | (918,113) | (918,113) |
| **Total comprehensive income** | | **-** | **-** | **-** | **(918,113)** | **(918,113)** |
| | | | | | | |
| **Transactions with owners** | | | | | | |
| Equity dividends | **10** | - | - | **-** | (78,375) | (78,375) |
| Share-based payments | **23** | - | - | 479,210 | - | 479,210 |
| Issue of shares | **20** | 959,900 | 6,465,687 | **-** | - | 7,425,587 |
| **Total transactions with owners** | | **959,900** | **6,465,687** | **479,210** | **(78,375)** | **7,826,422** |
| | | | | | | |
| **At 31 December 2016** | | **960,000** | **6,465,687** | **479,210** | **2,140,012** | **10,044,909** |

## Consolidated statement of cash flows

### *For the year ended 31 December 2016*

| | **Notes** | **Year ended 31 December 2016 £** | **Year ended 31 December 2015 (Restated) £** |
|---|---|---|---|
| **Operating activities** | | | |
| | | | |
| Cash inflow from operations | **24** | 370,022 | 2,512,281 |
| Interest paid | | (125,237) | (127,810) |
| Tax paid | | (199,397) | (218,547) |
| | | | |
| **Net cash from operating activities** | | **45,388** | **2,165,924** |
| | | | |
| **Investing activities** | | | |
| Purchase of property, plant & equipment | **12** | (4,496,844) | (3,012,283) |
| Payments for lease premiums | **11** | (1,075,000) | - |
| Purchase of business | **11** | (400,000) | - |
| | | | |
| **Net cash used in investing activities** | | **(5,971,844)** | **(3,012,283)** |
| | | | |
| **Financing activities** | | | |
| Proceeds from issue of shares, net of issue costs | | 7,425,587 | (100) |
| Dividends paid to equity shareholders | | (78,375) | (669,675) |
| Capital element of finance leases paid | | (1,549,651) | (124,204) |
| New bank loans | | 825,000 | 1,000,000 |
| Bank loan repayments | | (537,729) | (468,891) |
| | | | |
| **Net cash inflow/(outflow) from financing activities** | | **6,084,832** | **(262,870)** |

| | | |
|---|---|---|
| **Increase/(decrease) in cash and cash equivalents** | 158,376 | (1,109,229) |
| Cash and cash equivalents at beginning of year | 654,831 | 1,764,060 |
| **Cash and cash equivalents at end of year** | **813,207** | **654,831** |
| **Cash and cash equivalents:** | | |
| Cash at bank and in hand | 813,207 | 667,247 |
| Bank overdrafts included in creditors payable within one year | - | (12,416) |

## Principal accounting policies for the consolidated financial statements

### *For the year ended 31 December 2016*

### Reporting entity

Comptoir Group Plc (the Company) is a company incorporated and registered in England and Wales, with a company registration number of 07741283. The

Company was formerly called Levant Restaurants Group Limited and on 8 June 2016 it re-registered as a public limited company and changed its name to Comptoir Group Plc. The address of the Company's registered office is Suite 4, Strata House, 34A Waterloo Road, London, NW2 7UH.

The consolidated financial statements of the Company for the year ended 31 December 2016 comprise of the Company and its subsidiaries (together referred to as the "Group").

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB), as adopted by the European Union. The parent company financial statements have been prepared using United Kingdom Accounting Standards including FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland' and are set out on pages 55 to 62.

### Going concern basis

The consolidated financial statements have been prepared on the going concern basis as, after making appropriate enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of approving these financial statements. The principal risks and uncertainties facing the Group and further comments on going concern are set out in the report of the Directors.

### Basis of preparation

These consolidated financial statements for the year ended 31 December 2016 are the first financial statements of the Company prepared in accordance with IFRS. The date of transition to IFRS was 1 January 2015.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' permits companies adopting IFRS for the first time to take certain optional exemptions from the full retrospective application of IFRS. The Group and parent company previously adopted FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland' (UK GAAP) in their financial statements for the year ended 31 December 2015 which is materially consistent with IFRS. No further transitional adjustments or disclosures are required from the conversion of the Group's UK GAAP financial statements to these IFRS consolidated financial statements.

The financial statements are presented in Pound Sterling (£), which is both the functional and presentational currency of the Group and Company. All amounts are rounded to the nearest pound, except where otherwise indicated.

The Group and parent company financial statements have been prepared on the historical cost convention as modified for certain financial instruments, which are stated at fair value. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

**Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates may differ from the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made a number of judgments and estimations of which the following are the most significant.

The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the future financial years are as follows:

*Depreciation, useful lives and residual values of property, plant & equipment*

The Directors estimate the useful lives and residual values of property, plant & equipment in order to calculate the depreciation charges. Changes in these estimates could result in changes being required to the annual depreciation charges in the statement of comprehensive incomes and the carrying values of the property, plant & equipment in the balance sheet.

*Impairment of assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment of assets of £471,796 was required in the year ended 31 December 2016.

*Lease classification*

The Group has a substantial amount of leases and therefore their classification as either finance or operating leases is critical to the financial statements. The accounting for leases involves the exercise of judgment, particularly in determining whether the leases meet the definition of an operating or a finance lease.

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating lease.

*Deferred tax liability*

The Group estimates future profitability in arriving at the fair value of the deferred tax assets and liabilities. If the final tax outcome is different to the estimated deferred tax amount the resulting changes will be reflected in the statement of comprehensive income, unless the tax relates to an item charged to equity in which case the changes in tax estimates will also be reflected in equity.

**Future accounting policies**

At the date of authorisation of these financial statements, the following new and revised IFRS Standards and Interpretations have been adopted in the current year, where applicable to the Group. 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 16 & IAS 38 (Amended) Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 1 (Amended) Disclosure Initiative
IFRS 14 (Issued) Regulatory Deferral Accounts
IFRS 2012 - 2014 Cycle

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

IAS 7 (Amended) Disclosure Initiative
IFRS 2 (Revised) Classification and measurement of Share-based Payment Transactions
IFRS 9 (Revised) Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IFRS 2014 - 2016 Cycle

The Directors have assessed the impact and timing of application of the Standards and Interpretations listed above and do not expect that their adoption will have a material impact on the financial statements of the Group in future periods.

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.

## Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the historical consolidated financial statements, unless otherwise indicated.

