

2018/2019

THE  
**BRIGHTON PIER**  
GROUP PLC



**Annual Report  
and Accounts**

For the period ended 30 June 2019

## Directors, officers and advisers

<b>Directors</b>	<b>Luke Johnson</b> <b>Anne Ackord</b> <b>John Smith</b> <b>James (Jim) Fallon</b> <b>Paul Viner</b>	<b>Chairman</b> <b>Chief Executive Officer</b> <b>Chief Financial Officer</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b>
<b>Company Secretary</b>	<b>John Smith</b>	
<b>Registered Office</b>	<b>36 Drury Lane</b> <b>London</b> <b>WC2B 5RR</b>	
<b>Financial Adviser, Nominated Adviser and Broker</b>	<b>Panmure Gordon (UK) Limited</b> One New Change London EC4M 9AF	
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<b>Lawyers to the Group</b>	<b>Bates Wells</b> 10 Queen Street Place London EC4R 1BE	
<b>Bankers</b>	<b>Barclays Bank</b> 1 Churchill Place London E14 5HP	
<b>Registrars</b>	<b>Equiniti Limited</b> Aspect House Spencer Road Lancing West Sussex BN99 6DA	

# Contents

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## Brighton Pier Group PLC

01 Table of contents

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## Strategic Report

02 Chairman's statement

04 Our business model

05 Chief Executive Officer's report

15 Financial review

18 Principal risks and uncertainties

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## Governance

20 The Board

21 Corporate governance statement

28 Audit Committee report

30 Remuneration and Nominations Committee report

32 Directors' report

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## Financial Statements

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

40 Consolidated statement of comprehensive income

41 Consolidated balance sheet

42 Consolidated statement of cash flows

43 Consolidated statement of changes in equity

44 Notes to the consolidated financial statements

77 Parent company balance sheet

78 Parent company statement of changes in equity

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## Chairman's statement

This financial year marks another milestone in the life of Brighton Palace Pier with the celebration of its 120th anniversary in May 2019.

This iconic structure represents the heart and soul of Brighton, and we at the Brighton Pier Group are proud to be its current custodians.

### Highlights by division

#### Pier division

- Successful upgrades to the Palm Court restaurant and Horatio's Bar with sales up 17% versus the prior period
- The pier was once again the most visited free attraction outside of London with an estimated 4.9 million visitors annually

*'Visit Britain' 2018 annual survey of attractions around the UK*

- Successful launch of the Brighton residents' card

#### Golf division

- First full year of the Golf Business
- Successful opening of new site at Rushden Lakes
- Plymouth Drake's Circus to open in October 2019

#### Bars division

- Successful refit at Putney
- Sale of Derby freehold for £800k
- Completion of the bars rationalisation programme

Since our acquisition of the pier in 2016, we have spent nearly £2 million maintaining its substructure and this year's annual structural report has confirmed that the steelwork under the deck is in its best condition for many years. Our investment will ensure the long-term future of this celebrated landmark.

We have invested a further £2.9 million in capital projects such as a full refit of the bars and catering facilities, soft play in the Dome, the new Dolphin Derby, new machines for the arcades, new children's rides and new catering offers such as pizza, rice & noodles, frozen yoghurt and fish & chip takeaway shops for the busier periods.

This year's results show, in particular, the impact of last year's investment in the upgrades to the Palm Court restaurant and Horatio's Bar, with sales up 17% versus the prior period. In addition, we have seen significant growth in the conference and events business, with 27 additional events and £162,000 additional revenue versus the prior year. This result is impressive given the challenging weather last summer and train cancellations throughout most of the 2019 financial year.

It was good to see the London to Brighton mainline upgrades complete on time at the start of May 2019 — however, the 30 days of closures prior to this, mostly over weekends and key half term periods during the Group's 2019 financial year, impacted the whole of Brighton. This disruption, coupled with poor weather (including over the key bank holiday weekend early in the last financial year) was disappointing. The Pier division increased sales in its interior businesses (arcades and catering) by £0.6 million; however, its exterior businesses (rides and retail) were disrupted or closed by high winds and rain, reducing revenue from higher margin offerings and resulting in a disproportionate effect on the division's overall EBITDA (down £0.3 million versus last year).

The Golf division completed its first full year inside the Group, delivering EBITDA of £1.5 million; these results are in line with expectations at the time we acquired the business. It was a pleasure to see the construction of our first new site at Rushden Lakes opening on time and on budget. This venue is trading ahead of expectations and reflects the impressive variety of indoor and outdoor leisure activities at this location, which is driving beneficial footfall to this new development. Work has now also started on our second site at Drake's Circus in Plymouth, which is scheduled to open in October 2019.

The highlight for the Bars division this year was the successful refit at Putney: although delayed by unexpected problems during the construction period, the venue is now open and trading ahead of expectations. The new 'Le Fez' is experimenting with activity-led sessions such as bingo and comedy nights. At the weekends, we have added live entertainment with singing waitresses, dancers and more; providing content that gives Saturday nights a special party feel.

The Bars division has also completed its rationalisation programme: our Derby freehold site was sold for £800,000 and we have finalised the sub-let of Reading Coalition. This brings the total sites disposed of from the Bars division over the last three years to nine. Although these disposals and closures have impacted sales in the short term, they have improved profitability and the Group does not envisage any further closures next year. The remaining bars estate comprises twelve cash-generating sites, all situated in prime locations.

The leisure and hospitality industry continues to face its challenges — and this year has witnessed further cost inflation, additional taxes and intense competition. However, the Board continues to believe that The Brighton Pier Group remains well placed to take advantage of opportunities throughout the sector. We have a well-invested and diversified portfolio of experiential attractions in good locations. Overall, the Group will continue to generate cash and repay its borrowings.

Given the challenges outlined, it was especially pleasing to see EBITDA and profit before tax after highlighted items up 8% and 19% respectively since the prior period.

The outlook for the current year will benefit from the completion of the railway upgrades on the London mainline route to Brighton, as well as the good weather of the August bank holiday weekend, both of which contributed to the pier achieving a record week and meeting expectations for the summer. FY 2020 will be enhanced by the full-year impact of Putney 'Le Fez' and the golf course at Rushden Lakes, together with the new opening in October 2019 of Plymouth Drake's Circus.

As promised at the time of publication of the 2018 full year results in November 2018, I exercised my warrant in full at a cost of 60 pence per share: this brought proceeds of almost £1 million into the Group and increased my shareholding to 27% of the enlarged share capital.

We have a strong team at The Brighton Pier Group and believe we are well-placed to take advantage of growth opportunities as they arise.

#### Directorate

Following resignations during the year of Joe Tager (January 2019) and Leigh Nicolson (March 2019), I would like to express, on behalf of the whole Group, our gratitude for all their valuable efforts and contributions in helping to steer the Group to where it is today.

#### Dividend

The Board does not propose to pay any dividend in respect of the 2019 financial year.

#### Luke Johnson

##### Chairman

22 September 2019

# Our business model

The Brighton Pier Group PLC (the 'Group') owns and trades Brighton Palace Pier, as well as twelve premium bars nationwide (including two ping-pong concept bars) and seven indoor mini golf sites.

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

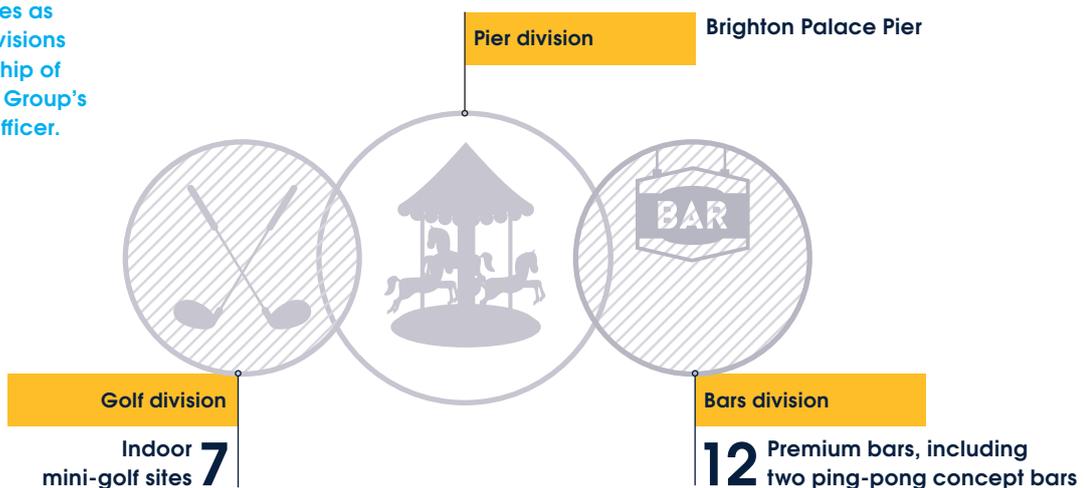
Brighton Palace Pier offers a wide range of attractions including two arcades (with over 300 machines) and eighteen funfair rides, together with a variety of on-site hospitality and catering facilities. The attractions, product offering and layout of the pier are focused on creating a family-friendly atmosphere that aims to draw a wide demographic of visitors. The pier is free to enter, with revenue generated from the pay-as-you-go purchase of products from the fairground rides, arcades, hospitality facilities and retail catering kiosks. According to Visit Britain, it is the fifth most popular free attraction in the UK, with over 4.9 million visitors in 2018, making it the UK's most visited landmark outside of London.

The bars trade under a variety of concepts including Embargo Republica, Lola Lo, Po Na Na, Le Fez, Lowlander, Smash (two ping-pong concept bars) and Coalition. The Group's Bars division predominantly targets a customer base of sophisticated students midweek and stylish over-21s and professionals at the weekend. This division focuses on delivering added value to its customers through premium product ranges, high quality music and entertainment, as well as a commitment to exceptional service standards. The bars estate is nationwide, incorporating key university cities and towns that provide a vibrant night-time economy and the demographics to support premium bars.

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

## Brighton Pier Group overview

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



## Chief Executive Officer's report

### Total Group revenue

2019	£32.0m
2018	£31.4m



The Group reports continuing profitability with profit before tax and highlighted items of £3.2 million.



# Chief Executive Officer's report

Continued

This business review covers the trading results for the 52 weeks ended 30 June 2019 (2018: 53 weeks ended 1 July 2018).

The Group acquired the Golf division on 8 December 2017 and, as a result, the 2018 comparative period consists of only 30 weeks of trade from this division.

## Full-year results

The Group reports continuing profitability with profit before tax and highlighted items of £3.2 million (2018: £3.2 million).

**Total Group revenue** for the period was £32.0 million (2018: £31.4 million), up £0.6 million on the prior period, benefitting from the acquisition of Paradise Island Adventure Golf, which has contributed £4.5 million of sales in the 52 weeks of trading (2018: £2.2 million). We are pleased to report the Golf business continues to trade in line with expectations at the time of purchase.

**Revenue for the Pier division** was £14.7 million (2018: £14.5 million), up on the prior period by £0.2 million. The newly fitted bars and catering facilities combined have out-performed the prior year, with sales for Palm Court and Horatio's Bar up 17% versus the prior period, partly due to growth in the functions business and partly due to closures for refits during the prior period. The arcades were also up 3% but across the rest of the pier (primarily from rides and retail) sales were down 5.3% versus the like period, hindered by poor weather and reduced numbers of visitors to Brighton resulting from a sustained period of weekend closures on the mainline railway from London.

**Revenue for the Bars division** was £12.8 million (2018: £14.7 million), down £1.9 million for the period. £0.5 million of this decrease related to the planned closure of Putney Fez for its refit, £0.4 million from the closure of Reading Coalition, and £0.3 million from the extra trading from the 53-week period in the prior year. As reported in the Group's January 2019 trading update, Christmas trading across the bars was broadly flat year-on-year but conditions have otherwise been challenging in parts of the estate; these factors have impacted sales by £0.7 million versus the 2018 period.

**Group gross margin** for the period has increased by 150 basis points in comparison with the 2018 period, reflecting the high-margin nature of the acquired Golf division together with a continued focus on pricing in order to mitigate pressure from rising input costs across the rest of the Group.

**Highlighted costs** totalling £0.6 million were incurred during the period (2018: £0.9 million), of which £0.4 million related to occupation and other pre-opening expenses incurred during the redevelopment of 'Le Fez' in Putney and the opening of a new golf site at Rushden Lakes. A further £0.2 million was incurred in connection with the closure of Reading Coalition, the disposal of Derby and redundancy costs during the period.

The Group continues to be highly cash generative with EBITDA before highlighted items at £5.3 million (2018: £5.2 million) (see Note 4 for the segmental split by division).

The tax charge for the current period was £0.4 million (2018: £0.5 million).



**The Group continues to be highly cash generative with EBITDA before highlighted items at £5.3 million.**

In summary, for the 52-week period ended 30 June 2018 (compared to the equivalent 53-week period ended 1 July 2018).

Total Group revenue		Profit before tax & highlighted items		Adjusted earnings per share (basic)	
2019	£32.0m	2019	£3.2m	2019	7.3p
2018	£31.4m	2018	£3.2m	2018	7.8p
Group EBITDA before highlighted items		Profit before tax & after highlighted items		Adjusted earnings per share (diluted)	
2019	£5.3m	2019	£2.7m	2019	7.3p
2018	£5.2m	2018	£2.3m	2018	7.6p
Group EBITDA after highlighted items		Profit after tax & highlighted items		Basic earnings per share	
2019	£4.8m	2019	£2.2m	2019	6.1p
2018	£4.4m	2018	£1.8m	2018	5.2p
				Diluted earnings per share	
				2019	6.1p
				2018	5.0p

### Principal developments during the period

As previously reported, the Group's Pier and Bars divisions have experienced challenging trading conditions during the period.



Campaigns reaching as far as China have featured our iconic pier and we have witnessed a significant rise in the numbers of visitors from Asia and further afield.

# Chief Executive Officer's report

Continued

## Pier division

Our objective is to keep the pier at the heart of Brighton Tourism and to utilise the services of the National Tourist Boards to reach an ever-widening pool of potential visitors.



The annual substructure survey is now complete — we can report that no additional maintenance issues have been identified other than the usual budgeted maintenance for the coming financial year.

