
GUSTO RESTAURANTS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 27 SEPTEMBER 2020

GUSTO RESTAURANTS LIMITED

COMPANY INFORMATION

Directors	F Bandura (appointed 11 June 2020) J K Roberts A J Griffin (resigned 30 January 2020) G M Peel (resigned 11 June 2020) M A Snell T Selby (appointed 23 October 2020)
Registered number	02177931
Registered office	81 King Street Knutsford England WA16 6DX
Independent auditor	Grant Thornton UK LLP Chartered Accountants Senior Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Santander Corporate Banking 298 Deansgate Manchester M3 4HH
Solicitors	Pinsent Masons LLP 3 Colmore Circus Birmingham B4 6BH

GUSTO RESTAURANTS LIMITED

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GUSTO RESTAURANTS LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 27 SEPTEMBER 2020

Gusto Restaurants Limited - Strategic Report

Gusto Restaurants Limited (Gusto, the Company) owns and operates a series of Italian inspired, premium restaurants and bars. Gusto's menu is aspirational and accessible and focuses on freshly prepared classic and contemporary Italian cuisine. Operating from city centre, and neighbourhood locations, the Company comprises 12 restaurants and bars located primarily in the North of England and Scotland. A superb atmosphere, ambience and high levels of service are key elements of Gusto's appeal. The Company's strategy is to grow shareholder value by building a business that is capable of delivering growing and sustainable long-term cash flows. The Board believes that the strength of the Gusto brand is such that the Company is well-placed to deliver on this key strategic aim.

The directors have changed the financial year end to September resulting in an 18 month accounting period. Thereafter accounts will be for normal 52 week periods.

	Period ended 27 September 2020 (£'000)	31 March 2019 (£'000)
Turnover	34,779	32,212
Operating (Loss)/Profit	(88)	490
(Loss)/Profit after Tax	(299)	89
Adjusted EBITDA*	(3,786)	1,964

*Adjusted EBITDA is EBITDA adjusted for exceptional items.

The impact of the COVID-19 Pandemic

The pandemic and the government's response has dominated the landscape for all businesses with the leisure and hospitality sector particularly impacted by government social distancing and lockdown restrictions.

Company Voluntary Arrangement (CVA)

The impact of the pandemic as well as the forced closure of all restaurant businesses in the UK on March 23rd 2020 took its toll on Gusto. The Company was unable to generate any revenue during the period of closure yet continued to accrue liabilities to its landlords, lenders and to HMRC. Gusto utilised the available government support where possible but was unable to secure additional bank finance to help it through the impact of the COVID19 pandemic. The available support was insufficient to stem the pressure on Gusto's financial resources.

After considering a range of options, the Board of Directors, concluded that a restructuring via a CVA (company voluntary arrangement) would deliver the best outcome and was in the best interests of the Company's creditors and was the only way to ensure the long-term survival of the Company. A CVA is an insolvency procedure which allows a company to seek an arrangement with its creditors to restructure its financial liabilities. The Gusto CVA was launched on 9 September 2020 with the vote taking place on 22 September 2020. The CVA was approved by creditors with 98% in favour as well as all of the shareholders and finance providers. This strong support allowed management to implement a business recovery plan entailing:

- The closure of 6 locations
- A temporary reduction of rents in line with current activity and the market
- A compromise of certain historical trading liabilities
- A composite financial restructuring including:
 - o a restructuring and write-down of the Company's secured and unsecured debt
 - o a write-down of the Company's inter-company liabilities;
 - o the injection of new working capital and
- Substantive restructuring of and consequent reduction in head office costs

GUSTO RESTAURANTS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 27 SEPTEMBER 2020

The Future

Whilst the lingering effects of COVID 19 continue to add to uncertainty, including the exact date when the full re-opening of the economy without social distancing requirements will occur, the restructuring undertaken in 2020 has put Gusto on a sound financial footing. The customer response to Gusto's re-opening in line with government guidelines has been extremely positive with trading ahead of the Board's expectations. Gusto's financial structure is now at an affordable and manageable level and following the restructuring, the cost base has been reduced substantially. Following a difficult period as a result of the pandemic, the Board is able to look to the future with confidence.