### (a) Comparative data

The comparative figures for the year ended 31 December 2015 have been extracted from the consolidated financial statements, which were prepared in accordance with FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102") and the requirements of Companies Act 2016. FRS102, also known as the new UK Generally Accepted Accounting Practice ("new UK GAAP") is materially consistent with IFRS for the Group. No further transitional adjustments and disclosures are required from the conversion of the Group's UK GAAP financial statements to IFRS.

### (b) Basis of consolidation

These financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 31 December 2016.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account, regardless of management's intention to exercise that option or warrant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated fully on consolidation. The gain or loss on disposal of a subsidiary company is the difference between net disposals proceeds and the Group's share of its net assets together with any goodwill and exchange differences.

### (c) Foreign currency translation

*Functional and presentational currency*

Items included in the financial results of each of the Group entities are measured using the currency of the primary economic environment in which the entities operate (the functional currency). The consolidated financial statements are presented in Pounds Sterling ("£") which is the Company's functional and operational currency.

*Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and financial liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### (d) Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

*Financial assets*

The Group classifies its financial assets as 'loans and receivables'. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the statement of financial position.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

*Financial liabilities*

The Group's financial liabilities include trade and other payables.

Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method ("EIR" method).

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive Income.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### (e) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied properties (excluding land element) acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment. Lease payments are accounted for as described in accounting policy (o).

***Subsequent costs***

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

***Depreciation***

Depreciation is charged to the income statement on a reducing balance basis and on a straight-line basis over the estimated useful lives of corresponding items of property, plant and equipment:

| | |
|---|---|
| Land and buildings Leasehold | Over the length of the lease |
| Land and buildings Freehold | 4% straight line basis |
| Plant and machinery | 15% on reducing balance |
| Fixture, fittings and equipment | 10% on reducing balance |

The carrying values of plant and equipment are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the assets are tested for impairment to estimate the assets' recoverable amounts. Any impairment losses are recognized in the statement of comprehensive income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

### (f) Intangible assets - Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is formally tested for impairment annually, thus is not amortised. Any excess of fair value of net assets over consideration on acquisition are recognised directly in the income statement.

### (g) Intangible assets - lease premiums

Lease premiums paid to previous tenants are recognised within the Balance Sheet as an intangible asset and amortised over the length of the lease. The amortisation is charged to the statement of comprehensive income on a straight-line basis.

### (h) Inventories

Inventories are stated at the lower of costs and net realisable value. Cost comprises direct materials, and those direct overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included within borrowings in current liabilities on the balance sheet.

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

### (j) Share-based payments

The Group's share option programme allows Group employees to acquire shares of the Company and all options are equity-settled. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

### (k) Provisions for liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Provisions for leasehold property dilapidation repairs are recognised when the Group has a present obligation to carry out dilapidation work on the leasehold premises before the property is vacated. The amount recognised as a provision is the best estimate of the costs required to carry out the dilapidations work and is spread over the expected period of the tenancy.

### (l) Deferred tax and current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. A provision is made for corporation tax for the reporting period using the tax rates that have been substantially enacted for the company at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

Deferred income tax is provided in full on a non-discounted basis, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

**(m) Employee benefits**

*Short term employee benefits*

Wages, salaries, paid annual leave, paid sick leave and bonuses are recognised as an expense in the period in which the associated services are rendered by employees.

The Group recognises an accrual for annual holiday pay accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within 12 months. The accrual is measured at the salary cost payable for the period of absence.

*Pensions and other post-employment benefits*

The Group pays monthly contributions to defined contribution pension plans. The legal or constructive obligation of the Group is limited to the amount that they agree to contribute to the plan. The contributions to the plan are charged to the Statement of Comprehensive Income in the period to which they relate.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**(n) Revenue**

Revenue represents amounts received and receivable for services and goods provided (excluding value added tax) and is recognised at the point of sale. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the reserve can be reliably measured.

**(o) Expenses**

*Operating lease payments*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the comprehensive income statement on a straight-line basis over the term of the lease. Incentives to enter into an operating lease are also spread on a straight-line basis over the lease term as a reduction in rental expense.

*Finance lease payments*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases. Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss.

Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

*Opening expenses*

Property rentals and related costs incurred up to the date of opening of a new restaurant are written off to the income statement in the period in which they are incurred. Promotional and training costs are written off to the income statement in the period in which they are incurred.

*Financial expenses*

Financial expenses comprise of interest payable on bank loans, hire purchase liabilities and other financial costs and charges. Interest payable is recognised on an accrual basis.

**(p) Ordinary share capital**

Ordinary shares are classified as equity. Costs directly attributable to the increase of new shares or options are shown in equity as a deduction from the proceeds.

**(q) Dividend policy**

In accordance with IAS 10 'Events after the Balance Sheet Date', dividends declared after the balance sheet date are not recognised as a liability at that balance sheet date, and are recognised in the financial statements when they have received approval by shareholders. Unpaid dividends that are not approved are disclosed in the notes to the consolidated financial statements.

**(r) Commercial discount policy**

Commercial discounts represent a reduction in cost of goods and services in accordance with negotiated supplier contracts, the majority of which are based on purchase volumes. Commercial discounts are recognised in the period in which they are earned and to the extent that any variable targets have been achieved in that financial period. Costs associated with commercial discounts are recognised in the period in which they are incurred.

**(s) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Board of Executive Directors, at which level strategic decisions are made.

## Notes to the consolidated financial statements

### *For the year ended 31 December 2016*

### 1. Segmental analysis

The Group has only one operating segment being: the operation of restaurants with Lebanese and Middle Eastern Offerings and one geographical segment being the United Kingdom. The Group's brands meet the aggregation criteria set out in paragraph 22 of IFRS 8 'Operating Segments' and as such the Group reports the business as one reportable segment.

None of the Group's customers individually contribute over 10% of the total revenues.

### 2. Revenue

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| **Income for the year consists of the following**: | | |
| Revenue from continuing operations | 21,513,813 | 17,727,212 |
| **Other income not included within revenue in the income statement:** | | |
| Other income | 2,114 | 50,000 |
| **Total income for the year** | **21,515,927** | **17,777,212** |

### 3. Group operating (loss)/profit

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| **This is stated after charging/(crediting):** | | |
| AIM admission costs (see ***note 4***) | 232,586 | - |
| Operating lease charges | 2,194,804 | 1,839,372 |
| Impairment of assets (see ***note 12***) | 471,796 | - |
| Share based payments (see ***note 23***) | 479,210 | - |
| Opening costs (see ***below***) | 1,401,546 | 348,130 |
| Amortisation of intangible assets (see ***note 11***) | 28,958 | - |
| Depreciation of property, plant and equipment (see ***note 12***) | 950,625 | 755,533 |
| Exchange losses | - | 159 |
| Audit fees (see ***note 5***) | 90,000 | 38,500 |

Non-trading items shown on the consolidated statement of comprehensive income totalling £1,183,592 comprises AIM admission costs (£232,586), share-based payments (£479,210) and impairment of assets (£471,796).