The trading performance during the period was negatively impacted by disappointing weather over the August bank holiday weekend (August 2018) that continued into the following months. Additionally, weekend railway services to and from Brighton were disrupted by a major programme of engineering works, resulting in recurrent line closures (with replacement bus services) on the mainline service from London, affecting stations between Three Bridges and Brighton. This disruption continued through to the beginning of May 2019 and significantly impacted the number of visitors into Brighton and to the pier.

May 2019 saw the 120th Anniversary of the opening of the pier, with a celebration held to mark this attended by local dignitaries and members of the National Tourist Boards, as the date conveniently coincided with the start of English Tourism week. This representation tied in with our stated objective to keep the pier at the heart of Brighton Tourism and to utilise the services of the National Boards to reach an ever-widening pool of potential visitors. Campaigns reaching as far as China have featured our iconic pier and we have witnessed a significant rise in the numbers of visitors from Asia and further afield.

As part of our local campaign we have launched a residents' discount card which enables us to capture data from the Brighton community and help develop a stronger bond through providing our exclusive offers.

The bad weather during key periods was to some degree mitigated by the growth in our conference and corporate events business, and the introduction of the new 'Sunset' cocktail bar at Palm Court.

EBITDA for the combined Palm Court restaurant and Horatio's Bar increased by £0.1 million to £1.2 million versus the prior period. For the rest of the pier, EBITDA was down £0.4 million at £1.9 million; with the arcades up £0.1 million, rides and retail down £0.3 million, and overheads down £0.2 million. This downward trend reflects the impact of weather, closures to the railway and increased staffing costs due to statutory wages increases.

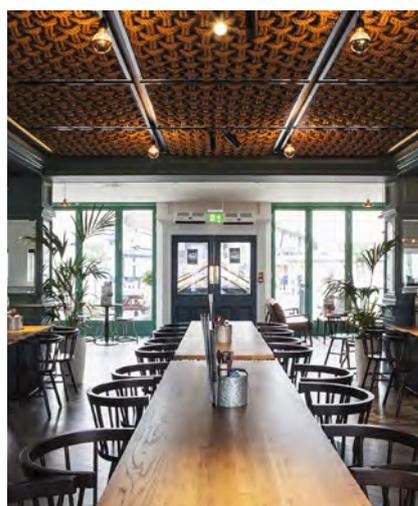
Shareholders will be aware that each year we undertake an annual substructure survey and this is now complete. We can report that no additional maintenance issues have been identified other than the usual budgeted maintenance requirements for the coming financial year.

The Pier division EBITDA for the period was £3.1 million (2018: £3.4 million) (see Note 4 for the segmental split by division).

**Palm Court restaurant**



**Horatio's Bar**



**Amusements**



## Chief Executive Officer's report

Continued

### Bars division

The bars trade under a variety of concepts including Coalition, Embargo Republica, Lola Lo, Po Na Na, Le Fez, Lowlander and Smash (our two ping-pong concept bars).



The Company's Fez bar in Putney has been transformed into a new-look 'Le Fez'. Performance since the half-year has exceeded management's expectations.

The Company's Fez bar in Putney was closed for a full refit at the end of July 2018. The refurbishment works were prolonged due to unexpected structural issues but on completion at the beginning of December, the venue was re-launched, having been transformed into a new-look 'Le Fez'. Performance since the half-year has exceeded management's expectations.

Christmas trading across the Bars division during the period was broadly flat year-on-year, although trading conditions remain challenging in parts of the estate outside of key event dates such as Christmas and Halloween.

In February 2019 the freehold site in Derby was sold with gross proceeds of £0.8 million.

Bars division EBITDA for the period was £1.4 million (2018: £1.8 million). £0.2 million of this decrease relates to lost EBITDA versus the prior year from the temporary closure of the venue in Putney.



**The Bars Division has now completed its rationalisation programme:**

**Derby freehold site was sold for £800,000 and sub-let of Reading Coalition was concluded after the period end.**

**Although these disposals and closures have impacted sales in the short term, they have improved profitability.**

**The Group does not envisage any further closures next year.**

Le Fez bar, Putney



Embargo 'Little Havana' new VIP room



Lowlander Grand Cafe



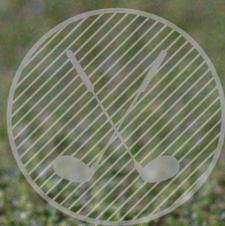
## Chief Executive Officer's report

Continued

### Golf division

Paradise Island Adventure Golf was launched in 2006 by the father and son team of Edward and Joshua Dantzig.

In December 2017, it was acquired by Brighton Pier Group, which now operates 7 sites and is the indoor adventure golf market leader in the UK.



The Golf division completed its first full year of trading, generating EBITDA of £1.5 million.

The Golf division completed its first full year of trading, generating EBITDA of £1.5 million, with only 30 weeks comparative in the like period (2018: £0.6 million).

During the period the fit-out of our new site in Rushden completed on budget, ahead of schedule, and opened at the end of March 2019. This site features two improved 18-hole adventure golf courses and is well situated at the entrance to the newly opened cinema and leisure complex. Trading for the first three complete months is ahead of expectations. Fit-out has started on our next new site in Plymouth, which is expected to open towards the end of October 2019.

The roll-out to all our golf locations of a new augmented reality app for smartphones was completed during the period. The app enables players to keep track of play with scorecards whilst at the same time bringing the adventure to life with its animations.



**It was a pleasure to see the construction of our first new site at Rushden Lakes opening on time and on budget. This venue is trading ahead of expectations and reflects the impressive variety of indoor and outdoor leisure activities at this location.**

### Indoor mini-golf



# Chief Executive Officer's report

Continued

Results for the full year show that the Group continues to be cash-generative, with EBITDA before highlighted items at £5.3 million (2018: £5.2 million) and EBITDA after highlighted items of £4.7 million (2018: £4.4 million) (see Note 26).

Group operating profit before highlighted items was £3.2 million (2018: £3.2 million) and Group operating profit for the period after highlighted items was £2.7 million (2018: £2.3 million).

## Strategy of the combined Group and outlook for the coming period

We are confident of another year of progress.

The Group will continue to drive sales through new acquisitions and developments in the existing businesses.

The pier continues to attract visitors to Brighton seafront in substantial numbers. The 2019 summer weather arrived enabling the pier to benefit from the sunny conditions for much of July and part of August. The completion of the railway upgrades on the London mainline route to Brighton, as well as the good weather on the August bank holiday weekend, both contributed to achieving a record week and meeting expectations for the summer.

The new catering and hospitality offering continues to be a big focus of activity for the pier, with the refitted Palm Court and Horatio's bar bringing valuable new conference and events opportunities during quieter times of the year. For the coming winter months the focus will be on marketing these spaces for conferences, functions and weddings. The second area of focus during the upcoming quiet period is the usual annual maintenance work to the substructure of the pier. This important investment each year ensures the pier will continue to exist for the pleasure of visitors to Brighton for many years to come.

The Bars division will continue to promote quality service and delivery in relation to the Group's existing sites, whilst also pursuing opportunities for selective investment to improve the estate. The current financial period will benefit from a full year of trading at Putney Le Fez. Work started over the summer period on a minor refit of Bath Po Na Na, which will open again for new and returning students at the end of the summer.

With regard to the Golf division, the coming year will benefit from a full year of trading at our new site at Rushden Lakes and a part year for our latest new site at Plymouth Drake's Circus, when it opens toward the end of October 2019. We continue to review opportunities for new sites for FY 2021 onwards.

The strategy of the enlarged Group continues to capitalise on the skills of the three existing divisions, creating a growth company that operates across a diverse portfolio of leisure and entertainment assets in the UK. The Group will achieve this objective by way of organic revenue growth throughout the whole estate, together with the active pursuit of future potential strategic acquisitions of entertainment destinations, thus enhancing the Group's portfolio in realising synergies by leveraging scale. It is the Board's longer-term strategy to position the Company as a consolidator within this sector.

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

Since the period end a sub-let was completed of the Reading Coalition site, which closed in July 2018. This concludes the rationalisation of the Bars estate, leaving the Group with twelve remaining cash generative sites all situated in prime locations.



**We are confident of another year of progress. The Group will continue to drive sales through new acquisitions and developments in the existing businesses.**

## Financial review

The outlook for the current year will benefit from the completion of the railway upgrades on the London mainline route to Brighton, as well as the good weather of the August bank holiday weekend, both of which contributed to the pier achieving a record week and meeting expectations for the summer. FY 2020 will be enhanced by the full-year impact of Putney 'Le Fez' and the golf course at Rushden Lakes, together with the new opening in October 2019 of Plymouth Drake's Circus.

Group earnings before tax and after highlighted items up 19%

2019	£2.7m
2018	£2.3m



I am delighted the Group has delivered growth in both sales and earnings.

# Financial review

## Cash flow

Cash flow generated from operations (after interest and tax payments) available for investment was £3.2 million (2018: £2.5 million).

## Balance sheet

### Fixed assets

The Group invested £2.5 million in capital expenditure during the period (2018: £3.3 million):

- £0.3 million (2018: £1.7 million) was spent on the Pier division, which primarily related to the annual purchase of new machines for the amusement arcades;
- £1.2 million (2018: £0.1 million) was spent on the Golf division, covering the full investment in fitting out our new site at Rushden Lakes, new EPOS for the whole Golf estate, and deposits for the construction of the new golf courses at Plymouth Drake's Circus; £0.9 million (2018: £1.3 million) was spent on the Bars division, which primarily included the refit of Putney Le Fez, together with other minor capital maintenance across the Bars estate.

During the period the Group disposed of its freehold site in Derby for gross proceeds of £0.8 million. Fixed assets with a net book value of £0.6 million were disposed along with the site, giving a book profit of £0.1 million. This income appears in highlighted items (see Note 5).

### Bank debt and cash

At the period end, the Group had:

- an outstanding term facility of £13.3 million (2018: £14.7 million), with repayments of £1.5 million due to be repaid within the next 12 months (2018: £1.5 million);
- an RCF facility of £1.75 million with £1.5 million drawn at the period-end (2018: £2.5 million facility with £2.0m drawn); and
- cash balances of £2.7 million (2018: £2.8 million).

## Key performance indicators

The Group's key performance indicators are focused on the continued expansion of the Group to drive revenues, EBITDA and earnings growth.

## New acquisitions and developments

The long-term strategy of the enlarged Group continues to capitalise on the skills of the Group to create a growth company operating across a diverse portfolio of leisure and entertainment assets in the UK. The Group will achieve this objective by way of organic revenue growth across the whole estate, together with the active pursuit of future potential strategic acquisitions of leisure and entertainment destinations that could enhance the Group's portfolio, realising synergies by leveraging scale. It is the Board's longer-term strategy to position the Group as a consolidator within this sector.

- The successful acquisition of Lethington Leisure Limited in December 2017 is the second example of the implementation of this strategy and follows on from the acquisition of Brighton Marine and Palace Pier Company in April 2016.
- The EBITDA generated by the new Golf business in its first full 52 weeks of trading amounted to £1.5 million (2018: £0.6 million - 30 weeks), bringing additional revenues and free cash flow for potential utilisation by the enlarged Group. The Group has also benefited from the significant redevelopment of the Palm Court Restaurant and Horatio's Bar in the prior period, offering additional capacity during the peak summer season and a much wider range of conference and event facilities. The full-year impact of the Golf division, the growth opportunities to roll out new Golf venues, as well as the potential to further capitalise on the refitted catering facilities on the pier, all fit well with the Group's growth strategy.
- During the period the Group completed its re-development of Putney 'Le Fez' and the opening of its first new Golf site at Rushden lakes. Both of these developments have exceeded expectations. The new financial year will benefit from the full-year impact of this investment.
- We are continuing to invest in the Bars estate with a minor refit planned for Bath Po Na Na in July, as well as the fit-out of a second new golf site at Plymouth Drake's Circus, which is scheduled to open towards the end of October 2019.
- We will continue to focus on the long-term quality of acquisitions, together with investment in our existing estate and new site acquisitions.

### Group performance versus the prior period

The full benefit of the 52 weeks (2018: 30 weeks) trading in the Golf division has contributed a further £2.3 million of sales and £0.9 million of EBITDA to the Group.

Whilst the development of Putney has resulted in some short-term impact on EBITDA from the closure period, we expect this venue to bring significant gains in future years. Similarly, there are some initial costs incurred in the fit-out period, by way of rent and other overheads, for the new Golf sites but the performance of these sites provides positive growth opportunities for the Golf division.

Trading performance at the pier has been impacted by the disappointing summer weather of 2018 and the impact of rail closures on the London to Brighton mainline rail service; this has been offset, however, by good performances in the newly refitted Palm Court and Horatio's Bar. The longer term benefit of the growing conference and events business will help to improve trading opportunities outside of the peak summer trading period.

The Group continues to review its operations and, where appropriate, dispose of less profitable businesses. During the period the group disposed of its Derby freehold site for £0.8 million. Over the last three years this brings the total sites disposed of in the Bars division to nine sites. Since the period-end we completed the sub-let of Reading Coalition, which completes the bars property rationalisation process that started in 2016. Although these disposals and closures have impacted sales in the short term, they have improved profitability. No further closures are envisaged by the Group next year.