Principal Risks and Uncertainties

The largest risk to the business is the COVID 19 pandemic and the risk of further lockdowns

Clearly, whilst the roll-out of vaccines in the United Kingdom has been a recent success story, there is still much uncertainty about the continued impact of COVID 19 and its variants. Gusto follows any government regulations that are in force relating to the management of the pandemic. A prolonged delay to full re-opening may impact the Company's trading. The senior leadership team keeps itself regularly apprised of the latest government pronouncements as well as rules and regulations that are relevant to restaurants.

Financial Risk

The Company uses various financial instruments to finance the company's operations. These include: cash generated from operations; a working capital facility and trade debtors and creditors.

Market and Interest Rate Risk

Market Risk encompasses two types of risk: currency risk and fair value interest rate risk. The Company does not have direct exposure to currency risk which is borne by its suppliers initially.

The Company finances its operations and any capital expenditure through retained profits and internally generated cash resources. A working capital loan was received in October 2020 and thus at the time of this report it is in place as well as a senior debt facility with interest paid on a quarterly basis. No other external funding has been provided to the Company.

Liquidity risk

The Company seeks to manage liquidity risk by reviewing cash balances on a daily basis and forecasting its cash flow prudently several months into the future.

Other Financial risk

The senior leadership team regularly monitor and discuss other risks and uncertainties including restaurant performance, competition, economic conditions and rising costs.

GUSTO RESTAURANTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

Key performance indicators

The Company monitors and relies on a number of key performance indicators when assessing performance. The main financial measures are sales performance compared to budget and prior year, food and beverage margin variances, labour cost and productivity as well as restaurant EBITDA (earnings before interest, taxes, depreciation and amortisation).

This report was approved by the board and signed on its behalf.

Frank Bandura

F Bandura

Director

Date: 29/6/2021

GUSTO RESTAURANTS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 27 SEPTEMBER 2020

The directors present their report and the financial statements for the period ended 27 September 2020.

Results and dividends

The loss for the period, after taxation, amounted to £299,000 (2019: profit £90,000).

The directors have not recommended a payment of a dividend in either year.

Directors

The directors who served during the period were:

J K Roberts
A J Griffin (resigned 30 January 2020)
G M Peel (resigned 11 June 2020)
M A Snell
F Bandura (appointed 11 June 2020)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

GUSTO RESTAURANTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

Engagement with employees

Communication with staff is accorded a high priority and employees are kept informed of the Company's performance and activities through regular briefings and updates. They are also given the opportunity to communicate their ideas to all levels of management.

The Company is committed to ensuring genuine equality of opportunity for all employees, regardless of age, sex, colour, race, religion, ethnic origin or disability. All our recruitment, training and development policies reflect this commitment.

The Company provides employee pension benefits for full time employees.

Qualifying third party indemnity provisions

Insurance policies are in place that indemnify the Directors against liability when acting for Gusto Restaurants Limited.

Post balance sheet events

A few days prior to the period end the company entered into a Company Voluntary Arrangement, the affect of this arrangement continued after the balance sheet date.

In addition to these there has been further UK Government lockdowns forcing restaurant closures for significant amounts of time directly impacting the trade of the business.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Frank Bandura

F Bandura

Director

Date: 29/6/2021



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSTO RESTAURANTS LIMITED

Opinion

We have audited the financial statements of Gusto Restaurants Limited (the 'Company') for the period ended 27 September 2020, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 September 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSTO RESTAURANTS LIMITED
(CONTINUED)**

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the continued impact of Covid-19 on trading performance and liquidity has been identified as a condition which may cast significant doubt on the company's ability to continue as a going concern. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that a material uncertainty exists, our audit work included, but was not restricted to:

- obtaining management's base case cash flow forecasts covering the period from June 2021 to September 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions;
- assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to actual results for last year and considering the impact on the bases cash flow forecasts;
- assessing the impact of the mitigating factors available for management in respect of the ability to restrict cash impact, including the level of available facilities; and
- assessing the adequacy of related disclosures within the financial statements.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSTO RESTAURANTS LIMITED
(CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUSTO RESTAURANTS LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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