For the initial trading period following opening of a new restaurant, the performance of that restaurant will be lower than that achieved by other, similar mature restaurants. The difference in this performance, which is calculated by reference to gross profit margins amongst other key metrics is quantified and included within opening costs. The breakdown of opening costs, between pre-opening costs and post-opening costs is shown below:

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| Pre-opening costs | 907,045 | 225,870 |
| Post-opening costs | 494,501 | 122,260 |
| | **1,401,546** | **348,130** |

## 4. AIM admission costs

During the year ended 31 December 2016, the Company carried out an initial public offering ("IPO") of its ordinary shares and on 21 June 2016 the ordinary shares of the Company were admitted to trading on London's Alternative Investment Market ("AIM"). At the time of the IPO the Company issued 16,000,000 new shares to the public at an IPO price of £0.50 each, raising £8,000,000 of new capital for the Group, before issue costs.

The expenses of £574,413 incurred directly on the issue of the new shares have been debited to the share premium account, whilst the costs incurred relating to the admission of the Company's existing shares to trading on AIM, which totalled £232,586, have been included within AIM admission costs and are shown separately on the face of the statement of comprehensive income.

## 5. Auditors' remuneration

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| **Auditors' remuneration**: | | |
| Fees payable to Company's auditor for the audit of its annual accounts | 15,000 | 15,000 |
| **Other fees to auditors** | 20,000 | 20,000 |
| The audit of Company's subsidiaries | | |
| **Total audit fees** | **35,000** | **35,000** |
| Reporting accountant services | 55,000 | - |
| Tax services | - | 3,500 |
| **Total non-audit fees** | **55,000** | **3,500** |
| **Total auditors' remuneration** | **90,000** | **38,500** |

## 6. Staff costs and numbers

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| **(a) Staff costs (including directors)**: | | |
| *Wages and salaries:* | | |
| Kitchen, floor and management wages | 6,594,374 | 5,397,157 |
| *Other costs:* | | |
| Social security costs | 549,430 | 352,309 |
| Share-based payments (***note 23***) | 479,210 | - |
| Pension costs | 39,907 | 28,051 |
| **Total staff costs** | **7,662,921** | **5,777,517** |

| **(b) Staff numbers (including directors)**: | **Number** | **Number** |
|---|---|---|
| Kitchen and floor staff | 432 | 440 |
| Managements staff | 106 | 70 |
| **Total number of staff** | **538** | **510** |

**(c) Directors' remuneration:**

| | | |
|---|---|---|
| Emoluments | 251,295 | 74,736 |
| Money purchase (and other) pension contributions | 1,164 | 742 |
| Non-Executive directors fees | 28,917 | 25,000 |
| **Total directors' costs** | **281,376** | **100,478** |

Director's remuneration disclosed above include the following amounts paid to the highest paid director:

| | | |
|---|---|---|
| Emoluments | 119,013 | 37,368 |
| Money purchase (and other) pension contributions | 569 | 377 |

Further details on Directors' emoluments and the executive pension schemes are given in the Directors' remuneration report.

## 7. Finance costs

| | **Year ended 31 December 2016 £** | **Year ended 31 December 2015 (Restated) £** |
|---|---|---|
| **Interest payable and similar charges:** | | |
| Interest on finance leases and hire purchase contracts | 50,831 | 68,505 |
| Interest on bank loans and overdraft | 74,406 | 16,848 |
| Other interest | - | 42,457 |
| **Total finance costs for the year** | **125,237** | **127,810** |

## 8. Taxation

The major components of income tax for the years ended 31 December 2016 and 2015 are:

### (a) Analysis of charge in the year:

| | **Year ended 31 December 2016 £** | **Year ended 31 December 2015 £** |
|---|---|---|
| *Current tax:* | | |
| UK corporation tax on the (loss)/profit for the year | 13,995 | 273,666 |
| Adjustments in respect of previous years | 6,086 | - |
| *Deferred tax:* | | |
| Origination and reversal of temporary differences | (114,414) | 44,629 |
| Tax losses carried forward | 7,450 | (589) |
| **Total tax (credit)/charge for the year** | **(86,883)** | **317,706** |

**(b) Factors affecting the tax charge for the year:**

The tax charged for the year varies from the standard rate of corporation tax in the UK due to the following factors:

| | **Year ended 31 December 2016 £** | **Year ended 31 December 2015 £** |
|---|---|---|

| | | |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | | 1,287,513 |
| Expected tax (credit)/charge based on the standard rate of | (1,004,996) | 260,721 |
| corporation tax in the UK of 20% (2015: 20.25%) | (201,000) | |
| | | |
| *Effects of:* | | |
| Depreciation on non-qualifying assets | | 48,677 |
| Expenses/(income) not deductible for tax purposes | (14,314) | 17,335 |
| Effect of change in corporation tax | 132,445 | (52) |
| Adjustments in respect of previous tax years | - | - |
| Dividend income | 6,086 | 36 |
| Other miscellaneous items | - | 5,571 |
| Deferred tax adjustments in respect of prior years | 4,084 | (14,582) |
| Losses utilised in the year | - | - |
| | (14,184) | |
| **Total tax (credit)/charge for the year** | **(86,883)** | **317,706** |

## 9. (Loss)/earnings per share

The company had 5,000 ordinary shares of £0.01 each and 5,000 B ordinary shares of £0.01 each in issue as 31 December 2015. In June 2016, the 5,000 B ordinary shares were re-designated as ordinary shares of £0.01 each and 79,990,000 new ordinary shares of £0.01 each were allotted and issued to the existing shareholders as a bonus issue of shares.