- Revenue was up 2% at £32.0 million (2018: £31.4million)
- Group EBITDA before highlighted items was up 3% at £5.3 million (2018: £5.2 million)
- Group EBITDA after highlighted items was up 8% at £4.8 million (2018: £4.4 million)
- Group profit before tax and highlighted items was in line with last year at £3.2 million (2018: £3.2 million)
- Group profit before tax and after highlighted items was up 19% at £2.7 million (2018: £2.3 million)

### Revenue **+2%**

<b>2019</b>	<b>£32.0m</b>
2018	£31.4m

### Group EBITDA before highlighted items **+3%**

<b>2019</b>	<b>£5.3m</b>
2018	£5.2m

### Group EBITDA after highlighted items **+8%**

<b>2019</b>	<b>£4.8m</b>
2018	£4.4m

### Group profit before tax and highlighted items

<b>2019</b>	<b>£3.2m</b>
2018	£3.2m

### Group profit before tax and after highlighted items **+19%**

<b>2019</b>	<b>£2.7m</b>
2018	£2.3m

# Principal risks and uncertainties

Key risks	Risk description	Mitigating actions and achievements during the year
<p><b>Business and resulting financial risk:</b></p> <p>Failure to acquire and/or develop new acquisitions and sites</p>	<p>The Group's ability to acquire new businesses, to operate these businesses on a profitable basis and to integrate these operations into the Group is a major part of the future success of the Group.</p> <p>Failure to acquire or develop new businesses would financially impact the future earnings growth of the Group.</p>	<p>During the period the Group has:</p> <ul style="list-style-type: none"> <li>completed its first full year of trading in the Golf division. Lethington Leisure has delivered increases in revenues and EBITDA during the period. Lethington has also opened its first new site at Rushden Lakes in March 2019 and has a further new site scheduled to open in Plymouth at the end of October 2019;</li> <li>continued to expand, with some success, the conference and events business utilising the improved facilities in the Palm Court restaurant and Horatios's Bar;</li> <li>completed the refit of 'Putney 'Le Fez', which opened at the end of November 2018; and</li> <li>continued to undertake regular reviews of the Group's Bars estate, disposing of one venue during the period and sub-letting one more after the year end. No further disposals are envisaged in the coming year.</li> </ul>
<p><b>Business and resulting financial risk:</b></p> <p>Increased competition and changing consumer habits</p>	<p>The experiential leisure and entertainment market in the UK is vibrant, exciting and continuously changing.</p> <p>There is no certainty that the Group will continue to achieve the market penetration it seeks.</p> <p>There is no certainty that the Group will be able to respond to changes in consumer habits.</p> <p>Failure to respond to changing market conditions and consumer habits could impact the future earnings of the Group.</p>	<p>During the period we have continued to focus on:</p> <ul style="list-style-type: none"> <li>staff development and training to improve delivery at the point of sale across all operations;</li> <li>refining our concepts and activities to broaden our appeal to a wider audience. The recent refit at Putney 'Le Fez' won a "Best in Putney customer service award for 2019";</li> <li>improving the variety and quality of products we sell; and</li> <li>continuing to extend the Group's engagement via digital platforms and social media channels. The Golf division launched its new augmented reality app for smart phones at all its sites during the period. The Bars division 'Loyal App' student offers now account for 20% of mid-week sales across the estate. We see these ongoing developments as an essential part of our marketing &amp; communication strategy with consumers.</li> </ul>
<p><b>Business and resulting financial risk:</b></p> <p>Failure to recruit the best management for our businesses</p> <p>Impact on the Group of wage inflation arising from statutory increase in minimum wage pension auto-enrolment and rates</p>	<p>The market for the best people is fiercely competitive.</p> <p>Rising costs from statutory increases in pension, wages and rates are hard to mitigate.</p>	<p>The Group continues to focus on its training programmes across all of its businesses, covering management development, stock administration, marketing and health &amp; safety training, as well as the 'Pier Proud' and 'Bar Academy' programmes. These are all examples of training being essential to the Group's campaign to attract and retain new staff.</p> <p>The Group offers competitive remuneration, which also includes profit sharing and share option schemes for staff.</p> <p>The Group works to mitigate increased statutory employment costs by efficient management of rotas and staffing levels across all areas of the business.</p>

Key risks	Risk description	Mitigating actions and achievements during the year
<p><b>Regulatory risk:</b></p> <p>Failure to comply with the complex regulatory frameworks in place in the UK</p>	<p>The Group's operations are subject to laws and regulations that affect their operations, including those in relation to employment, minimum wages, premises and personal licenses, maintenance of the pleasure rides, gambling licenses, alcoholic drinks control, entertainment licences, competition, health &amp; safety, sanitation and data protection.</p>	<p>The focus over the year has been on regular and ad-hoc visits across all of our businesses, as follows:</p> <ul style="list-style-type: none"> <li>● regular control visits, together with follow-ups to ensure training and compliance at a local level;</li> <li>● annual health &amp; safety checks from outside agencies to ensure each venue we trade complies with current regulations; and</li> <li>● regular audits and training on fire and safety for all our staff, as well as an online reporting system to gather important information on a daily basis that relates to incidents or regulatory visits.</li> </ul> <p>The Group's focus on operational 'rituals and routines' helps to protect it in this highly regulated market place.</p>
<p><b>IT risk:</b></p> <p>The threat of cyber attack</p>	<p>The threat of cyber attack is ever present in the UK. Such an event could have a significant impact on the Group's systems and websites.</p>	<p>The Group has extensive preventative measures and controls in place to reduce this risk. These include:</p> <ul style="list-style-type: none"> <li>● a robust disaster recovery plan with servers located in third party offsite data centres;</li> <li>● regular back-up routines for the security of all our data;</li> <li>● fully out-sourced IT management; and</li> <li>● planned improvements to all our systems as part of the Group's aim to complete the Cyber Essentials accreditation by the end of the current financial year.</li> </ul>
<p><b>Brexit risk:</b></p> <p>The process to leave the European Union will, over the coming years, present risks to the UK and its economy</p>	<p>The risk that Brexit could adversely affect the Group's business.</p>	<p>Brexit negotiations continue to make longer-term planning for this risk difficult. In the short to medium term, we will continue to monitor developments, in particular in relation to staff and supply chain. Given that all the Group's operations are based in the UK, the major risk will be the impact the separation will ultimately have on the economy of the United Kingdom.</p>
<p><b>Specific risks relating to the operations of Brighton Palace &amp; Marine Pier Company:</b></p> <p>The Group's financial performance is very dependent on a number of very specific risks relating to the pier</p>	<p>The risk of:</p> <ul style="list-style-type: none"> <li>● catastrophic events;</li> <li>● structural integrity of the pier.</li> </ul>	<p>The Group spends significant amounts of money each year to ensure the structural integrity of the pier is maintained to a high standard. A full survey of the substructure is performed annually and every five to six years there is a further survey using divers to inspect the areas below the water line.</p> <p>The last dive survey was completed in 2016 and this will take place again in five years' time. The annual survey of the pier substructure for the current year has been completed and no significant issues have emerged to indicate anything other than normal levels of annual maintenance being required.</p> <p>In addition, recent years have seen significant investment in one-off projects to protect the pier from catastrophic events, such as fire. Over £4.0 million has been spent prior to our acquisition on upgrading a number of areas of the pier's structure, including improvements to fire and safety (with the introduction of high-pressure pumps and deluge systems), as well as improved electric and water supplies. Cathodic protection has also been introduced to the steel piles under the main rides area of the pier, to reduce the impact of seawater corrosion.</p>

By order of the Board

J.A.Smith, Company Secretary and Director  
22 September 2019

# The Board

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

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

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

Luke joined The Brighton Pier Group PLC in June 2015 and has been involved in nightclub, bar and restaurant businesses since the age of 18. He was Chairman of Pizza Express Plc during the 1990s, co-founded the Strada restaurant chain and was Chairman of Giraffe for nine years until it was sold to Tesco for £50 million in 2013. He also served on the Board of My Kinda Town and currently chairs Bread Limited, the owner of the artisan bakery chain, Gail's.

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

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

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

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

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

Since qualifying as a Chartered Accountant (ACA) with Touche Ross & Co in 1985, John has held a variety of senior finance roles. From Head of Finance at International Currency Exchange plc he then became Group Finance Director at Vision Express until it was sold to Grand Vision in 1997. After two years as Joint UK Managing Director of Vision Express, post the acquisition, John became Finance Director of First Leisure Corporation plc in 1999, before taking over as Chief Executive in 2003. He then took on the role of Chief Executive of The Nightclub Company, which was created through the purchase of 22 nightclubs from the receiver of First Leisure. John became Finance Director of Eclectic Bars Limited in June 2006.

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

## **Jim Fallon – Non-Executive Director**

Since 1994 Jim has worked almost exclusively within the leisure sector as a lender, adviser, owner, operator and business consultant. Jim worked for Imperial Chemical Industries in electrical engineering for eight years, prior to joining Midland Bank in 1991. He was at HSBC until 2002, latterly leading the leisure team, before leaving to set up the consumer sector corporate finance advisory business, McQueen Limited. He was specifically responsible for the leisure sector within McQueen as well as much of the day-to-day running of the business. Jim has worked as a consultant to a variety of UK leisure businesses.

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

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

Paul is a Chartered Accountant, having worked predominantly in the leisure sector. He was previously Finance Director at Tottenham Hotspur Plc. Paul subsequently moved to Riva Gaming Group, where he was involved in both an MBI and later an MBO. He then spent several years in the property sector before being appointed CFO of Giraffe Concepts Limited in March 2009. Paul was a key part of the management team that sold Giraffe to Tesco Plc for £50 million. Paul left Giraffe in late 2014 to set up his own business, Intelligent Goat Limited, which, amongst other services, provides mentoring advice for Finance Directors and CEOs. He was also CEO of Feng Sushi, leaving in 2017 after its sale and is currently the global CFO of Xstrahl, a life sciences and medical systems business. Paul's experience as a Non-Executive Director extends to positions in the arts, culture and bingo sectors.

*Paul became a member of the Board in July 2014; he is an Independent Director and chairs the Audit Committee.*

# Corporate Governance Statement

## Chairman's introduction to governance

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

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

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

The Brighton Pier Group PLC continues to apply the QCA's Corporate Governance Code and will report, where appropriate, any departures from its guidance. To see how the Brighton Pier Group applies the ten governance principles defined in the QCA Code please refer to the below table. This was last reviewed on 22 September 2019.

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

A Group conference is due to be held in January 2020. This will be the first time that all the managers from all three divisions will have met together alongside their head office teams. The purpose of the conference is to consider ways in which each division can contribute to the strategic vision of the Company, to review the culture of the business and to celebrate the achievements of staff over the last 18 months.

**Luke Johnson**

**Chairman**

# Corporate Governance Statement

Continued

## QCA Principles

## How does Brighton Group PLC comply?

### 1. Establish a strategy and business model which promote long term value for shareholders

The Brighton Pier Group's strategy is explained within our Strategic Report section on pages 2 to 19 of this report.

The Group's strategy in the short to medium term is currently focussed on the continued expansion of its three divisions, namely the Pier, Bars and Golf divisions to drive revenue, EBITDA and earnings growth. This will be complimented by the active pursuit of future strategic acquisitions in the leisure and entertainment sector as they arise.

In the medium to longer term the Group intends to capitalise on the skills of the three existing divisions, creating a growth company that operates across a diverse portfolio of leisure and entertainment assets in the UK. It is the Board's longer-term strategy to position the Company as a consolidator within this sector.

The key challenges to the business and how these are mitigated is detailed on pages 18 and 19 of the Strategic Report.

### 2. Seek to understand and meet shareholder needs and expectations

The Chairman, CEO and CFO meet both institutional and private shareholders at least twice every year following the publication of the half-year and full-year results.

The Board recognises that the AGM is also an important opportunity to meet shareholders. The AGM is led by the Chairman, Luke Johnson, and the Board attends in full so that its members can answer questions as part of the formal proceedings, or listen to the views of shareholders informally immediately following the AGM.

Matters for consideration at AGMs have historically been passed unopposed at previous AGMs. However, if voting decisions at the AGM were not in line with the Company's expectation, the Board would actively engage with shareholders on these matters.

The Group website at: [www.brightonpiergroup.com](http://www.brightonpiergroup.com) documents all historical Company reports, notices of AGMs, constitutional documents and share price information, together with all RNS announcements made since the Group was admitted to AIM in November 2013.

Shareholder feedback is discussed at Board meetings.

Any shareholder who needs to contact the Company can do so via the Company Secretary who is available to deal with any questions. The Company Secretary can also, if necessary and appropriate, put shareholders in touch with other relevant Board members.

Please use the following email address to contact the Company Secretary: [CoySec@BrightonPierGroup.com](mailto:CoySec@BrightonPierGroup.com)

### 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Brighton Pier Group recognises that long-term success relies upon good relations being fostered with a range of stakeholders both internally and externally. Feedback as to how we perform as a Group is important, and we strive to continue to improve and develop these relationships as the Company grows.

The Group recognises the following stakeholders in the Group, namely:

- shareholders
- employees
- customers
- suppliers
- regulators
- the local community within which we operate

## QCA Principles

## How does Brighton Group PLC comply?

**3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

Continued

The Board depends on a variety of reports, systems and controls to manage and further the interests of the Group's stakeholders. These include regular meetings and focus groups with customers and staff, a commitment to training at all levels of the business, licensing, control visits to venues to ensure compliance at local level, meetings and events with the local community, and regular engagement with suppliers.

The Group intends to conduct a staff engagement survey as part of its planning for the Group Strategy Meeting to be held in early January 2020. This meeting will include all of the managers in the three divisions, as well as the Executive Directors.

Many of the other considerations and actions relating to the Group's stakeholders are detailed in pages 18 and 19 of the Strategic Report.

**4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board and Senior Managers are responsible for reviewing and evaluating the risks in the business.

These risks were published in the Admission document dated 20 November 2013 (pages 22 to 29) and again in the Admission document dated 8 April 2016 (pages 30 to 38). These risks are regularly reviewed by the Board of Directors and considered at Board meetings, whilst also being considered part of the remit of the Audit Committee.

Executive Directors have at least one meeting per month with their teams, with the objective of reviewing ongoing trading performance, discussing budgets and forecasts and considering any new risks associated with ongoing trading.

The key identified risks to the business and how these are mitigated are detailed on pages 18 and 19 of the Strategic Report.

**5. Maintain the Board as a well-functioning, balanced team led by the Chair**

The Group is controlled by the Board of Directors.

Luke Johnson, Non- Executive Chairman, is responsible for the running of the Board.

Anne Ackord, the Group's Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy.

Luke Johnson has a beneficial interest in 27% of the issued share capital of the Group, and therefore is not considered to be independent. The Board believes that his role as Chairman is in the interests of the Group, its shareholders and other stakeholders.

The Chairman is responsible for ensuring that Directors receive accurate, sufficient and timely information. The Company Secretary compiles the Board and committee papers which are then circulated to the Directors in a timely manner ahead of meetings. The Company Secretary provides minutes of each meeting and each Director is aware of their right to have any concerns minuted.

The Board comprises of the Chairman, two Executive Directors and two Non-Executive Directors.

Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings.

The Board met eleven times during the year. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. During the year there has been 100% attendance by serving Directors at all Board and Committee meetings.

# Corporate Governance Statement

Continued

## QCA Principles

### 5. Maintain the Board as a well-functioning, balanced team led by the Chair

Continued

### How does Brighton Group PLC comply?

In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman, so that their contribution can be taken into consideration by the Board.

The Board is supported by the Audit, Remuneration and Nomination Committees.

**The Audit Committee** terms of reference are detailed below in the section dealing with Principle 9.

Paul Viner is Chairman of the Audit Committee and its other member is Jim Fallon.

- Paul is a Chartered Accountant with experience as Finance Director in both multi-site retail operations and quoted companies.
- Jim has extensive experience from both his banking background and as Head of Leisure at Corporate Finance business, McQueen Ltd.

The experience and skills of both of these Non-Executive Directors are very relevant to the business conducted by the Audit Committee.

Although both Directors have a financial interest in the Group, the Board is of the view that the size of these investments does not compromise their independence.

**Remuneration and Nominations Committee** terms of reference are detailed below in the section dealing with Principle 9.

Luke Johnson is the Chairman of the Remuneration and Nominations Committee and its other member is Jim Fallon.

The Remuneration and Nominations Committee advises and assists the Board in relation to new appointments.

### 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and proportionate balance of skills and experience relating to the leisure and hospitality business. The blend of relevant experience, skills, personal qualities and capabilities enable the Board to successfully execute its strategy. Details of the Board's experience are set out on pages 20 and 28 of this report.

The current Board has significant sector, operational, financial and listed public company experience.

Directors are expected to consider their skills in relation to the responsibilities and roles within the Board. It is important that they keep up to date with changing legislation and allocate the necessary time to undertake continuing and relevant professional development.

The Chairman of the Board in his role as Chairman of the Remuneration and Nominations Committee oversees the process of new appointments. The Committee as a whole make recommendations to the Board on all new Board appointments.

Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning.

## QCA Principles

### 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

#### How does Brighton Group PLC comply?

Luke Johnson has been Chairman of the Brighton Pier Group since June 2015.

Individual assessments of all members of the Board of the Brighton Pier Group are ongoing to ensure that:

- they are committed to the progress and long-term success of the Group
- their contribution is meaningful and effective
- they are progressing within their role and benefiting the Group
- they maintain the high standards of ethics and compliance within the regulatory framework expected of a Board member in a quoted company
- the independent Directors of the Group maintain their independence and challenge the Board where the situation demands it.

The size and nature of the Board at the Brighton Pier Group means that assessment of each Director is done on an ongoing and ad-hoc basis.

There is at present no formal process for identifying development or mentoring needs for individuals. Regular meetings do, however, take place between the Chairman and the members of the Board where training or other needs can be discussed and actioned.

The Articles of Association of the Brighton Pier Group requires every new Director appointed in the period since the last AGM to resign and be put up for re-election at the next AGM.

The Articles of Association also require every Director in office at the previous two AGMs to resign at the third AGM and put themselves up for re-election by members.

### 8. Promote a corporate culture that is based on ethical values and behaviours

The Board sets and approves its strategy annually. This includes decisions on potential acquisitions, future investment, major capital projects and other plans. The Board also agrees its common goals for each of the divisions within the Group.

These plans are communicated by the Chief Executive Officer to the management teams in each division.

As the Group consolidates its new acquisitions, work will be ongoing to further promote and communicate a common corporate culture into all aspects of life at each of the divisions.

A Group conference is to be held in January 2020 to bring together the managers of all three divisions, together with the head office team. The purpose of the conference is to consider ways in which each division can contribute to the strategic vision of the Company, to review the culture of the business and to celebrate the achievements of staff over the last 18 months.

### 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board provides strategic leadership for the Group and operates within the scope of its corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves guiding the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans.

The Board provides direction for the Group through its regular meetings. During the last financial period there were eleven Board meetings. Prior to the start of each calendar year, a schedule of dates for Board meetings for the following 12 months is compiled, aligning with the Group's financial and trading calendars, whilst also ensuring an appropriate spread of meetings across the financial year. This schedule may be supplemented by additional meetings on an ad-hoc basis, as and when required.

# Corporate Governance Statement

Continued

## QCA Principles

### 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Continued

## How does Brighton Group PLC comply?

### Audit Committee

The Audit Committee will meet at least three times a year and will be responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and the accounting policies. The Committee makes recommendations to the Board on the appointment of the external auditor and oversees the external audit process.

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee will meet at least once a year.

The Remuneration and Nominations Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of Senior Executives (this includes specific remuneration packages for Executive Directors, including pension rights, compensation payments and bonus schemes), making recommendations for grants of options under the Group's Share Option Plan. The Committee furthermore evaluates and keeps under review the size, structure and composition of the Board, making recommendations on any proposed changes and taking into account the challenges and opportunities facing the Group, as well as the skills, knowledge and experience required.

The remuneration of Non-Executive Directors is a matter for the Board.

Directors are not permitted to be involved in any discussions as to their own remuneration.

### The Role of the Board, Chairman and Chief Executive Officer

**The Board** is responsible for the long-term success of the Group. There is a formal schedule of matters reserved to the Board which includes overall Group strategy, approval of major investments, approval of annual and interim results, annual budgets, dividend policy and Board structure. The Board also monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, along with their annual budgets and performance. Additionally, it has overall responsibility for maintaining internal control systems to safeguard the investment of shareholders and the assets of the Group.

**The Chairman** has overall responsibility for corporate governance and promoting high standards throughout the Group. Leading and chairing the Board is another key responsibility, through ensuring that the Committees are properly structured, quorate and have the appropriate information and resources with which to perform their functions. The Chairman is instrumental in developing strategy and setting objectives for the Group, as well as overseeing communication between the Group and its shareholders.

**The Chief Executive Officer** provides leadership and management to the Group. The CEO pushes the development of objectives, strategies and performance standards whilst also overseeing and managing key risks that may be present. The CEO also keeps the Board updated on employee and other key stakeholder matters. Investor relations play a key role in ensuring that communications between the Group and its existing shareholders and financial institutions is maintained.

**The Chief Financial Officer** is responsible for implementing and delivering strategy, together with the operational and financial decisions agreed by the Board, incorporating them as required into the day-to-day operation of the Group.

## QCA Principles

## How does Brighton Group PLC comply?

### 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Continued

The **Company Secretary** is responsible for providing a clear and timely information flow to the Board and its committees, as well as supporting the Board on matters of corporate governance and risk.

The Board approved the adoption of the QCA Code as its governance framework in November 2013. It continues to monitor the suitability of this code on a regular basis and revise its governance framework whenever appropriate, as the Group and the code continue to evolve.

### 10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group communicates with shareholders through its Annual Report and Accounts, full and half-yearly announcements, the AGM and one-to-one meetings with existing and potential new shareholders.

Furthermore, a large range of corporate information, including all Regulatory News Service announcements and presentations, are available to shareholders, investors and the public on the Brighton Pier Group's investor website at : [www.brightonpiergroup.com](http://www.brightonpiergroup.com)

The Group meets on a regular basis with brokers and other professional advisors who keep management up to date with market information.

# Audit Committee Report

**On behalf of the Board, I am pleased to present the Audit Committee Report for the 52 week period ended 30 June 2019.**

## Members of the Audit Committee

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

The Committee held three scheduled meetings during the year, and both members of the committee attended all meetings

The Committee's terms of reference are available on the Group's website. Its principal responsibilities are monitoring the integrity of financial reporting, internal controls and the external audit process.

## Duties

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

- Running a formal tender process to select a new external auditor. Reviewing the proposals of three separate audit firms and attending at presentations from the short listed candidates. Making recommendations to the Board in relation to the appointment of the external auditor;
- Approving the external auditor's plan for the audit of the Group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement, including audit fees;
- Reviewing the Group's draft financial statements and interim results statements and reviewing the external auditor's detailed reports including their analysis of key audit matters and risks;
- Meeting the external auditor and their team three times during the year, to review the audit plan, timetables, specific matters relating to the audit work and any issues arising;
- Meeting the external auditor without management to discuss the performance of the CFO and the divisional finance teams;
- Reviewing the performance of the external auditor;
- Considering new accounting standards and their implications for the Group;
- Reviewing the Group's risk management processes, key risk register and risk mitigations.

## Role of the external auditor

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

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

## Internal control

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

The key features of the internal control systems are:

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

**Anti-bribery**

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

**Whistleblowing**

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

**Paul Viner**

**Chairman of the Audit Committee**

22 September 2019

# Remuneration and Nominations Committee report

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

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

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

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

Joe Tager Non-Executive Director and member of the Remuneration and Nominations Committee stood down from the Committee when he resigned in February 2019 to pursue a full time role elsewhere.

## **Duties**

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

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

The Committee held two meetings during the year and the members of the committee attended all meetings.

## **Remuneration policy and Group strategy**

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

## **Non-Executive Directors**

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

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

## **Nominations**

Joe Tager (Non-Executive Director and a member of the Remuneration Committee) stood down from the Board in February 2019 to pursue a full time role elsewhere.

Leigh Nicolson also stood down from the Board and left the Group in March 2019. As reported in the Company's Final Results on 28 September 2018, the Group has continued to rationalise its bars portfolio. Since his appointment to the Board, Leigh has led this process, successfully disposing of non-profitable or marginal sites, reducing the trading estate to eleven profitable venues. In view of this reduced scale, Leigh handed over the management of the Bars division to Anne Ackord, CEO of the Group; who has taken over direct management responsibility for the Bars division.

A decision was taken not to replace Joe Tager as the Board has a balance of two executive Directors, two non-executive Directors and a non-executive chairman and it was felt that this is appropriate for the Group.

### Directors' Remuneration and share options

The following table summarises the total gross remuneration and share options of the Directors who served during the year 30 June 2019.

The remuneration of the Directors for the period ended 30 June 2019 is as follows:

Director's remuneration	Basic salary & fees £'000	Bonus £'000	Benefits £'000	2019 Total £'000	2018 Total £'000
Anne Ackord	145	—	33	178	172
John Smith	135	—	33	168	168
Paul Viner	30	—	—	30	30
Jim Fallon	30	—	—	30	30
Leigh Nicolson (resigned March 2019)	184	—	13	197	121
Joe Tager (resigned January 2019)	18	—	—	18	30
<b>Total</b>	<b>542</b>	<b>—</b>	<b>79</b>	<b>621</b>	<b>551</b>

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

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

Payments totalling £1,673 (2018: £990) were paid on behalf of Directors into the Group's auto-enrolment scheme with the 'People's Pension Scheme'.

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

As at the 30 June 2019, the Directors held the following beneficial interests in the share capital of the Company.

Director	Percentage of share capital	Number of ordinary shares	Note
Luke Johnson	27.0%	10,062,466	
Anne Ackord	—	—	(i)
John Smith	3.4%	1,253,719	(ii)
Jim Fallon	1.3%	472,484	
Paul Viner	0.1%	54,000	(iii)

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

(ii) John Smith 1,179,031 shares are held by his pension scheme.  
40,625 share options in the Company Share Option Scheme not included in the table.

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

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

## Luke Johnson

### Chairman of the Remuneration and Nominations Committee

22 September 2019

# Directors' report

## The Directors present their report and the audited financial statements for the 52 week period ended 30 June 2019.

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

The principal activities of the business, a review of the business and its future developments, including principal risks and uncertainties, are presented within the Strategic Report on pages 2 to 19.

### Dividends

The Directors do not propose to pay a dividend for the current period (2018: £nil).

### Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months since the Board approved these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors' assessment of going concern can be found in Note 1 to the financial statements.

### Board of Directors

#### Non –Executive Directors

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

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

Paul Viner (Independent Director) — Chair of the Audit Committee.

#### Executive Directors

Anne Ackord (Chief Executive Officer)

John Smith (Chief Financial Officer)

Details of the Group's Directors, their roles and backgrounds can be found on page 20.

### Directors and related party transactions

Internal controls are in place to ensure that any related party transactions involving Directors or other connected persons are carried out on an arm's length basis and are properly recorded by the Group.

#### Joe Tager

Joe Tager is a Director and shareholder of Twin Capital Limited. During the period to 1 July 2018, Joe provided support and assistance in relation to the acquisition of Lethington Leisure Limited; the amount paid during the period for these services was £40,000. Other than in respect of his services as a Director, no amounts were paid in the period ended 30 June 2019.

### Financial instruments

The Group's financial risk management objectives and policies, together with details of the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk, are outlined in Note 13.

### Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment, wherever practical, in the same or alternative position and to provide appropriate training to achieve this aim.

### Employee involvement

The Group operates a framework for employee information and consultation that complies with the requirements of the Information and Consultation of Employees Regulation 2005.

Information for all employees under a contract of service with the Group is available via the Group's intranet, employee handbook and through their direct Line Manager. Management meetings take place quarterly, at which information relevant to the Group's financial performance is communicated. Conferences are held on a regular basis, which celebrate the performance of outstanding individuals and help to showcase important developments in the Group.

Employees are encouraged to participate in a variety of schemes enabling them to benefit from the commercial success of the Group. At the date of listing in 2013, the Group introduced a share option scheme in which long-serving managers were awarded with options over shares in the Group's parent company. All management teams and head office staff participate in profit-sharing schemes, which reward performance in excess of budgets.

### Directors' remuneration

Details of the remuneration of Directors and their interests in the Company can be found in the Remuneration and Nominations report on page 31

### Directors' liabilities

The Group has not granted any indemnity to any of its Directors against liability in respect of proceedings by third parties. The Group does have in place Directors' and Officers' liability insurance.

### Political and charitable donations

The Group made no political or charitable donations during the periods (2018: £nil).

### Share capital

The Group's issued ordinary share capital as at 30 June 2019 comprised a single class of £0.25 ordinary shares, of which 37,286,284 shares were in issue and listed on AIM (2018: 35,664,010 £0.25 ordinary shares).

Options over a further 1,176,129 shares (2018: 1,311,390 shares) exist within the Employee Share Option Scheme (see Note 18 to the financial statements).

Non-approved options over 308,523 ordinary shares have been granted to members of the Board (2018: 308,523).