Carl Williams FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 29/6/2021

GUSTO RESTAURANTS LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

	Note	Period ended 27 September 2020 £000	31 March 2019 £000
Turnover	3	34,779	32,353
Cost of sales		(7,668)	(7,091)
Gross profit		27,111	25,262
Administrative expenses		(37,244)	(24,459)
Exceptional administrative expenses	9	5,821	(313)
Other income	4	4,224	-
Operating (loss)/profit	5	(88)	490
Interest payable and expenses	8	(431)	(352)
(Loss)/profit before tax		(519)	138
Tax on profit/(loss) on ordinary activities	10	220	(49)
(Loss)/profit after tax		(299)	89
Retained earnings at the beginning of the period		1,568	1,479
(Loss)/profit for the period		(299)	89
Retained earnings at the end of the period		1,269	1,568

There were no recognised gains and losses for 2020 or 2019 other than those included in the Statement of Income and Retained Earnings.

The notes on pages 13 to 31 form part of these financial statements.

All results relate to continuing activities of the company.

GUSTO RESTAURANTS LIMITED
REGISTERED NUMBER:02177931

STATEMENT OF FINANCIAL POSITION
AS AT 27 SEPTEMBER 2020

	Note	27 September 2020 £000	<i>Restated</i> 31 March 2019 £000
Fixed assets			
Intangible assets	11	137	217
Tangible assets	12	6,299	12,624
		<u>6,436</u>	<u>12,841</u>
Current assets			
Stocks	13	219	311
Debtors: amounts falling due within one year	14	499	998
Cash at bank and in hand	15	3,580	2,560
		<u>4,298</u>	<u>3,869</u>
Creditors: amounts falling due within one year	16	(4,125)	(9,254)
Net current assets/(liabilities)		<u>173</u>	<u>(5,385)</u>
Total assets less current liabilities		<u>6,609</u>	<u>7,456</u>
Creditors: amounts falling due after more than one year	17	(5,340)	(5,332)
Provisions for liabilities			
Deferred tax	19	-	(556)
		<u>-</u>	<u>(556)</u>
Net assets		<u><u>1,269</u></u>	<u><u>1,568</u></u>
Capital and reserves			
Called up share capital		-	-
Profit and loss account	21	1,269	1,568
		<u><u>1,269</u></u>	<u><u>1,568</u></u>

GUSTO RESTAURANTS LIMITED
REGISTERED NUMBER:02177931

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 27 SEPTEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Frank Bandura

F Bandura
Director

Date: 29/6/2021

The notes on pages 13 to 31 form part of these financial statements.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

1. Accounting policies**1.1 Company information**

Gusto Restaurants Limited is a private company limited by share and incorporated in England and Wales. Its registered head office is 81 King Street, Knutsford, England, WA16 6DX.

The Company's principal activity is that of restaurateurs.

1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgements in applying the Company's accounting policies (see note 2 below).

The financial statements are presented in Sterling (£).

In the previous year the bank loan was incorrectly recorded as a liability in Gusto Restaurants Group Limited, instead of Gusto Restaurants Limited. In reviewing the records, the company has taken the opportunity to reclassify the loan.

The individual accounts of Gusto Restaurants Limited have also adopted the disclosure exemption in the requirement to present a statement of cash flows and related notes on the basis that they are consolidated within Gusto Restaurants Group Limited, which are available from Companies House.

The accounts are for the period from 1 April 2019 to 27 September 2020.

The following accounting policies have been applied:

1.3 Going concern

Trading results have been significantly impacted in the subsequent financial year as a result of lockdowns, restricted trading and enforced closures, which continued into April/May 21. There remains uncertainty about the exit from these restrictions, future lockdowns (national and local) and the impact of new variants and the pace of recovery in the sector. The directors remain optimistic that the trading for the remainder of 2021 and 2022 will be positive and that the Group has sufficient resources to meet its liabilities as they fall due based upon a range of reasonably possible sensitivities applied to those forecasts. However, under certain scenarios relating to further lengthy restricted trading conditions as a result of covid-19, there may be a need for additional funding. The Directors therefore acknowledge the existence of a material uncertainty that could cast significant doubt on the ability of Group to continue as a going concern. No adjustments have been made to reflect that uncertainty.