On the date of the IPO the company issued a further 16,000,000 new shares. The basic and diluted earnings per share figures, based on the weighted average number of shares in issue during the period ended 31 December 2016 and the actual number of shares in issue at 31 December 2015, are set out below.

| | | **Year ended 31 December 2016 £** | **Year ended 31 December 2015 £** |
|---|---|---|---|
| (Loss)/profit attributable to shareholders | | (918,113) | 969,807 |
| Non-trading items | **3** | 1,183,592 | - |
| Opening costs | **3** | 1,401,546 | 348,130 |
| Taxation | | (86,883) | 317,706 |
| Adjusted pre-tax profit for the year | | 1,580,142 | 1,635,643 |

*Adjusted EBITDA, calculated by taking the adjusted profit before tax figure shown above and adding back interest, depreciation and amortisation was £2,684,962 (2015: £2,518,986).*

| | **Number** | **Number** |
|---|---|---|
| **Weighted average number of shares** | | |
| For basic earnings per share | 54,037,158 | 54,037,158 |
| Adjustment for options outstanding | 1,159,276 | - |
| For diluted earnings per share | **55,196,434** | **54,037,158** |
| | **Pence per share** | **Pence per share** |
| **Earnings per share:** | | |
| <u>Basic (pence)</u> | | |
| From (loss)/profit for the period | (1.70) | 1.79 |
| From adjusted pre-tax profit | 2.92 | 3.03 |
| | | |
| <u>Diluted (pence)</u> | | |
| From (loss)/profit for the period | (1.66) | 1.79 |
| From adjusted pre-tax profit | 2.86 | 3.03 |

The loss per share for the comparative year ended 31 December 2015 has been calculated on a comparable basis using the same average weighted average number of ordinary shares in issue as if the shares had been in issue during that period.

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of shares and 'in the money' share options in issue. Share options are classified as 'in the money' if their exercise price is lower than the average share price for the period. As required by IAS 33, this calculation assumes that the proceeds receivable from the exercise of 'in the money' options would be used to purchase shares in the open market in order to reduce the number of new shares that would need to be issued.

### 10. Dividends

Amounts recognised as distributable to equity holders in the period:

| | **Year ended 31 December 2016 £** | **Year ended 31 December 2015 £** |
|---|---|---|
| Dividend for the year ended 31 December 2015 of £66.97 per share | - | 669,675 |
| Dividend for the year ending 31 December 2016 of £7.84 per share | 78,375 | - |

Prior to the company's IPO, its Chief Executive, C Hanna, and its Creative and Founding Director, A Kitous, were remunerated by way of dividends in lieu of market rate salaries. Since the company's IPO, these directors have received market rate salaries instead of such dividends.

### 11. Intangible assets

| **Group** | **Lease premiums £** | **Goodwill £** | **Total £** |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2016 | - | - | - |
| Additions | 1,075,000 | 74,979 | 1,149,979 |
| **At 31 December 2016** | **1,075,000** | **74,979** | **1,149,979** |
| | | | |
| **Accumulated amortisation** | | | |
| At 1 January 2016 | - | - | - |
| Amortised during the year | 28,958 | - | 28,958 |
| **At 31 December 2016** | **28,958** | **-** | **28,958** |
| | | | |
| **Net Book Value as at 31 December 2015** | **-** | **-** | **-** |
| **Net Book Value as at 31 December 2016** | **1,046,042** | **74,979** | **1,121,021** |

### Acquisition

On 14 December 2016, the Group purchased the trade and assets, valued at £400,000, of Agushia Limited, including the Yalla Yalla brand and four restaurants trading under the brand as part of the group's strategic goal to expand its network of restaurants in London and the rest of the United Kingdom. The goodwill reported in the Balance Sheet arising on the acquisition of this business amounts to £74,979 and represents the amounts paid in excess of the fair value of the net assets acquired.

Goodwill arising on business combinations is not amortised but is subject to an impairment review annually, or arising on acquisition is monitored and an impairment test is carried out which compares the value in use to its carrying value. The transaction has been treated as a business combination under IFRS 3 'Business Combinations'. Details of the identifiable assets and liabilities, purchase consideration and goodwill are set out below:

| | Book value & fair values £ |
|---|---|
| Intangible assets | 10,000 |
| Fixtures and fittings | 59,996 |
| Property, plant and equipment | 342,177 |
| Liabilities | (87,152) |
| **Total net assets acquired** | **325,021** |
| | |
| **Consideration paid:** | |
| Cash | 400,000 |
| | |
| **Goodwill arising on acquisition** | **74,979** |

## 12. Property, plant and equipment

| Group | Freehold land and buildings £ | Leasehold Land and buildings £ | Plant and machinery £ | Fixture, fittings & equipment £ | Total (Restated) £ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2015 | 1,481,879 | 4,009,851 | 1,419,937 | 1,238,456 | 8,150,123 |
| Additions | - | 1,646,617 | 998,736 | 366,930 | 3,012,283 |
| **At 31 December 2015** | **1,481,879** | **5,656,468** | **2,418,673** | **1,605,386** | **11,162,406** |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2015 | 9,879 | 1,613,606 | 728,045 | 416,937 | 2,768,467 |
| Depreciation during the year | 59,275 | 410,246 | 183,377 | 102,635 | 755,533 |
| **At 31 December 2015** | **69,154** | **2,023,852** | **911,422** | **519,572** | **3,524,000** |
| | | | | | |
| **Cost** | | | | | |
| At 1 January 2016 | 1,481,879 | 5,656,468 | 2,418,673 | 1,605,386 | 11,162,406 |
| Additions | 80,136 | 2,729,476 | 1,212,779 | 474,453 | 4,496,844 |
| Business combination additions | - | - | 342,177 | 59,996 | 402,173 |
| **At 31 December 2016** | **1,562,015** | **8,385,944** | **3,973,629** | **2,139,835** | **16,061,423** |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2016 | 69,154 | 2,023,852 | 911,422 | 519,572 | 3,524,000 |
| Depreciation during the year | 49,396 | 478,025 | 297,872 | 125,335 | 950,628 |
| Impairment during the year | - | 296,260 | 85,547 | 89,989 | 471,796 |
| **AT 31 December 2016** | **118,550** | **2,798,137** | **1,294,841** | **734,896** | **4,946,424** |
| | | | | | |
| **Net Book Value as at 31 December 2015** | **1,412,725** | **3,632,616** | **1,507,251** | **1,085,814** | **7,638,406** |
| **Net Book Value as at 31 December 2016** | **1,443,465** | **5,587,807** | **2,678,788** | **1,404,939** | **11,114,999** |

| **Assets held under finance leases** | **Group Year ended 31 December 2016 £** | **Year ended 31 December 2015 £** |
|---|---|---|
| **Cost** | | |
| At 1 January 2016 | 1,853,942 | 1,853,942 |
| Additions | 80,136 | - |
| Legal ownership transferred | (1,618,460) | - |
| **Cost as at 31 December 2016** | 315,618 | 1,853,942 |
| **Accumulated depreciation** | | |
| At 1 January 2015 | 170,987 | 73,445 |
| Depreciation during the year | 84,622 | 97,541 |
| Impairment | 87,600 | - |
| Legal ownership transferred | (139,601) | - |
| **At the end of year** | 203,608 | 170,986 |
| **Net book value at the end of the year** | **112,010** | **1,682,956** |

Legal ownership transferred relates to a property held under finance lease that has subsequently been purchased outright during the current year.