Of the issued share capital, no shares were held in treasury.

Details of movements in the issued share capital can be found in Note 17 to the financial statements.

Each share carries the right to one vote at general meetings of the Group.

### Interests in voting rights

As at 31 August 2019, the Company was aware of the following significant holdings of voting rights (3% or more) in its shares:

Other major shareholders	Percentage of share capital	Number of ordinary shares
HPB Pension Trust	25.05%	9,338,995
SFM UK Management LLP **	11.87%	4,420,917
Legal & General Investment Management	9.95%	3,709,896
Cavendish Asset Management	3.32%	1,236,881
Miton Asset Management	3.17%	1,180,612

\*\* — 306,395 shares are held indirectly by J S Capital.

### Annual General Meeting

The notice convening the Annual General Meeting is contained in a circular sent to shareholders with this report and includes full details of the resolutions proposed.

### Auditor

Grant Thornton UK LLP resigned as auditors in the year and BDO LLP were appointed in their place.

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

### Disclosure of information to auditor

Having made the requisite enquiries, as far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Group's auditor is unaware and each Director has taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Directors' responsibility statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with FRS 101 Reduced disclosure framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

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

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

# Directors' report

Continued

The Directors confirm that:

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

## Website publication

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

By order of the Board

**J.A.Smith**

**Company Secretary and Director**

22 September 2019

# Financial Statements



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

## Opinion

We have audited the financial statements of The Brighton Pier Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 52 week period ended 30 June 2019 which comprise the Consolidated statement of comprehensive income, Consolidated and Parent company balance sheet, Consolidated statement of cash flows, Consolidated and Parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the matter in our audit
<p><b>Impairment of goodwill and other non-current assets</b></p> <p>Management performs an annual impairment review of goodwill, which includes the carrying value of other intangible assets and property plant and equipment. The annual impairment review relies on significant estimation and judgement in selection of the key inputs which can have a significant impact on the calculated net present value for each Cash Generating Unit (CGU).</p> <p>The industry has experienced difficult trading conditions in recent periods due to increased cost pressures and a tight consumer purse.</p> <p>There is a risk that the estimates and judgements used in the impairment review for each CGU, which include inputs such as forecast cash flows, discount rates, length of lease and growth rates are inappropriate and that an impairment charge may be required.</p> <p>Refer to page 28 and 29 (Audit Committee Report), page 45 (accounting policy) and page 62 (financial disclosures).</p>	<p>Our audit procedures included detailed testing of the Directors’ impairment testing model for each CGU performed at the period end.</p> <p>For each of the key inputs to the impairment model, we reviewed management’s assumptions by reference to Board approved budgets and considered the results of the sensitivity analysis performed. We challenged management on the inputs used in the forecasts, in particular those for revenue, costs and EBITDA based on previous and expected performance at each site and the discount rate applied based on peer comparison.</p> <p>In addition, in conjunction with input from the BDO valuations team, we performed our own sensitivity analysis in respect of the key assumptions which included assessing by how much each assumption would need to change for an impairment to arise.</p> <p>We evaluated the adequacy of the Group’s disclosures in respect of the impairment testing, the inputs used and the sensitivity of the outcomes of the assessment to changes in key assumptions to validate that these adequately reflected the inherent risks in the valuations.</p> <p>Key observations:</p> <p>Based on the procedures performed we did not identify any impairments. We consider that the disclosures in respect of impairments and associated sensitivities are appropriate.</p>
<p><b>Revenue recognition</b></p> <p>Revenue is generated through the Group’s three segments being the Brighton Palace Pier, Bars and Golf segments.</p> <p>As a result of the number of different sources of revenue, as well as the number of different systems and controls in place to capture revenue, there is a risk that revenue could be incorrectly recorded.</p> <p>In view of the potential for error or for management override of controls we considered this to be an area for which there is a significant risk of material misstatement in the financial statements.</p> <p>Refer to page 28 and 29 (Audit Committee Report), pages 48 (accounting policy) and page 54 (financial disclosures).</p>	<p>For the Pier segment, a sample of revenue per the weekly revenue analyses was reconciled back to the nominal ledger and the cash takings for that week which was agreed to the bank statements and cash float where relevant. For a sample of days, revenue recognised was then reconciled to the revenue per the EPOS system, where relevant.</p> <p>For the Bars segment, for the main trading income, a full reconciliation of revenue per the EPOS system and nominal ledger was performed for the year. The revenue for a sample of weeks across the sites was then reconciled back to the revenue per the EPOS reports and to the cash banked. A sample of ad hoc income was also tested back to supporting information.</p> <p>For the Golf segment, monthly till summaries for all sites across the year were obtained and reconciled to the nominal ledger. The revenue for a sample of days was then reconciled back to the revenue per the EPOS reports and to the cash banked.</p> <p>For all segments, additional procedures on completeness and cut off of revenue were performed by checking that a revenue journal had been recorded for each site for every week or month in the current financial period, depending on the relevant timing of the revenue journals. A sample of revenue journals were vouched to underlying supporting documentation.</p> <p>We have also reviewed management’s IFRS 15 adoption considerations and considered the appropriateness of the associated revenue recognition policies and disclosures.</p> <p>Key observation:</p> <p>Based on the work we performed, no material misstatements were identified and we consider that revenue has been recorded appropriately and in accordance with the relevant accounting standards.</p>

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

Continued

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

We determined materiality for the group as a whole to be set at £134,000. Materiality represents 5% of the group profit before tax. This benchmark is considered the most appropriate because profit before tax is a key performance indicator of the group and considered to be an important metric to stakeholders of the business.

Materiality for the parent company was set at £121,000, being 90% of group materiality.

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

### Component materiality

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

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

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

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

## Other information

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

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

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

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

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

Matters on which we are required to report by exception

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

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

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

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, within the Directors' report, set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## 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](http://www.frc.org.uk/auditorsresponsibilities)

This description forms part of our auditor's report.

## Use of our report

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

Dominic Stammers

### Senior Statutory Auditor

for and on behalf of BDO LLP  
Statutory Auditor London  
23 September 2019

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

# Consolidated statement of comprehensive income

For the 52 week period ended 30 June 2019

	Notes	52 weeks ended 30 June 2019 £'000	53 weeks ended 1 July 2018 £'000
Revenue		32,022	31,390
Cost of sales		(4,995)	(5,132)
<b>Gross profit</b>		<b>27,027</b>	26,258
Operating expenses — excluding highlighted items	7	(23,301)	(22,656)
Highlighted items	5	(557)	(947)
<b>Total operating expenses</b>		<b>(23,858)</b>	(23,603)
Operating profit — before highlighted items		3,726	3,602
Highlighted items	5	(557)	(947)
<b>Operating profit</b>		<b>3,169</b>	2,655
Finance cost	7	(480)	(387)
Profit before tax and highlighted items		3,246	3,215
Highlighted items	5	(557)	(947)
<b>Profit on ordinary activities before taxation</b>		<b>2,689</b>	2,268
Taxation on ordinary activities	8	(446)	(507)
<b>Profit and total comprehensive income for the period</b>		<b>2,243</b>	1,761
Earnings per share — basic* (pence)	9	6.1	5.2
Earnings per share — diluted (pence)	9	6.1	5.0

\* 2019 basic weighted average number of shares in issue is 36.64 million (2018: 33.91 million).

No other comprehensive income was earned during the period (2018: £nil).

# Consolidated balance sheet

As at 30 June 2019

	Notes	As at 30 June 2019 £'000	As at 1 July 2018 £'000
<b>Non-current assets</b>			
Intangible assets	10	12,715	12,669
Property, plant and equipment	11	27,169	26,634
		<b>39,884</b>	<b>39,303</b>
<b>Current assets</b>			
Assets held for sale	11	—	293
Inventories	14	624	599
Trade and other receivables	15	1,931	1,791
Cash and cash equivalents	16	2,725	2,812
		<b>5,280</b>	<b>5,495</b>
<b>TOTAL ASSETS</b>		<b>45,164</b>	<b>44,798</b>
<b>EQUITY</b>			
Issued share capital	17	9,322	8,916
Share premium	17	15,993	15,426
Merger reserve	17	(1,111)	(1,111)
Other reserve	17	407	362
Retained deficit		(167)	(2,410)
<b>Equity attributable to equity shareholders of the Parent</b>		<b>24,444</b>	<b>21,183</b>
<b>TOTAL EQUITY</b>		<b>24,444</b>	<b>21,183</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	5,022	5,732
Other financial liabilities	13	2,003	1,696
Income tax payable		393	840
Provisions	21	131	59
		<b>7,549</b>	<b>8,327</b>
<b>Non-current liabilities</b>			
Other financial liabilities	13	12,787	14,988
Deferred tax liability	8	384	300
		<b>13,171</b>	<b>15,288</b>
<b>TOTAL LIABILITIES</b>		<b>20,720</b>	<b>23,615</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45,164</b>	<b>44,798</b>

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

22 September 2019

Registered Company number: 08687172

# Consolidated statement of cash flows

For the period ended 30 June 2019

	Notes	52 weeks to 30 June 2019 £'000	53 weeks to 1 July 2018 £'000
<b>Operating activities</b>			
Profit before tax		2,689	2,268
Finance costs	7	480	387
Amortisation of intangible assets	10	62	39
Depreciation of property, plant and equipment	11	1,493	1,432
Write off of property, plant and equipment at closed or redeveloped sites	11	—	176
(Profit)/loss on disposal of property, plant and equipment and assets held for sale	7	(96)	2
Share-based payment expense	18	45	102
Decrease in provisions and deferred tax	8,21	72	(432)
Increase in inventories		(25)	(47)
Increase in trade and other receivables		(140)	(221)
Decrease in trade and other payables		(119)	(817)
Interest paid		(439)	(358)
Income tax paid		(809)	(65)
<b>Net cash flow from operating activities</b>		<b>3,213</b>	<b>2,466</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(2,548)	(3,336)
Acquisition of business, net of cash acquired	3	—	(8,688)
Proceeds from disposal of property, plant and equipment and assets held for sale		801	13
Payment of deferred consideration to former Lethington Limited Shareholders		(591)	—
<b>Net cash flows used in investing activities</b>		<b>(2,338)</b>	<b>(12,011)</b>
<b>Financing activities</b>			
Proceeds from borrowings		1,300	6,800
Repayment of borrowings		(3,235)	(1,450)
Proceeds from issue of ordinary shares		973	3,051
Share issue costs recognised directly in equity	17	—	(106)
Capital element on finance lease rental payments	13	—	(11)
<b>Net cash flows (used in)/from financing activities</b>		<b>(962)</b>	<b>8,284</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(87)</b>	<b>(1,261)</b>
Cash and cash equivalents at beginning of period		2,812	4,073
<b>Cash and cash equivalents end of period</b>	16	<b>2,725</b>	<b>2,812</b>

## Consolidated statement of changes in equity

For the period ended 30 June 2019

	Notes	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings/ (deficit) £'000	Total shareholders' equity £'000
<b>At 25 June 2017</b>		<b>7,941</b>	<b>13,229</b>	<b>(1,575)</b>	<b>321</b>	<b>(4,171)</b>	<b>15,745</b>
Profit and total comprehensive income for the period		—	—	—	—	1,761	1,761
<i>Transactions with owners:</i>							
Issue of shares	17	975	2,303	464	(61)	—	3,681
Share issue costs taken directly to equity	17	—	(106)	—	—	—	(106)
Share-based payments charge	18	—	—	—	102	—	102
<b>At 1 July 2018</b>		<b>8,916</b>	<b>15,426</b>	<b>(1,111)</b>	<b>362</b>	<b>(2,410)</b>	<b>21,183</b>
Profit and total comprehensive income for the period		—	—	—	—	2,243	2,243
<i>Transactions with owners:</i>							
Issue of shares	17	406	567	—	—	—	973
Share issue costs taken directly to equity	17	—	—	—	—	—	—
Share-based payments charge	18	—	—	—	45	—	45
<b>At 30 June 2019</b>		<b>9,322</b>	<b>15,993</b>	<b>(1,111)</b>	<b>407</b>	<b>(167)</b>	<b>24,444</b>

The prior year reserves have been restated to transfer merger relief of £464,210 out of share premium into merger reserves. This merger relief arose from consideration shares issued at the time of the purchase of Lethington Leisure Limited on 8 December 2017, as the total equity secured in the target company exceeded 90% this should be shown in merger relief. The figures previously reported as at 1 July 2018 were share premium of £15,890,000 and merger relief of £1,575,000.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

## 1. Accounting policies

The Brighton Pier Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM. Its registered address is 36 Drury Lane, London, WC2B 5RR. Both the immediate and ultimate Parent of the Group is The Brighton Pier Group PLC. The Brighton Pier Group PLC owns and operates Brighton Pier, one of the leading tourist attractions in the UK. The Group also operates 12 premium bars (2018: 12) and 7 (2018: 6) indoor adventure golf facilities trading in major towns and cities across the UK.

### Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the Group for the period ended 30 June 2019 and in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 30 June 2019. These accounting policies were consistently applied for all the periods presented.

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

The financial statements are prepared on a 52 or 53 week basis up to the last Sunday in June or the first Sunday in July each year (2019: 52 week period ended 30 June 2019; 2018: 53 week period ended 1 July 2018). The notes to the consolidated financial statements are on this basis.

### Going concern

As at 30 June 2019, the Group had net current liabilities of £2,269,000 (2018: net current liabilities of £2,832,000). The Group meets its day-to-day working capital requirements through its bank facilities. The Group's principal sources of funding are:

- a five year term loan of £14,850,000, which was entered into in April 2016 before being renewed and extended in December 2017. As at the period end, £13,252,000 (net of deferred costs) remained due on this facility (2018: £14,707,000). Loan repayments of £1,485,000 are payable over the next twelve months;
- a three year Revolving Loan Facility of £2,500,000, which was entered into in April 2016 before being renewed and extended in December 2017.

The amount of credit available through this facility will reduce to:

£1,750,000 from 1 July 2019,

£1,000,000 from 1 April 2020, and

terminating at the end of the three year term on 30 November 2020.

The facility is available for the refit of existing units and for new acquisitions. As at the period end £1,538,000 (net of deferred costs) had been drawn down on this facility (2018: £1,977,000); and

- issue of ordinary share capital in the Parent Company on AIM.