After considering a number of factors including (1) the restructuring of the company's liabilities and operations as a result of the CVA (2) a further working capital loan received after the year-end and (3) a positive start to trading since the relaxation of some lockdown restrictions since April 12 2021, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

1. Accounting policies (continued)**1.4 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and turnover can be readily measured. Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added tax. Turnover relates to revenue from the sale of goods.

Sale of goods

Turnover relates to income received from customers who eat and drink in the bars and restaurants and is recognised on the day the event occurs. Customer deposits received in advance are held as a liability on the Statement of Financial Position until the customer eats or drinks in the bars and restaurants. Function deposits and gift vouchers are recognised as turnover when the function occurs or the voucher is tendered.

1.5 Intangible assets and amortisation**Goodwill and intangible assets**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquire at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of income and retained earnings over its useful economic life.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The intangible assets are amortised over the following useful economic lives:

- | | |
|--------------|----------------------|
| - Trademarks | - Over 9 years |
| - Goodwill | - Between 9-20 years |

1.6 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

1. Accounting policies (continued)**1.6 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	- Over 25 years
Improvements	
Fixtures & fittings	- Over 10 years
Computer equipment	- Over 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.7 Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the period of the lease, unless the rental payments are structured to increase in line with expected general inflation, in which case the Company recognises annual rent expense equal to amounts owed to lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

1.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

1. Accounting policies (continued)**1.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price. Cost is based on the cost of purchase on a first in, first out basis after making due allowance for obsolete stock.

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the statement of financial position date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously

1.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

1. Accounting policies (continued)**1.14 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

1.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

1. Accounting policies (continued)

1.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

1.19 Pre-opening costs

Pre-opening costs are recognised in advance of the opening of bars and restaurants and include expenditure incurred up to the Statement of Financial Position date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. Management however do not consider there to be any significant estimates in the financial statements.

3. Turnover

An analysis of turnover by class of business is as follows:

	Period ended 27 September 2020 £000	31 March 2019 £000
Food and drinks	34,779	32,353
	<u><u> </u></u>	<u><u> </u></u>

All turnover arose within the United Kingdom.

4. Other income

	Period ended 27 September 2020 £000	31 March 2019 £000
Government grants receivable namely CJRS and other Covid-19 support	4,224	-
	<u><u> </u></u>	<u><u> </u></u>

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	Period ended 27 September 2020 £000	<i>31 March 2019 £000</i>
Loss on disposal of tangible fixed assets	3,167	9
Depreciation of tangible fixed assets	2,043	1,412
Amortisation of intangible assets	80	62
Fees payable to Company's auditor and its associates for the audit of the Company's annual financial statements	29	22
- The audit of the Company's subsidiaries pursuant to legislation	8	8
Operating lease costs:		
- Land and buildings	2,916	1,860
- Other	38	33
Defined contribution pension cost	701	300
Exceptional items (Note 9)	(5,785)	313
Impairment of tangible fixed assets	1,674	-
	=====	=====

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Period ended 27 September 2020 £000	31 March 2019 £000
Wages and salaries	17,100	12,374
Social security costs	1,295	976
Cost of defined contribution scheme	701	300
	19,096	13,650

The average monthly number of employees, including the directors, during the period was as follows:

	Period ended 27 September 2020 No.	31 March 2019 No.
Retail (including part time employees)	550	586
Management and administration	160	173
	710	759

7. Directors' remuneration

Directors' emoluments	527	423
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During the current and previous year retirement benefits were accruing to 4 (2019: 3) directors in respect of defined contribution pension schemes.

The highest paid director received remuneration of £217,000 (2019: £132,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,000 (2019: £Nil).

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

8. Interest payable and similar expenses

	Period ended 27 September 2020 £000	31 March 2019 £000
Bank interest payable	431	352
	<u>431</u>	<u>352</u>

9. Exceptional items

	Period ended 27 September 2020 £000	31 March 2019 £000
Management restructuring costs	57	176
Bad debt written off	46	-
Creditors written off as a result of CVA	(6,561)	-
Transaction fees	-	30
Site closure and associated costs	637	107
	<u>(5,821)</u>	<u>313</u>

In the current year there has been further restructuring, largely as a consequence of the impact of the Covid-19 pandemic. The company entered into a Company Voluntary Arrangement (CVA) in September 2020. As a result of this significant liabilities were written off. The liabilities written off have been reflected in exceptional items above. See the Strategic Report prepared by the Directors for further details.