## 13. Subsidiaries

The principal subsidiaries of Comptoir Group Plc, all of which have been included in these consolidated financial statements, are as follows:

| Name | Country of incorporation and principal place of business | Proportion of ownership interest as at 31 December | | Non-Controlling interests Ownership/voting interest at 31 December | |
|---|---|---|---|---|---|
| | | **2016** | **2015** | **2016** | **2015** |
| Timerest Limited | England & Wales | 100% | 100% | - | - |
| Chabane Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Franchise Limited | England & Wales | 100% | 100% | - | - |
| Shawa Group Limited* | England & Wales | 100% | 100% | - | - |
| Shawa Bluewater Limited | England & Wales | 100% | 100% | - | - |
| Shawa Limited | England & Wales | 100% | 100% | - | - |
| Shawa Rupert Street Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir Stratford Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir South Ken Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir Soho Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Central Production | England & Wales | 100% | 100% | - | - |
| Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Westfield London | England & Wales | 100% | 100% | - | - |
| Limited* | England & Wales | 100% | 100% | - | - |
| Levant Restaurants Group | England & Wales | 100% | 100% | - | - |
| Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Chelsea Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir Bluewater Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Wigmore Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir Kingston Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Broadgate Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Manchester Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Restaurants Limited | England & Wales | 100% | 100% | - | - |
| Comptoir Leeds Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir Oxford Street Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir I.P. Limited* | England & Wales | 100% | 100% | - | - |
| Comptoir Reading Limited* | England & Wales | 100% | 100% | - | - |
| TKCH Limited* | England & Wales | 100% | - | - | - |
| Comptoir Bath Limited* | England & Wales | 100% | - | - | - |
| Comptoir Exeter Limited* | England & Wales | 100% | - | - | - |
| Yalla Yalla Restaurants Limited | | | | | |
| Shawa Haymarket Ltd | | | | | |
| Comptoir Oxford Limited* | | | | | |

**Dormant companies*

Changes to subsidiaries during the year ended 31 December 2016:

Comptoir Bath Limited changed its name from Comptoir Wardour Street Limited on 20 February 2016.

Comptoir Exeter Limited changed its name from Comptoir Strand Limited on 20 February 2016.

Shawa Rupert Street Limited and Shawa Haymarket Limited were incorporated on 30 March 2016.

Comptoir Reading Limited was incorporated on 22 February 2016. The company changed its name from Comptoir Reading Limited to Shawa Wardour Street on 8 August 2016 and back to Comptoir Reading Limited on 2 September 2016.

Yalla Yalla Restaurants Limited, a subsidiary, which was incorporated on 5 September 2016, changed its name from Shawa Wardour Street on 30 November 2016.

## 14. Inventories

| | Group Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| Finished goods and goods for resale | **479,830** | **304,199** |

## 15. Trade and other receivables

| | Group Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| Trade debtors | 572,691 | 323,235 |
| Other debtors | 499,934 | 677,780 |
| Prepayments and accrued income | 1,124,690 | 602,619 |
| Corporation tax recoverable | - | 33,506 |
| **Total trade and other receivables** | **2,197,315** | **1,637,140** |

## 16. Trade and other payables

| | Group Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| Trade creditors | 1,383,209 | 828,569 |
| Accruals | 1,546,108 | 569,701 |
| Other taxation and social security | 541,314 | 825,772 |
| Other creditors | 87,018 | 636,521 |
| Directors' loan accounts | - | 572,600 |
| **Total trade and other payables** | **3,557,649** | **3,433,163** |

## 17. Borrowings

| | Group Year ended 31 December 2016 £ | Year ended 31 December 2015 (Restated) £ |
|---|---|---|
| Bank loans | 1,990,527 | 1,703,256 |
| Bank overdrafts | - | 12,416 |
| Finance lease | - | 1,461,043 |
| Hire purchase liabilities | 21,921 | 110,529 |
| **Total borrowings** | **2,012,448** | **3,287,244** |

The long term bank loans are secured by way of fixed charges over the assets of various Group companies. Some of the bank loans are secured by a personal guarantee given by A Kitous, director, amounting to £6,925,000 across all loans. Bank loans of £1,990,527, represent amounts repayable within one year of £610,120 and amounts totalling £1,380,407 which are repayable in more than one year but less than five years. All loans have a five-year term with maturity dates of between 2018 and 2020. All loans attract a rate of interest of 3.25% over the Bank base rate.

The liability in respect of the finance lease that was entered into in November 2014 is £nil for the year ended 2016. The comparative relates to a property held under finance least that has subsequently been purchased outright, during the current year. Previously interest was charged at a rate of 4% plus LIBOR.

The entire hire purchase liability is due within one year.

## 18. Provisions for liabilities

**Group**

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| Provisions for leasehold property dilapidations | 35,050 | 27,388 |
| **Total provisions** | **35,050** | **27,388** |

| **Movements on provisions:** | **Group £** |
|---|---|
| At 1 January 2016 | 27,388 |
| Provision in the year (net of releases) | 7,662 |
| **Total at 31 December 2016** | **35,050** |

Provisions for leasehold property dilapidation repairs are recognised when the Group has a present obligation to carry out dilapidation repair work on the leasehold premises before the property is vacated. The amount recognised as a provision is the best estimate of the costs required to carry out the dilapidations work and is spread over the expected period of the tenancy.

## 19. Deferred Taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| Group | Liabilities 2016 £ | Liabilities 2015 £ | Assets 2016 £ | Assets 2015 £ |
|---|---|---|---|---|
| Accelerated capital allowances | 287,287 | 171,829 | 44,020 | (82,160) |
| Tax losses | - | - | 160,978 | 164,733 |
| Share-based payment | - | - | 99,997 | - |
| | **287,287** | **171,829** | **304,995** | **82,573** |

| **Movements in the year:** | **Group 2016 £** | **Group 2015 £** |
|---|---|---|
| Net (liability)/asset at 1 January | (89,256) | (45,216) |
| (Credit)/charge to Statement of Comprehensive Income (note 8) | 106,964 | (44,040) |
| Net asset/(liability) at year end | **17,708** | **(89,256)** |

The deferred tax liability set out above is related to accelerated capital allowances and will reverse over the period that the fixed assets to which it relates are depreciated.