As at the period ended 30 June 2019, the Group had cash and cash equivalents of £2,725,000 (2018: £2,812,000) available to meet short-term needs.

Quarterly covenant tests are in place over these bank facilities and the Group was fully compliant as at 30 June 2019. There is significant headroom on these covenant tests. Based on current and forecasted performance, the Directors expect there will continue to be significant headroom for the foreseeable future. Furthermore, based on current and forecasted performance, the Directors consider that the Group will be profitable and cash generative.

Based on the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Basis of consolidation

The consolidated financial statements include the financial statements of The Brighton Pier Group PLC and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these consolidated financial statements, subsidiaries are those entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income, expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full.

Subsidiary entity accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) using the FRS 101 Reduced Disclosure Framework.

## Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

## Assets held for sale

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

## Borrowing costs

Borrowing costs are recognised as an expense when incurred.

## Business combinations and goodwill

Business combinations are accounted for in accordance with IFRS 3 (revised) for acquisitions made after 1 July 2009.

For each business combination, management makes an assessment of whether any intangible assets have been acquired, and how much goodwill arose as a result of the acquisition. Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units, to which goodwill relates. Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. The Group performs its annual impairment test of goodwill based on the final day of the financial period.

## Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see Note 2.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 1. Accounting policies (continued)

### Impairment of non-financial assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income as a highlighted item in the period in which they are incurred.

Goodwill is tested for impairment annually at the period end date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### Intangible assets

Intangible assets acquired separately from a business combination are initially capitalised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The initial cost recognised is the aggregate amount paid plus the fair value of any other consideration given to acquire the asset.

Amortisation is calculated to write-off the cost or fair value at acquisition (as the case may be) of each asset over their estimated useful lives shown below, and is recorded in administrative costs in the statement of comprehensive income. Amortisation is calculated on a straight-line basis over the useful life of the asset as follows:

Computer software and websites – 3 to 7 years

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all cost incurred in bringing each product to its present location and condition.

### Financial assets

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

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

The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

### Amortised cost

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

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

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

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

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Financial liabilities

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

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

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

### Amortised cost

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

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

### De-recognition of liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

### Fair value measurement

Fair value disclosures for financial instruments are provided in Note 13 (other financial assets and liabilities – risk management objectives and policies).

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1	quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the inputs into the valuations and the level of the fair value hierarchy as explained above.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

### Lessee:

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease rentals, together with lease incentives are charged to profit or loss on a straight line basis over the term of the lease.

### Lessor:

Rental income from concessions on Brighton Palace Pier is recognised as income on a straight-line basis over the lease term.

### Provisions

Provisions are recognised when the Group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Group's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 1. Accounting policies (continued)

### Highlighted items

Highlighted items are treated as such if the matters are material and fall within one of the categories below:

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

Acquisition and pre-opening costs are highlighted because they are costs that are unique to each development. The Group only acquires new sites when appropriate opportunities arise. Therefore in any given period, acquisition costs can vary significantly depending on the number of new sites acquired and the level of investment required to bring the site into use, and so do not reflect the costs of the day-to-day operations of the business. These are therefore split out in order to aid comparability with prior periods. Similarly, pre-opening costs are incurred after the acquisition of a new site or the refurbishment of an existing site. For the reasons outlined above, these costs have also been highlighted in order to aid comparability with prior periods.

Costs relating to impairments, site closures and other legal costs are highlighted to the extent that they relate to costs following any of the above activities. Impairments only occur in exceptional circumstances and are therefore highlighted. Similarly, the decision by management to close a site only occurs in exceptional circumstances; therefore, the costs associated with such an activity have also been highlighted.

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and Value Added Taxes.

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

### Share-based payments

#### Equity-settled transactions

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated. This represents the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the statement of comprehensive income.

The Group does not currently award cash-settled share options to employees.

### Post-employment defined contribution plans

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

### Taxes

#### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the statement of comprehensive income.

#### Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets

are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

### New standards and interpretations

The Group has adopted the following new standards or amendments.

#### New and amended IFRS Standards that are effective for the current year

##### Impact of initial application of IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replaced IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. IFRS 15 is effective from reporting periods beginning on or after 1 January 2018. Having assessed the requirements of the new standard its adoption did not have a material impact on the Group as the revenue recognition treatment was considered to be the same under IAS 18 and IFRS 15 due to the nature of the Group's revenue streams.

##### Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

IFRS 9 introduces an 'expected loss' model for recognising impairment of financial assets held at amortised cost. This is different from IAS 39, which had an incurred loss model where provisions were recognised only when there was objective evidence of impairment. This change of approach requires the Group to consider forward-looking information to calculate expected credit losses regardless of whether there has been an impairment trigger. Given the general quality and short-term nature of trade and other receivables within the Group, there is no expected change to the level of impairment recognised and as such, no adjustment has been made to the opening balance of retained earnings as at 1 July 2018.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 1. Accounting policies (continued)

### New standards and interpretations (continued)

#### Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

#### IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is mandatorily effective from reporting periods beginning on or after 1 January 2019. The Group will therefore adopt IFRS 16 for the reporting period ended 28 June 2020.

The Group has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Group will not restate the comparative information.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

#### Impact of the new definition of a lease:

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

## Impact on Lessee Accounting

### Operating leases

IFRS 16 will change how the Group accounts for leases in which the Group is a lessee previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except for short-term or low value assets), the Group will:

- a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (that is lease terms of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Group is electing to measure the right-of-use assets at the date of initial application as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of £30,217,000.

A preliminary assessment indicates that £30,070,000 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will initially recognise a right-of-use asset of £23,750,000 and a corresponding lease liability of £23,750,000 in respect of all these leases on 1 July 2019.

Prepaid rent on these leases amounting to £433,000 which is currently recognised within prepayments will be reclassified and the amount factored into the measurement of the right to use assets at 1 July 2019.

As a result of implementing IFRS 16, it is expected that operating profit will increase by £442,000 in period to 30 June 2020. This is based on the rental charge of £2,334,000 which is no longer expensed, being offset with expected depreciation of £1,892,000 recognised on the right-of-use asset. Interest unwinding on the lease liability of £680,000 will also be recognised as a finance cost, reducing the overall profit before tax by £238,000.

It is expected that net operating cash flows for the Group will improve by £2,572,000, being the depreciation of the right-of-use asset and interest unwinding noted above. Net cash flows from financing activities will reduce by £3,014,000, being the principal lease payments made and interest unwinding on the lease liability.

### Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Based on an analysis of the Group's operating leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the Directors of the Group have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

## 2. Significant accounting estimates, judgements and assumptions

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

### Estimates

#### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to changes in expected future cash flows. The cash flows are derived from the budget and projections for the next three years. These projections are influenced by factors which are inherently uncertain such as footfall and non-controllable costs such as rent, rates and license costs.

They do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is also sensitive to the discount rate used for the discounted cash flow model and the growth rate used for extrapolation purposes.

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

#### Fair Value of Brighton Palace Pier

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

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

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

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

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

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

### Estimates (continued)

#### Deferred tax on revalued asset

IAS 12 'Income Taxes' requires that deferred tax is recognised where a difference between the tax base of an asset and its carrying value arises after initial recognition. The measurement of the deferred tax liability should reflect the tax consequences of the expected manner of recovering the carrying amount of the pier. As the residual value of the pier has been judged to be equivalent to the book value, the expected method of recovery will

principally be through sale and no deferred tax liability arises when calculated on this basis.

#### Identification of intangible assets acquired as part of business combination

IFRS 3: 'Business Combinations' requires management to assess whether there are separately identifiable intangible assets arising from a business combination that should be recognised separately from goodwill. These assets would then be amortised over their expected useful life. As part of the acquisition of Lethington Leisure Limited on 8 December 2017, management conducted such an assessment and concluded that there were no material separately identifiable intangible assets to be recognised.

## 3. Business combination

On 8 December 2017 the Group acquired 100% of the issued share capital of Lethington Leisure Limited (trading as Paradise Island Adventure Golf), an unlisted company based in the UK. The Group acquired this company in order to expand and diversify its business.

The fair value of assets and liabilities assumed has been deemed to be equal to their book value. Management also concluded that there were no separately identifiable intangible assets to be recognised as part of the acquisition.

There have been no further acquisitions in the period to 30 June 2019.

In the current year there was an adjustment to increase goodwill on acquisition by £34,000 reflecting the fact the net assets on purchase were £34,000 lower than expected. There was no adjustment to consideration paid for this difference. The additional goodwill has been recognised as an addition in the current year.

#### Fair value of assets acquired and liabilities assumed

Fair value recognised  
at 8 December 2017  
£000s

	Fair value recognised at 8 December 2017 £000s
<b>Assets</b>	
Property, plant and equipment	2,550
Inventory	5
Cash and cash equivalents	571
Trade and other receivables	413
<b>Liabilities</b>	
Trade and other payables	(999)
Income tax payable	(236)
Deferred tax liability	(300)
<b>Total identifiable net assets at fair value</b>	<b>2,004</b>
Goodwill	8,830
<b>Purchase consideration transferred</b>	<b>10,834</b>
<b>Purchase consideration</b>	
Amount settled in cash	9,259
Deferred cash consideration at fair value	945
Equity instruments (663,158 ordinary shares at 95p each)	630
<b>Total purchase consideration</b>	<b>10,834</b>
Consideration transferred settled in cash	9,259
Cash and cash equivalents acquired	(571)
<b>Net cash outflow on acquisition</b>	<b>8,688</b>

Acquisition-related costs amounting to £312,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of highlighted items (see Note 5).

As at 30 June 2019, £354,000 of the £945,000 deferred cash consideration remained payable. This was settled in full on 2 July 2019.

Lethington Leisure Limited contributed £2,186,000 to revenue and £628,000 to net profit during the period from acquisition (8 December 2017). If the combination had taken place at the start of the year, the comparative consolidated statement of comprehensive income for the period ended 1 July 2018 would show pro forma Group revenue of £35,002,000 and the profit after tax for the period would have been £2,182,000.

#### 4. Segmental information

The following tables present revenue, profit and loss and certain asset and liability information regarding the Group's business segments for the period ended 30 June 2019.

IFRS 8: *Operating Segments* applies the so-called 'management approach' to segment reporting and requires the Group to report financial and descriptive information about its reportable segments. Such reportable segments are operating segments or aggregations of operating segments that meet specified criteria.

Operating segments are components of an entity which engage in business activities from which they may earn revenues and incur expenses about which discrete financial information is available that is regularly evaluated by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. The Group is required to report separate financial information about each operating segment that:

- has been identified as described above or results from aggregating two or more of those segments if they exhibit similar long-term financial performance and have similar economic characteristics; and
- exceeds certain quantitative thresholds.

The Group identified the Board of Directors as its CODM and has defined the operating segments based on the information provided to the Board of Directors. The Board reviews discrete financial information for each site and uses this information to allocate resources. As these sites have similar economic characteristics and long-term financial performance (using, for example, operating profit margin, gross margin and comparable site sales development as quantitative benchmarks) it was concluded that all owned bar sites should be aggregated into the segment 'Owned Bars' and all Paradise Island Adventure Golf sites should be aggregated into the segment 'Golf'. As Brighton Palace Pier exceeds the quantitative thresholds for aggregation, it has been presented as a separate operating segment. This meets the requirements of IFRS 8 and is consistent with the core principle of the standard.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 4. Segmental information (continued)

The segmental information is split on the basis of information provided to the CODM. The CODM does not review discrete balance sheets for each operating segment and therefore no balance sheet information is provided on a segmental basis in the following table:

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

Concession income from the pier is included within pier revenue and amounted to £201,000 for the period ended 30 June 2019 (£232,000 – 2018).

53 week period ended 1 July 2018	Owned Bars	Brighton Palace Pier	Golf	Total segments	Head office costs	2018 consolidated total
	(53 weeks) £'000	(53 weeks) £'000	(30 weeks) £'000	£'000	£'000	£'000
Revenue	14,699	14,505	2,186	31,390	—	31,390
Cost of sales	(2,879)	(2,238)	(15)	(5,132)	—	(5,132)
<b>Gross profit</b>	11,820	12,267	2,171	26,258	—	26,258
Gross profit %	79%	85%	99%	83%	—	83%
Administrative expenses (excluding depreciation and amortisation)	(10,056)	(8,828)	(1,543)	(20,427)	(758)	(21,185)
<b>Divisional earnings</b>	1,764	3,439	628	5,831	(758)	5,073
Highlighted items					(947)	(947)
Depreciation and amortisation					(1,471)	(1,471)
Finance cost					(387)	(387)
<b>Profit before tax</b>					(3,563)	2,268
Income tax					(507)	(507)
<b>Profit after tax</b>					(4,070)	1,761
EBITDA (before highlighted items)	1,764	3,439	628	5,831	(656)	5,175
EBITDA (after highlighted items)	1,764	3,439	628	5,831	(1,427)	4,404

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

Segment revenues are generated from the sale of goods to external customers. There was no inter-segment sales in the years presented. No single customer contributed more than 10% of the Group's revenues.

The accounting policies of the reportable segments have been consistently applied. Overheads have been separated out to reflect how management reviews the discrete financial information and uses it to allocate resources.

The revenue and costs of sales figure for the bar's division has been restated to allocate retrospective discounts as a reduction in cost of sales, as opposed to revenue. The figures previously reported were revenue of £14,991,000 and cost of sales of £3,171,000. There was no overall impact on the gross profit as a result of this amendment. Overall revenue reduced by £292,000 and overall cost of sales reduced by the same amount.

## 5. Highlighted items

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
<b>Acquisition and pre-opening costs</b>		
Acquisition costs	—	312
Site pre-opening costs	356	338
	356	650
<b>Impairment, closure and legal costs</b>		
Profit on disposal of Derby freehold (note 11)	(133)	—
Other closure costs & legal costs	334	297
	201	297
<b>Total</b>	<b>557</b>	<b>947</b>

The above items have been highlighted to give a better understanding of non-comparable costs included in the consolidated statement of comprehensive income for this period.