In the prior year, exceptional costs incurred related to restructuring of the management team.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

10. Taxation

	Period ended 27 September 2020 £000	31 March 2019 £000
Current tax on profits for the year	574	-
Deferred tax		
Origination and reversal of timing differences	(859)	43
Adjustments in respect of prior periods	-	6
Effect of tax rate change on opening balance	65	-
Total deferred tax	<u>(794)</u>	<u>49</u>
 Taxation on (loss)/profit on ordinary activities	 <u><u>(220)</u></u>	 <u><u>49</u></u>

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

10. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (*2019: higher than*) the standard rate of corporation tax in the UK of 19% (*2019: 19%*). The differences are explained below:

	Period ended 27 September 2020 £000	<i>31 March 2019 £000</i>
(Loss)/profit on ordinary activities before tax	(518)	<i>138</i>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2019: 19%</i>)	(98)	<i>25</i>
Effects of:		
Income not taxable for tax purposes	(486)	<i>-</i>
Expenses not deductible for tax purposes	210	<i>7</i>
Capital allowances for period/year in excess of depreciation	182	<i>84</i>
Adjustments to tax charge in respect of prior periods	-	<i>6</i>
Adjust opening deferred tax to average rate	-	<i>60</i>
Adjust closing deferred tax to average rate	-	<i>(65)</i>
Group relief claimed	(93)	<i>(68)</i>
Remeasurement of deferred tax for changes in tax rates	65	<i>-</i>
Total tax charge for the period/year	(220)	<i>49</i>

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

11. Intangible assets

	Trademarks £000	Goodwill £000	Total £000
Cost			
At 1 April 2019	91	806	897
At 27 September 2020	91	806	897
Amortisation			
At 1 April 2019	91	589	680
Charge for the period	-	80	80
At 27 September 2020	91	669	760
Net book value			
At 27 September 2020	-	137	137
At 31 March 2019	-	217	217

Amortisation on intangible assets is charged to admin expenses.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

12. Tangible fixed assets

	Leasehold property improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 2019	12,912	9,956	478	23,346
Additions	33	446	81	560
Disposals	(2,205)	(1,839)	(96)	(4,140)
At 27 September 2020	<u>10,740</u>	<u>8,563</u>	<u>463</u>	<u>19,766</u>
Depreciation				
At 1 April 2019	6,350	4,049	323	10,722
Charge for the period on owned assets	765	1,191	87	2,043
Disposals	(329)	(566)	(77)	(972)
Impairment charge	809	821	44	1,674
At 27 September 2020	<u>7,595</u>	<u>5,495</u>	<u>377</u>	<u>13,467</u>
Net book value				
At 27 September 2020	<u><u>3,145</u></u>	<u><u>3,068</u></u>	<u><u>86</u></u>	<u><u>6,299</u></u>
At 31 March 2019	<u><u>6,562</u></u>	<u><u>5,907</u></u>	<u><u>155</u></u>	<u><u>12,624</u></u>

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

13. Stocks

	27 September 2020 £000	<i>31 March 2019 £000</i>
Restaurant and bar stocks	219	<i>311</i>

Stock recognised in cost of sales during the year as an expense was £7,668,000 (2019: £7,090,000).

No impairment loss was recognised in cost of sales against stock during 2020 or 2019 due to slow-moving and obsolete stock. The total carrying amount of stock is pledged as security against the group's loans.

The total carrying amount of stock is pledged as security for the group's bank loans.

14. Debtors

	27 September 2020 £000	<i>31 March 2019 £000</i>
Trade debtors	4	<i>213</i>
Other debtors	199	<i>69</i>
Prepayments and accrued income	58	<i>716</i>
Deferred taxation	238	<i>-</i>
	499	<i>998</i>

No impairment loss was recognised against debtors during 2020 or 2019.