## 20. Share capital

| **Authorised, issued and fully paid** | **Number of 1p shares** | |
|---|---|---|
| | **Year ended 31 December 2016** | **Year ended 31 December 2015** |
| Brought forward | 10,000 | 10,000 |
| Issues in the period | 95,990,000 | - |
| **Carried forward** | **96,000,000** | **10,000** |

**Nominal value**

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| Brought forward | 100 | 100 |
| Issues in the period | 959,900 | - |
| **Carried forward** | **960,000** | **100** |

The company had 5,000 ordinary shares of £0.01 each and 5,000 B ordinary shares of £0.01 each in issue as 31 December 2015. In June 2016, the 5,000 B ordinary shares were re-designated as ordinary shares of £0.01 each and 79,990,000 new ordinary shares of £0.01 each were allotted and issued to the existing shareholders as a bonus issue of shares. On 21 June 2016 the company issued 16,000,000 new shares to the public as part of the IPO and admission of the shares to the AIM market of the London Stock Exchange, raising £8 million before costs of the share issue.

## 21. Other reserves

The other reserves account in the balance sheet reflects the credit to equity made in respect of the charge for share-based payments made through the income statement and the purchase of shares in the market in order to satisfy the vesting of existing and future share awards under the Long-Term Incentive Plan.

## 22. Retirement benefit schemes

| **Defined contribution schemes** | 31 December 2016 £ | 31 December 2015 £ |
|---|---|---|
| Charge to profit and loss | 39,907 | 28,051 |

A defined contribution scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

## 23. Share-based payments scheme

*Equity-settled share-based payments*

On 14 June 2016 the Company established an Enterprise Management Incentive ("EMI") share option scheme and on the same day granted 2,970,000 EMI share options to certain key employees. The scheme enables all employees (as well as Directors) to subscribe for ordinary shares in Comptoir Group PLC. The scheme includes all subsidiary companies headed by Comptoir Group PLC. The exercise price of all of the options is £0.50, the term to expiration is 10 years and all of the options have the same vesting conditions attached to them.

The total share-based payment charge for the year was £479,210 (2015: £Nil). This is included within non-trading items on the face of the statement of comprehensive income.

On the same day, 14 June 2016, the Company also granted 1,440,000 unapproved share options to family members of directors, in relation to their capacity as shareholders investing in the company. The exercise price of these options is £0.50, the term to expiration is 10 years and all of the unapproved options have the same vesting conditions attached to them.

If options remain unexercised after a period of 10 years from the date of grant, the options expire. Unvested options are forfeited if the employee leaves the group before the options vest, vested options are forfeited if the employee leaves the group before the options are exercised.

On 21 June 2016, as a result of the company's IPO, all 2,970,000 of the EMI options in issue vested, resulting in a charge to the income statement equal to the fair value of the options on the date of grant. Since vesting and to the date of approval of the financial statements none of the options had been exercised and 200,000 options cancelled.

| | | **Year ended 31 December 2016** | | **Year ended 31 December 2015** |
|---|---|---|---|---|
| | **Shares No.** | **Average Exercise price £** | **Shares No.** | **Average Exercise price £** |
| Options outstanding, beginning of year | - | - | - | - |
| Granted | 2,970,000 | 0.50 | - | - |
| Cancelled | (200,000) | 0.50 | - | - |
| **Options outstanding, end of year** | **2,770,000** | **0.50** | **-** | **-** |
| **Options exercisable, end of year** | **2,770,000** | **0.50** | **-** | **-** |

The Black-Scholes option pricing model is used to estimate the fair value of options granted under the group's share-based compensation plan. The range of assumptions used and the resulting weighted average fair value of options granted at the date of grant for the group were as follows:

| | **Year ended 31 December 2016** | **Year ended 31 December 2015** |
|---|---|---|
| Risk free rate of return | 0.10% | - |
| Expected term | 10 years | - |
| Estimated volatility | 28% | - |
| Expected dividend yield | 0% | - |
| Weighted average fair value of options granted | £0.173 | - |

*Risk free interest rate*
The risk free interest rate is based on the UK 2-year Gilt yield.

*Expected term*
The expected term represents the maximum term that the group's share options in relation to employees of the group are expected to be outstanding. The expected term is based on expectations using information available.

*Estimated volatility*
The estimated volatility is the amount by which the price is expected to fluctuate during the period. The standard deviation of share price fluctuations of similar businesses was used to quantify the amount of estimated dispersion as there has been less than 6 months of trade for the group.

*Expected dividends*
Comptoir's board of directors may from time to time declare dividends on its outstanding shares. Any determination to declare and pay dividends will be made by Comptoir Group PLC's board of directors and will depend upon the group's results, earnings, capital requirements, financial condition, business prospects, contractual restrictions and other factors deemed relevant by the board of directors. In the event that a dividend is declared, there is no assurance with respect to the amount, timing or frequency of any such dividends. Based on this uncertainty and unknown frequency, for the year ended 31 December 2016 no dividend rate was used in the assumptions to calculate the share based compensation expense.

## 24. Reconciliation of (loss)/profit to cash generated from operations

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| (Loss)/profit for the year | (918,113) | 969,807 |
| | | |
| Income tax (credit)/expense | (86,883) | 317,706 |
| Finance costs | 125,237 | 127,810 |
| Depreciation | 950,628 | 755,533 |
| Amortisation of intangible assets | 28,958 | - |
| Impairment of assets | 471,796 | - |
| Share-based payment charge | 479,210 | - |
| | | |
| **Movements in working capital** | | |
| Increase in inventories | (175,631) | (130,821) |
| Increase in trade and other receivables | (560,175) | (536,884) |
| Increase in trade and other payables and provisions | 54,995 | 1,009,130 |
| **Cash from operations** | **370,022** | **2,512,281** |