### Period ended 30 June 2019

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

Other closure and legal costs of £201,000 were incurred during the period ended 30 June 2019. These arose from the closure of Reading Coalition £236,000, a book profit of £133,000 from the disposal of the Derby freehold site and a further £98,000 of costs related to redundancies which will further contribute to reductions in the overhead costs of the Bars division going forward.

### Period ended 1 July 2018

Acquisition costs of £312,000 relate to costs incurred as part of the acquisition on 8 December 2017 of Lethington Leisure Limited by The Brighton Pier Group PLC.

Site pre-opening costs of £338,000 relate to the pre-opening costs of the redevelopment of the Palm Court restaurant, Victoria's Bar and Horatio's Bar on Brighton Pier, as well as the redevelopment of the Wimbledon Po Na Na bar into a Smash table tennis bar.

Other closure and legal costs of £297,000 relate to the costs incurred as a result of the closure of the Coalition bar in Reading and the exiting of a lease on an unused site in Liverpool.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 6. Employee costs

<b>Employee benefits expense</b>	<b>Period ended 30 June 2019 £'000</b>	Period ended 1 July 2018 £'000
<b>Included in other operating costs</b>		
Wages and salaries	<b>9,013</b>	9,037
Social security costs	<b>647</b>	702
Pensions – defined contribution plans	<b>59</b>	29
	<b>9,719</b>	9,768

<b>Average number of people employed</b>	<b>2019 FTE</b>	2018 FTE
Number of full time equivalent (FTE) employees	<b>430</b>	442
<b>Average number of people (including Executive Directors) employed:</b>		
Operational	<b>400</b>	408
Administration	<b>30</b>	34
<b>Total average headcount</b>	<b>430</b>	442

<b>Directors</b>	<b>Period ended 30 June 2019 £'000</b>	Period ended 1 July 2018 £'000
Aggregate remuneration in respect of qualifying services	<b>620</b>	551
Aggregate remuneration in respect of the highest paid Director	<b>197</b>	172

An analysis of Directors' remuneration is set out in the report of the Remuneration and Nominations Committee on pages 30 and 31.

Payments totalling £1,673 (2018: £990) were made on behalf of 2 (2018: 2) Directors into the Group's auto-enrolment 'People's Pension Scheme'.

## 7. Other income and expenditure

<b>Finance costs</b>	<b>Period ended 30 June 2019 £'000</b>	Period ended 1 July 2018 £'000
Interest on debts, borrowings and finance leases	480	387
<b>Total operating expenses excluding highlighted items</b>	<b>Period ended 30 June 2019 £'000</b>	Period ended 1 July 2018 £'000
<b>Included in operating expenses</b>		
Depreciation of owned property, plant and equipment	1,493	1,432
Depreciation of assets held under finance leases	—	10
Amortisation of intangible assets	62	39
(Profit) /Loss on disposal of property, plant and equipment	(96)	2
Operating lease rentals – land and buildings	1,966	1,718
Rates and service charge	1,870	1,422
Insurance and licenses	1,120	1,120
Property costs	2,099	2,014
Staff costs (see Note 6)	9,719	9,768
Contract security costs	927	1,076
Other operating expenses	4,141	4,055
	<b>23,301</b>	<b>22,656</b>

## 8. Income tax

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

The tax is made up as follows:

	<b>Period ended 30 June 2019 £'000</b>	Period ended 1 July 2018 £'000
<i>Current tax:</i>		
UK corporation tax charge on the profit for the period	398	387
Adjustment in respect of prior periods	(71)	120
Total current tax	327	507
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	119	—
Total tax charge for the period	446	507

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 8. Income tax (continued)

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

The tax charge for the current period was £0.4 million (2018: £0.5 million). The tax charge for the previous period benefitted from the utilisation of brought-forward tax losses and movements on deferred tax from timing differences. The tax charge for the current year is lower than the expected 19% tax charge due to prior year current tax adjustments.

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
Profit on ordinary activities before tax	2,689	2,268
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	511	431
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(11)	26
Movement in unrecognised deferred tax	—	—
Non-qualifying depreciation	17	(70)
Adjustment in respect of prior periods	(71)	120
<b>Total tax charge for the period</b>	<b>446</b>	<b>507</b>

### (c) Deferred tax

On 16 March 2016, the Chancellor announced that the UK main rate of corporation tax will fall to 17% from 1 April 2020. This rate change was substantially enacted on 6 September 2016. The deferred taxation liability, using a tax rate of 17% (2018: 17%), comprises the following:

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
<i>Assets</i>		
Capital allowances in arrears of depreciation	—	533
Other timing differences	34	—
Taxable losses carried forward	171	11
	<b>205</b>	<b>544</b>
<i>Liabilities</i>		
Capital allowances in advance of depreciation	(45)	(300)
Goodwill	(544)	(544)
<b>Total deferred tax balance recognised in the balance sheet</b>	<b>(384)</b>	<b>(300)</b>

Deferred tax balances as at 30 June 2019 and 1 July 2018 have been presented on a net basis.

An explanation of the deferred tax treatment of Brighton Palace Pier can be found in Note 2: *Significant judgements and estimates – deferred tax on revalued assets*.

In 2019, there were unrecognised deferred tax assets totalling £Nil. In 2018 £252,000 of unrecognised deferred tax assets in relation to trading losses carried forward in Eclectic Bars Trading Limited were not recognised due to insufficient certainty that the Group would have future taxable profits against which the tax asset would be realised.

Deferred tax liabilities of £300,000 were assumed following the acquisition of Lethington Leisure Limited (see Note 3). These arose from timing differences between the net book value and the tax written down value of property, plant and equipment acquired.

## 9. Earnings per share

Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary shareholders of The Brighton Pier Group PLC by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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

<b>Basic earnings per share</b>	<b>Period ended 30 June 2019</b>	Period ended 1 July 2018
Profit for the period (£'000)	2,243	1,761
Basic weighted number of shares (number)	36,641,819	33,914,684
<b>Earnings per share – Basic (pence)</b>	<b>6.1</b>	5.2
<b>Basic adjusted earnings per share</b>	<b>Period ended 30 June 2019</b>	Period ended 1 July 2018
Profit for the period before highlighted items (£'000)	2,669	2,652
Basic adjusted weighted number of shares (number)	36,641,819	33,914,684
<b>Adjusted earnings per share – Basic (pence)</b>	<b>7.3</b>	7.8
<b>Diluted basic earnings per share</b>	<b>Period ended 30 June 2019</b>	Period ended 1 July 2018
Profit for the period (£'000)	2,243	1,761
Diluted weighted number of shares (number)	36,779,103	34,914,600
<b>Earnings per share – Diluted (pence)</b>	<b>6.1</b>	5.0
<b>Adjusted diluted earnings per share</b>	<b>Period ended 30 June 2019</b>	Period ended 1 July 2018
Profit for the period before highlighted items (£'000)	2,669	2,652
Diluted weighted number of shares (number)	36,779,103	34,914,600
<b>Adjusted earnings per share – Diluted (pence)</b>	<b>7.3</b>	7.6

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 9. Earnings per share (continued)

### Reconciliation of adjusted profit for the period

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
Adjusted profit is calculated as follows:		
Profit for the period	2,243	1,761
Highlighted items	557	947
Tax on highlighted items	(131)	(56)
<b>Adjusted profit for the period (£'000)</b>	<b>2,669</b>	2,652

### Diluted basic earnings per share

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

	2019 Number	2018 Number
Weighted average number of shares for Basic EPS	36,641,819	33,914,684
Dilutive effect of share options and warrants	137,284	999,916
Weighted average number of shares for Diluted EPS	36,779,103	34,914,600

Share options with exercise prices of 95p and 111p as noted in Note 18 have not been included in the calculation of weighted average number of shares for diluted earnings per share as these options are anti-dilutive.

## 10. Intangible assets

	Goodwill £'000	Computer software and websites £'000	Total £'000
<i>Cost:</i>			
At 25 June 2017	8,055	170	8,225
Additions	8,796	183	8,979
At 1 July 2018	16,851	353	17,204
Additions	34	74	108
<b>At 30 June 2019</b>	<b>16,885</b>	<b>427</b>	<b>17,312</b>
<i>Amortisation &amp; impairments:</i>			
At 25 June 2017	4,489	7	4,496
Charge for the period	—	39	39
At 1 July 2018	4,489	46	4,535
Charge for the period	—	62	62
<b>At 30 June 2019</b>	<b>4,489</b>	<b>108</b>	<b>4,597</b>
<i>Net book value</i>			
At 25 June 2017	3,566	163	3,729
At 1 July 2018	12,362	307	12,669
<b>At 30 June 2019</b>	<b>12,396</b>	<b>319</b>	<b>12,715</b>

Goodwill additions in the period to 1 July 2018 relate to goodwill arising on the acquisition of Lethington Leisure Limited, owner of Paradise Island Adventure Golf, on 8 December 2017 (see Note 3). The goodwill arising on the acquisition has been allocated to each Paradise Island Adventure Golf site in proportion to the EBITDA contribution of each site at the acquisition date.

The brought-forward goodwill balance relates primarily to the Group's acquisition of twelve sites in 2006. The remaining sites included in this balance are: Bath Po Na Na, Bristol Lola Lo, Embargo, Putney Fez and Wimbledon Smash.

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

The Group has three operating segments; however management considers each site to be a separate CGU on the basis that each site generates cash flows which are largely independent of the cash flows generated by other sites.

The value of the goodwill in the bars segment was tested for impairment during the current financial year by means of comparing the recoverable amount of each CGU with the carrying value of its goodwill. Based on the operating performance of the CGUs, no impairment was identified in the current financial year (2018: no impairment).

The remaining valuations indicate sufficient headroom, such that a reasonably possible change to key assumptions would not result in any impairment of goodwill. Refer to Note 12 for further information on the impairment review.

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

The remaining amortisation period of the computer software and website intangible asset is 5 years.

## 11. Property, plant and equipment

	Computers £'000	Motor vehicles £'000	Fixtures, fittings & equipment £'000	Leasehold improvement £'000	Pier, landing stage & deck £'000	Assets under construction £'000	Total £'000
Cost:							
<b>At 25 June 2017</b>	<b>313</b>	<b>71</b>	<b>8,431</b>	<b>3,773</b>	<b>17,344</b>	<b>208</b>	<b>30,140</b>
Additions	68	20	2,184	881	—	—	3,153
Acquired	—	11	75	2,475	—	—	2,561
Disposals	(2)	(35)	(353)	(99)	—	—	(489)
Transfers	—	—	—	208	—	(208)	—
<b>At 1 July 2018</b>	<b>379</b>	<b>67</b>	<b>10,337</b>	<b>7,238</b>	<b>17,344</b>	<b>—</b>	<b>35,365</b>
Additions	70	1	635	1,734	—	—	2,440
Disposals	(28)	(36)	(1,024)	(478)	—	—	(1,566)
<b>As at 30 June 2019</b>	<b>421</b>	<b>32</b>	<b>9,948</b>	<b>8,494</b>	<b>17,344</b>	<b>—</b>	<b>36,239</b>
Depreciation:							
<b>At 25 June 2017</b>	<b>278</b>	<b>23</b>	<b>5,222</b>	<b>2,074</b>	<b>—</b>	<b>—</b>	<b>7,597</b>
Charge for the period	40	13	1,078	301	—	—	1,432
Disposals	(2)	(18)	(265)	(13)	—	—	(298)
<b>At 1 July 2018</b>	<b>316</b>	<b>18</b>	<b>6,035</b>	<b>2,362</b>	<b>—</b>	<b>—</b>	<b>8,731</b>
Charge for the period	40	9	1,041	403	—	—	1,493
Disposals	(27)	(8)	(1,002)	(117)	—	—	(1,154)
<b>At 30 June 2019</b>	<b>329</b>	<b>19</b>	<b>6,074</b>	<b>2,648</b>	<b>—</b>	<b>—</b>	<b>9,070</b>
Net Book value:							
<b>30 June 2019</b>	<b>92</b>	<b>13</b>	<b>3,874</b>	<b>5,846</b>	<b>17,344</b>	<b>—</b>	<b>27,169</b>
Net Book value;							
1 July 2018	63	49	4,302	4,876	17,344	—	26,634
Net Book value;							
25 June 2017	35	48	3,209	1,699	17,344	208	22,543

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 11. Property, plant and equipment (continued)

Assets acquired relate to assets acquired as part of business combinations. As at the period ended 30 June 2019, the net book value of assets held under finance leases was £nil (2018: £nil) and the gross cost of fully depreciated property, plant and equipment that is still in use was £5,378,000 (2018: £4,933,000).

The value of the property, plant and equipment was tested for impairment during the current financial period by means of comparing the recoverable amount of each CGU with the carrying value of its fixed assets. Based on the operating performance of the CGUs, no impairment was identified in the current financial period (2018: £nil).

Assets held for sale at the year-end of £nil (2018: £293,000) relate to the freehold Derby site which was classified as held for sale in the year to 25 June 2017. It was determined that the asset still met the criteria for classification as held for sale in the period to 1 July 2018 as management remained committed to the sale. The asset was sold during the period to 30 June 2019. The profit on the assets held for sale was calculated as follows:

<b>Assets held for sale</b>	<b>£000</b>
Sale proceeds	800
Asset held for sale at 1 July 2018	(293)
Professional fees arising on sale	(26)
Additional assets disposed on sale	(348)
<b>Profit on disposal</b>	<b>133</b>

## 12. Impairment review

The Group performed its annual impairment test in July 2019 and June 2018. The Group considers the relationship between the trading performance of each CGU and their book value when reviewing for indicators of impairment. Based on management's review of the expected performance of the core estate, no impairments were deemed necessary (2018: no impairments).

Each site represents a cash generating unit (CGU). Goodwill is allocated to the site on which it arose.

The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering the period to June 2022.

Cash flows for each CGU beyond June 2022 are extrapolated, assuming a terminal growth of 1.5% (2018: 1.5%) that reflects the expected growth based on market research. The pre-tax discount rate applied to cash flow projections is 9.6% (2018: 9.60%). As each CGU shares similar risks and has materially similar geographical characteristics, being UK sites located out of town in shopping centres or similar retail outlets, the same discount and growth rates have been applied to all CGUs.