15. Cash and cash equivalents

	27 September 2020 £000	<i>31 March 2019 £000</i>
Cash at bank and in hand	3,580	<i>2,560</i>
Less: bank overdrafts	-	<i>(752)</i>

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

16. Creditors: Amounts falling due within one year

	27 September 2020 £000	<i>Restated 31 March 2019 £000</i>
Trade creditors	1,301	1,851
Amounts owed to group undertakings	-	2,517
Other taxation and social security	145	1,153
Corporation tax	573	-
Other creditors	866	391
Accruals and deferred income	1,240	2,590
Bank loan	-	752
	<u>4,125</u>	<u>9,254</u>

17. Creditors: Amounts falling due after more than one year

	27 September 2020 £000	<i>Restated 31 March 2019 £000</i>
Other loans	5,125	-
Share capital treated as debt	215	215
Bank loan	-	5,117
	<u>5,340</u>	<u>5,332</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note to the financial statements.

In the previous year the bank loan was incorrectly recorded as a liability in Gusto Restaurants Group Limited, the company's ultimate parent, instead of Gusto Restaurants Limited. In reviewing the records, the company has taken the opportunity to reclassify the loan.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

18. Loans

Analysis of the maturity of loans is given below:

	27 September 2020 £000	<i>Restated 31 March 2019 £000</i>
Amounts falling due within one year		
Bank loans	-	752
	<hr/> -	<hr/> 752
Amounts falling due 2-5 years		
Other loans	5,125	-
Bank loans	-	5,117
	<hr/> 5,125	<hr/> 5,869
	<hr/> <hr/> 5,125	<hr/> <hr/> 5,869

The bank loans are secured by way of a fixed and floating charge over the group. Interest is charged at LIBOR plus margin rate depending on the facility. The bank loan was due for repayment in 2022.

In the period to 27 September 2020 the debt was assigned from Santander to Ensco Finco LLP and is shown in Other loans at £5,125,000. Interest is charged at LIBOR plus 3.75%. Repayment of the loan is due in full on 21 September 2025.

19. Deferred taxation

Deferred taxation provided at 17% (2019: 17%) in the financial statements is set out below:

	2020 £000
At beginning of year	(556)
Charge for the year	794
At end of year	<hr/> 238 <hr/>

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

19. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	27 September 2020 £000	<i>31 March 2019 £000</i>
Accelerated capital allowances	-	(588)
Fixed asset timing differences	193	-
Short term timing differences	45	32
	<u>238</u>	<u>(556)</u>

20. Share capital

	27 September 2020 £000	<i>31 March 2019 £000</i>
Shares classified as equity		
Allotted, called up and fully paid		
32,598(2019: 32,598) Ordinary shares of £0.01 each	<u>326</u>	<u>326</u>
	27 September 2020 £	<i>31 March 2019 £</i>
Shares classified as debt		
Allotted, called up and fully paid		
7,551(2019: 7,551) Preferred ordinary shares of £1.00 each	7,551	7,551
207,000(2019: 207,000) Preference shares of £1.00 each	207,000	207,000
	<u>214,551</u>	<u>214,551</u>

21. Reserves

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current and prior year retained profits and losses.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

22. Contingent liabilities

As at 27 September 2020 and 31 March 2019, the directors have confirmed that the Company had no contingent liabilities.

23. Capital commitments

As at 27 September 2020, the Company was committed to capital expenditure of £Nil in relation to various sites (2019: £Nil).

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administrated fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £701,000 (2019: £300,000). There are outstanding contributions due to the fund at 27 September 2020 of £57,000 (2019: £9,000).

25. Commitments under operating leases

At 27 September 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	27 September 2020 £000	<i>31 March 2019 £000</i>
Not later than 1 year	872	1,906
Later than 1 year and not later than 5 years	4,252	6,437
Later than 5 years	15,043	21,390
	<hr/> 20,167 <hr/>	<hr/> 29,733 <hr/>

26. Related party transactions

Key management personnel remuneration for the year totalled £527,000 (2019: £473,000).

The Company has taken advantage of the exemption in FRS 102 (section 33) "Related Party Disclosure" and has not disclosed transactions with group undertakings.

GUSTO RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 27 SEPTEMBER 2020**

27. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Gusto Restaurants UK Limited. The directors consider the ultimate parent undertaking of this Company to be Gusto Restaurants Group Limited by virtue of its shareholding.

The smallest and largest group of undertakings for which Group accounts have been drawn up is that headed by Gusto Restaurants Group Limited. Copies of the Group financial statements can be obtained from Companies House.