## 25. Reconciliation of changes in cash to the movement in net debt

| **Net debt:** | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|---|---|---|
| At the beginning of the year | (2,619,998) | (1,103,863) |
| | | |
| **Movements in the year:** | | |
| Repayment of loan borrowings | 613,346 | 527,022 |
| New loans advances | (825,000) | (1,000,000) |
| Finance lease payments | 1,508,978 | 90,000 |
| Hire purchase lease payments | 91,710 | 101,723 |
| Non-cash movements in the year | (126,653) | (125,655) |
| Cash inflow/(outflow) | 158,375 | (1,109,229) |
| **At the end of the year** | **(1,199,242)** | **(2,619,998)** |

| **Represented by:** | At 31 December 2014 £ | Cash flow movements in the year £ | Non- cash flow movements in the year £ | At 31 December 2015 £ |
|---|---|---|---|---|
| Cash and cash equivalents | 1,764,060 | (1,096,813) | - | 667,247 |
| Overdraft | - | (12,416) | - | (12,416) |
| Bank loans | (1,122,147) | (522,976) | (58,133) | (1,703,256) |
| Other loans | (50,000) | 50,000 | - | - |
| Finance leases | (1,491,475) | 90,000 | (59,569) | (1,461,044) |
| Hire purchase liabilities | (204,301) | 101,725 | (7,953) | (110,529) |
| | **(1,103,863)** | **(1,390,480)** | **(125,655)** | **(2,619,998)** |

| | At 31 December 2015 £ | Cash flow movements in the year £ | Non- cash flow movements in the year £ | At 31 December 2016 £ |
|---|---|---|---|---|
| Cash and cash equivalents | 667,247 | 145,959 | - | 813,206 |
| Overdraft | (12,416) | 12,416 | - | - |
| Bank loans | (1,703,256) | (211,654) | (75,617) | (1,990,527) |
| Finance leases | (1,461,044) | 1,508,978 | (47,934) | - |
| Hire purchase liabilities | (110,529) | 91,710 | (3,102) | (21,921) |
| | **(2,619,998)** | **1,547,409** | **(126,653)** | **(1,199,242)** |

## 26. Financial instruments

The Group finances its operations through equity and borrowings, with the borrowing interest typically subject to 3.25% per annum over base rate.

Management pay rigorous attention to treasury management requirements and continue to:

- ensure sufficient committed loan facilities are in place to support anticipated business requirements;
- ensure the Group's debt service will be supported by anticipated cash flows and that covenants will be complied with; and
- manage interest rate exposure with a combination of floating rate debt and interest rate swaps when deemed appropriate.

The Board closely monitors the Group's treasury strategy and the management of treasury risk. Further details of the Group's capital risk management can be found in the report of the Directors.

Further details on the business risk factors that are considered to affect the Group are included in the strategic report and more specific financial risk management (including sensitivity to increases in interest rates) are included in the Report of the Directors. Further details on market and economic risk and headroom against covenants are included in the Strategic Report.

### Financial assets and liabilities

***Group financial assets:***

| | 31 December 2016 £ | 31 December 2015 £ |
|---|---|---|
| Cash and cash equivalents | 813,207 | 667,247 |
| Trade and other receivables | 3,243,357 | 1,637,140 |
| **Total financial assets** | **4,056,564** | **2,304,387** |

| ***Group financial liabilities:*** | **31 December 2016 £** | **31 December 2015 £** |
|---|---|---|
| Overdraft | - | 12,416 |
| Trade and other payables excl. corporation tax | 3,557,649 | 2,860,563 |
| Directors' loans | - | 572,600 |
| Hire purchase lease debt | 21,921 | 88,606 |
| Finance lease debt | - | 1,461,043 |
| Bank loan | 610,120 | 437,501 |
| **Short -term financial liabilities** | **4,189,690** | **5,432,729** |
| Bank loan | 1,380,407 | 1,265,755 |
| Finance lease debt | **-** | 21,923 |
| **Long-term financial liabilities** | **1,380,407** | **1,287,678** |
| **Total financial liabilities** | **5,570,097** | **6,720,407** |

* The loans held in the subsidiaries typically have the interest rate of 3.25%p.a. over base rate.

At 31 December 2016 the Group has £Nil of committed borrowing facilities in excess of gross borrowings (2015: £Nil) and £Nil of undrawn overdraft (2015: £Nil).

The maturity profile of anticipated gross future cash flows, including interest, relating to the Group's non-derivative financial liabilities, on an undiscounted basis, are set out below:

| | Overdraft £ | Trade and other payables * £ | Directors' loans £ | Bank loans £ | Finance lease debt £ | Hire purchase lease liability £ |
|---|---|---|---|---|---|---|
| **As at 31 December 2016** | - | 3,557,649 | - | 674,484 | - | 22,081 |
| Within one year | - | - | - | 1,449,311 | - | - |
| Within two to five years | - | - | - | - | - | - |
| After five years | | | | | | |
| Less future interest payments | - | - | - | (133,268) | - | (160) |
| **Total** | **-** | **3,557,649** | **-** | **1,990,527** | **-** | **21,921** |
| **As at 31 December 2015** | 12,416 | 2,860,563 | 572,600 | 493,991 | 1,508,978 | 91,708 |
| Within one year | **-** | - | - | 1,336,755 | - | 22,083 |
| Within two to five years | **-** | - | - | - | - | - |
| After five years | | | | | | |
| Less future interest payments | **-** | - | - | (127,490) | (47,935) | (3,262) |
| **Total** | **12,416** | **2,860,563** | **572,600** | **1,703,256** | **1,461,043** | **110,529** |

*excluding corporation tax

### Fair value of financial assets and liabilities

All financial assets and liabilities are accounted for at cost and the Directors consider the carrying value to approximate their fair value.

## 27. Financial risk management

The Group's and Company's financial instruments comprise investments, cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The vast majority of the Group's and Company's financial investments are denominated in sterling.

Neither the Group nor the Company enter into derivatives or hedging transactions. It is, and has been throughout the period under review, the Group's and Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's and Company's financial instruments are **credit risk, liquidity risk, foreign currency risk, liquidity risk and investment risk**. The Group does not have a material exposure to foreign currency risk. The board reviews policies for managing each of these risks, and they are summarised as follows:

### *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. Counterparties for cash balances are with large established financial institutions. The Group is exposed to credit related losses in the event of non-performance by the financial institutions but does not expect them to fail to meet their obligations.

As a retail business with trading receipts settled either by cash or credit and debit cards, there is very limited exposure from customer transactions. The Group is exposed to credit risk in respect of commercial discounts receivable from suppliers but the Directors believe adequate provision has been made in respect of doubtful debts and there are no material amounts past due that have not been provided against.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk

***Liquidity risk***

The Group has built an appropriate mechanism to manage liquidity risk of the short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed through the maintenance of adequate cash reserves and bank facilities by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's loan facilities (as set out in ***note 17***), ensure continuity of funding, provided the Group continues to meet its covenant requirements (as detailed in the report of the Directors).

***Foreign currency risk***

The Group is not materially exposed to changes in foreign currency rates and does not use foreign exchange forward contracts.

***Interest rate risk***

Exposure to interest rate movements has been controlled historically through the use of floating rate debt to achieve a balanced interest rate profile. The Group does not currently have any interest rate swaps in place as the continued reduction in the level of debt combined with current market conditions results in a low level of exposure. The Group's exposure will continue to be monitored and the use of interest rate swaps may be considered in the future.

***Investment risk***

Investment risk includes investing in companies that may not perform as expected. The group's investment criteria focus on the quality of the business and the management team of the target company, market potential and the ability of the investment to attain the returns required within the time horizon set for the investment. Due diligence is undertaken on each investment. The group regularly reviews the investments in order to monitor the level of risk and mitigate exposure where appropriate.

## 28. Lease commitments

***Finance lease commitments***

Future lease payments in respect of finance leases are due as follows:

| | **Minimum lease payments** | |
|---|---|---|
| | **Year ended 31 December 2016** | Year ended 31 December 2015 |
| | **£** | £ |
| Within one year | 22,081 | 1,600,686 |
| Within two and five years | - | 22,083 |
| After five years | - | - |
| Less future interest payments | (160) | (51,197) |
| **Present value of lease obligations** | 21,921 | 1,571,572 |

All finance lease commitments at the year end date 31 December 2016 are due to be paid within one year.

| | | |
|---|---|---|
| **Analysed as:** | | |
| Amounts due for settlement within one year | 21,921 | 1,552,751 |
| Amounts due for settlement after one year | - | 18,821 |
| **Present value of lease obligations** | 21,921 | 1,571,572 |

Lease commitments are in respect of rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of lease periods and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent lease payments. There are no finance leases where the Group itself is the lessor. The interest rate applied in calculating the present value of the payments is the incremental borrowing cost of the Group in relation to each lease, however the time value of money is considered by the Directors to be insignificant in the context of discounting the minimum lease payments and accordingly the present value of the minimum lease payments is considered to be not materially different from the absolute value. The fair value of the lease payments is estimated as £21,921 (2015: £103,994).

***Operating lease commitments***

The Group has entered into a number of property leases on standard commercial terms as lessee. There are no restrictions imposed by the Group's operating lease arrangements, either in the current or prior year.

At the reporting date the total future minimum rentals payable under non-cancellable operating leases over the remaining lives of the leases are:

| | **31 December 2016** £ | **31 December 2015** £ |
|---|---|---|
| Within one year | 2,247,070 | 1,209,422 |
| Within two and five years | 5,637,967 | 3,724,313 |
| After five years | 6,125,427 | 3,611,945 |
| **Total** | **14,010,464** | **8,545,680** |

## 29. Prior year adjustment

| **Changes to the balance sheet - Group**<br>*Balances as restated before IFRS transition adjustments:* | **As previously reported**<br>**£** | **Adjustment at 1 January 2015**<br>**£** | **Adjustment at 31 December 2015**<br>**£** | **As restated**<br>**£** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant & equipment | 6,225,681 | 1,472,000 | (59,275) | 7,638,406 |
| **Current liabilities** | | | | |
| Finance lease liabilities | - | (1,491,475) | 30,431 | (1,461,043) |
| | 6,225,681 | (19,475) | (28,844) | 6,177,363 |
| **Capital and reserves** | | | | |
| Retained earnings | 3,184,819 | (19,475) | (28,844) | 3,136,500 |

| Changes to the profit and loss account-Group<br>*Balances as restated before IFRS transition adjustments:* | As previously reported<br>£ | Adjustment<br>£ | As restated<br>£ |
|---|---|---|---|
| **Profit for the financial period** | 998,651 | (28,844) | 969,807 |

In order to adjust a treatment of a lease made in prior periods with respect to the classification of a leasehold interest in a property held by the Group, during the current year a prior year adjustment has been made to change the historical treatment of the lease. Previously, the lease had been treated as an operating lease and rental payments were recognised within the income statement of a subsidiary entity. Following a review of the facts, the lease is now considered to have more closely met the definitions of a finance lease rather than that of an operating lease and as such the carrying value of the property has been retrospectively recognised in the accounts from the date the lease was entered into, being September 2014. The comparative figures shown in these accounts have been adjusted to include the leasehold investment at its fair value of £1,472,000 brought forward as at 1 January 2015 and carried forward as at 31 December 2015, as well as a finance lease liability outstanding at 31 December 2015 of £1,461,043. The impact on brought forward reserves is reflected in the table above.

### 30. Contingent liabilities

The Group had no contingent liabilities at 31 December 2016 or 31 December 2015.

### 31. Capital commitments

The Group had no capital commitments at 31 December 2016 or 31 December 2015.

### 32. Directors' transactions

During the year Comptoir Group PLC paid a dividend of £39,188 (2015: £352,425) to C Hanna, who is a director and shareholder of Comptoir Group PLC.

Comptoir Group PLC paid a dividend of £39,188 (2015: £317,250) to A Kitous, who is a director and shareholder of Comptoir Group PLC.

Included within trade and other payables at the reporting date is £Nil (2015: £340,850) which is owed to the director, A Kitous and £Nil (2015: £231,750) which is owed to director, C Hanna

### 33. Related party transactions

Remuneration in respect of key management personnel, defined as the Directors for this purpose, is disclosed in note 6. Further information concerning the Directors' remuneration is provided in the Directors' remuneration report.

70,000 and 150,000 of the EMI options that were issued on the 14 June 2016 and are detailed in note 23, were granted to M Kitous, brother of Director, A Kitous and P Hanna, son of Director, C Hanna, respectively.

All of the unapproved share options that were issued on the 14 June 2016 and are detailed in note 23, were issued to family members of J Kaye, a director of the company. The exercise price of these options is £0.50, the term to expiration is 10 years and all of the unapproved options have the same vesting conditions as the approved options attached to them.

During the year, the Group paid fees of £10,417 (2015: £25,000) to Messrs Gerald

Edelman, a firm in which director R Kleiner is a partner, in respect of part of his non-executive director fees. Also during the year the Group paid further amounts totalling £33,433 to Messrs Gerald Edelman, in respect of accountancy and corporate finance services provided to the Group.

**34. Ultimate controlling party**

The ultimate controlling party is A Kitous, one of the Group's directors due to his ownership of 52.1% of the share capital at the year end.

**35. Subsequent events**

There were no significant subsequent events which the directors consider require disclosure within these financial statements.



END

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