To assess for impairment, the value in use of the CGU is compared to the carrying value of the assets of that CGU including any attributed goodwill. If the resultant net present value of the discounted cash flows is less than the carrying value of the CGU including goodwill, the difference is written off through the statement of comprehensive income.

### Carrying amount of goodwill and property, plant and equipment allocated to each of the CGUs

As a result of this analysis, management deemed that no impairments were required.

The calculation of value in use for all CGUs is most sensitive to the following assumptions:

- discount rates;
- growth rates used to extrapolate cash flows beyond the forecast period;
- growth in expenses, including rent based on rent reviews.

**Discount rates** – The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

**Growth rates** – Rates are based on published industry research, market conditions and economic factors such as the changing habits of students in the towns and cities the Group operates in as well as competition faced from other businesses in these areas. Management has also considered general consumer confidence, including factors like job prospects, inflation and household disposable income. When determining the appropriate growth rates, management has also considered the regulatory environment.

**Growth in expenses including rent** – the Group's main costs are drinks, labour and rent. Estimates regarding the drink cost are based on past actual price movements as well as expected results from supplier negotiations. Labour increases have been estimated in relation to the National Minimum Wage. Rent reviews are typically every five years and budgets assume increases of between 2 to 5% annually compounded. The rate reflects the specific market locations for the related venue.

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

Glasgow	— 3 years
Manchester	— 5 years
Livingston	— 7 years

Headroom is dependent upon sensitivities to these and other assumptions. The largest elements of goodwill in the Bars division are in Putney Fez and Embargo CGUs. An increase in the WACC from 9.6% to 19% and 26% respectively would be required before an impairment in the carrying value of goodwill exceeded its value in use at these sites.

Similarly, a reduction in the terminal growth rate from 1.5% by 6.5% and 11.5% respectively would be required before the carrying value of goodwill exceeded its value in use at these sites.

Other sites which are allocated goodwill in the bars division being Wimbledon, Bath, Bristol, Brighton and Lowlander are able to sustain increases in WACC of between 15% (Wimbledon) and 29% (Bristol) before an impairment is triggered. Similarly, these sites are able to experience a reduction in the growth rates of between 2.5% (Wimbledon) and 14.5% (Bristol) before an impairment is triggered.

The site which is allocated the most goodwill in the golf division, Manchester, is able to support an increase in the WACC discount factor to 21% before an impairment is triggered. Similarly, the site is able to support a reduction in the terminal growth rate of 7.5% before an impairment is triggered.

The other sites, excluding Rushden, are able to support increase in the WACC to between 14% (Derby) and 18% (Glasgow), and a reduction in the terminal growth rate of 2.5% (Derby) and 5.5% (Glasgow) before an impairment is triggered.

The Rushden site is able to support and increase in the WACC to 13% before an impairment is triggered, and a reduction in the growth rate of 1.5%, to an effective nil growth rate, before an impairment is triggered.

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

	£'000
<b>Bars</b>	
Putney	1,186
<b>Golf</b>	
Glasgow	2,046
Manchester	2,986
Sheffield	1,009
Rushden	1,268

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 13. Other financial assets and liabilities

### Financial assets

<i>Group</i>	<b>As at 30 June 2019 Amortised cost £'000</b>	<b>As at 1 July 2018 Amortised cost £'000</b>
<b><i>Current assets as per balance sheet</i></b>		
Trade and other receivables excluding prepayments	<b>733</b>	480
Cash and cash equivalents	<b>2,725</b>	2,812
<b>Total financial assets</b>	<b>3,458</b>	3,292

There were no financial assets measured at fair value through profit or loss at 30 June 2019 (1 July 2018: £nil).

There were no non-current financial assets as at 30 June 2019 (2018: £nil).

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

### Trade and other payables

#### Other financial liabilities held at amortised cost

<i>Group</i>	<i>Maturity</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Trade payables	Payable within 1 year	<b>2,069</b>	1,904
Other payables, accruals and provisions	Payable within 1 year	<b>2,304</b>	1,938
		<b>4,373</b>	3,842

### Financial instruments not measured at fair value

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

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

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

## Financial liabilities

<i>Group</i>	Interest rate %	Maturity	As at 30 June 2019 Amortised cost £'000	As at 1 July 2018 Amortised cost £'000
<b>Liabilities as per balance sheet</b>				
<b>Current:</b>				
Other loans:				
£14.85m bank loans (2018: £14.85m)	LIBOR + 2.25%	Dec 2023	1,453	1,453
£1.75m revolving loan facility (2018: £2.5m)	LIBOR + 2.25%	Dec 2020	550	243
			<b>2,003</b>	1,696
<b>Non-current:</b>				
Other loans:				
£14.85m bank loans (2018: £14.85m)	LIBOR + 2.25%	Dec 2023	11,799	13,254
£1.75m revolving loan facility (2018: £2.5m)	LIBOR + 2.25%	Dec 2020	988	1,734
			<b>12,787</b>	14,988

**£14.85 million bank loan**

This term loan commenced on 27 April 2016 and was renewed and extended on 5 December 2017. The purpose of the loan was to facilitate the acquisitions of Brighton Palace Pier in April 2016 and Lethington Leisure Limited in December 2017. The amount outstanding at the period end was £13,252,000 (2018: £14,707,000), net of unamortised arrangement fees. The loan is repayable in equal biannual instalments and is due for final repayment in December 2023.

**£1.75 million revolving credit facility**

This revolving credit facility commenced on 27 April 2016 and was renewed and extended on 5 December 2017. The purpose of this facility is to fund capital expenditure and new site acquisitions. The amount drawn down on the facility as at 30 June 2019 was £1,538,000, net of unamortised arrangement fees (2018: £1,977,000). The maximum amount that can be drawn down on this facility will reduce to £1.0 million in March 2020 and is fully repayable within 1 year. As at the date of the signing of these accounts the revolving credit facility had been fully repaid.

Barclays bank plc has a fixed and floating charge, including a negative pledge, over the assets of the company.

**Fair Values**

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's interest bearing loans and borrowings:

	As at 30 June 2019		As at 1 July 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Interest-bearing loans and borrowings	14,790	14,914	16,684	16,726

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

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

### Fair Values (continued)

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The fair values of the Group's interest-bearing borrowings and loans are determined by employing the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2019 was assessed to be insignificant.

All loans are classed as Level 2 in the fair value hierarchy. There were no Level 3 inputs during the period.

### Financial risk management objectives and policies

The Group's financial instruments comprise cash, loans, borrowings and liquid resources, as well as various items such as trade receivables and trade payables that arise directly from its operations.

The Group does not enter into derivatives or hedging transactions.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are investment risk, interest rate risk and liquidity risk. The Group does not have any exposure to foreign currency risk. The Board reviews policies for managing each of these risks, and they are summarised as follows:

### Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	Increase/decrease in basis points	Effect on profit before tax £000
<b>2019</b>		
<b>Sterling</b>	<b>+ 100</b>	<b>(148)</b>
<b>Sterling</b>	<b>- 100</b>	<b>148</b>
<b>2018</b>		
Sterling	+ 100	(167)
Sterling	- 100	167

### Liquidity risk

The Group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

The table below summarises the maturity profile of the Group's financial liabilities as at 30 June 2019 and 1 July 2018 based on contractual (undiscounted) payments and interest.

Period ended 30 June 2019	Total £'000	On demand £'000	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
Interest-bearing loans and borrowings	13,252	—	1,453	1,453	10,346
Revolving credit facility	1,538	—	550	988	—
Trade payables	2,069	—	2,069	—	—
Other payables	54	—	54	—	—
Deferred consideration	354	—	354	—	—

Period ended 30 June 2018	Total £'000	On demand £'000	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
Interest-bearing loans and borrowings	14,707	—	1,453	1,453	11,801
Revolving credit facility	2,120	—	307	797	1,016
Trade payables	1,904	—	1,904	—	—
Other payables	56	—	56	—	—
Deferred consideration	945	—	945	—	—

The Group aims to mitigate liquidity risk by managing cash generation by its operations. Investment is carefully controlled, with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process.

### Credit risk

Credit risk is the risk that one or more counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is trade receivables, represented by the carrying value as at the balance sheet date.

Each business unit manages customer credit risk. Risk management of customer credit, is subject to the Group's established policies, procedures and controls. Outstanding customer receivables are regularly monitored and are approved by management. The Group evaluates the concentration of risk with respect to trade receivables as low, due to the fact that its customers are often also suppliers to the business.

There is no material difference between the fair values and book values of the Group's trade receivables and no concerns relating to credit worthiness.

The Group manages its capital structure and adjusts it in the light of economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or perhaps issue new shares. Following the listing of the Group on AIM in November 2013, the Group's primary capital management objectives involved remaining within debt covenants whilst also seeking out suitable acquisition targets.

### Composition of net debt

Net debt is made up as follows:

	2019 £'000	2018 £'000
Cash and cash equivalents	2,725	2,812
Short term borrowings	(2,003)	(1,696)
Long term borrowings	(12,787)	(14,988)
Deferred consideration	(354)	(945)
<b>Total net debt</b>	<b>(12,419)</b>	<b>(14,817)</b>

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

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

### Composition of net debt (continued)

Details of the significant investments in which the Company holds, directly or indirectly, 20% or more of the nominal value of any class of share capital are as follows:

	Holding	Proportion of voting rights and shares held	Nature of Business
Brighton Palace Pier (Holdings) Limited	Ordinary shares	100%	Holding Company
Lethington Leisure Limited	Ordinary shares	100%	Operation of Paradise Island Adventure Golf
Brighton Marine Palace & Pier Company (The) <sup>‡</sup>	Ordinary shares	100%	Operation of Brighton Palace Pier
Brighton Palace Pier (Assets) Limited <sup>°</sup>	Ordinary shares	100%	Operation of Brighton Palace Pier
Eclectic Icon Limited	Ordinary shares	100%	Holding Company
Eclectic Bars Limited <sup>†</sup>	Ordinary shares	100%	Funding entity
Eclectic Bars Trading Limited <sup>*</sup>	Ordinary shares	100%	Management & operation of bars
Eclectic Bars (Bath) Limited <sup>■</sup>	Ordinary shares	100%	Management of bars
Eclectic Bars (Cambridge) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Deansgate Locks) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (East Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Embargo) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Friar Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Manchester) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Norwich) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Brighton Arches) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Sidney Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (West Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Sakura Bars Limited <sup>■</sup>	Ordinary shares	100%	Dormant
HSB Clubs Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Newman Bars Limited	Ordinary shares	100%	Dormant
Chalice Bars Limited <sup>^</sup>	Ordinary shares	100%	Dormant

<sup>‡</sup> held indirectly by Brighton Palace Pier (Holdings) Limited

<sup>°</sup> held indirectly by Brighton Marine Palace and Pier Company (The)

<sup>†</sup> held indirectly by Eclectic Icon Limited

<sup>\*</sup> held indirectly by Eclectic Bars Limited

<sup>■</sup> held indirectly by Eclectic Bars Trading Limited

<sup>^</sup> held indirectly by Newman Bars Limited

For the period ended 30 June 2019, the following subsidiaries were entitled to the exemption from audit under section 479A of the Companies Act 2006.

Newman Bars Limited	Registered Number 07041435
Chalice Bars Limited	Registered Number 07045390
Eclectic Bars (Bath) Limited	Registered Number 04968281

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

#### 14. Inventories

	As at 30 June 2019 £'000	As at 1 July 2018 £'000
Goods for re-sale	624	599
	<b>624</b>	<b>599</b>

The cost of inventories recognised as an expense and included in cost of sales amounted to £4,318,000 (2018: £4,764,000).

#### 15. Trade and other receivables

	As at 30 June 2019 £'000	As at 1 July 2018 £'000
<b>Current assets</b>		
Trade receivables	305	46
Other receivables	61	67
Prepayments and accrued income	1,198	1,311
<b>Non-current assets</b>		
Other receivables	367	367
	<b>1,931</b>	<b>1,791</b>

Trade receivables are non-interest bearing and are payable on 30 day terms. All outstanding trade receivables are considered recoverable.

See Note 13 on credit risk of trade receivables which explains how the Group manages and measures credit quality of trade receivables that are neither past, due nor impaired.

#### 16. Cash and cash equivalents

	As at 30 June 2019 £'000	As at 1 July 2018 £'000
Cash at bank and in hand	2,725	2,812
Cash and cash equivalents	<b>2,725</b>	<b>2,812</b>

At 30 June 2019, the Group had available £200,000 (2018: £500,000) of undrawn committed borrowing facilities.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 17. Issued capital and reserves

### Ordinary shares called up and fully paid

Ordinary shares issued and fully paid	Period ended 30 June 2019		Period ended 1 July 2018	
	Thousands	£'000	Thousands	£'000
Ordinary shares of £0.25 each	37,286	9,322	35,664	8,916

During the period ended 30 June 2019, the following movements in share capital took place:

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

Share premium	£'000
<b>At 25 June 2017</b>	<b>13,229</b>
Directly attributable share issue costs taken to equity	(106)
Issue on 8 January 2018	2,233
Issue on 26 January 2018	70
<b>At 1 July 2018</b>	<b>15,426</b>
Issue on 23 November 2018	567
<b>At 30 June 2019</b>	<b>15,993</b>

### Number of shares in issue

<b>At 25 June 2017</b>	<b>31,762,457</b>
Issue on 8 December 2017	3,821,053
Issue on 8 January 2018	25,000
Issue on 26 January 2018	55,500
<b>At 1 July 2018</b>	<b>35,664,010</b>
Issue on 23 November 2018	1,622,274
<b>At 30 June 2019</b>	<b>37,286,284</b>

### Merger reserve

This reserve represents the value passed onto the existing shareholders of Eclectic Bars Limited, the former Parent Company of the Group, as part of the share-for-share swap with The Brighton Pier Group PLC, which took place on incorporation of the new Parent entity.

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

### Other reserves

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

## 18. Share-based payments

### Employee Share Option Plan (ESOP)

Under the Employee Share Option Plan (ESOP), share options of the Parent are granted to employees of the Group with more than twelve months of service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest in four equal annual instalments provided the employee remains in employment on the vesting date.

There are no performance conditions associated with these options. The fair value of the options was estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. All share option contracts expire on the tenth anniversary of the grant date. There are no cash settlement alternatives.

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

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
Total expense arising from share-based payment transactions	45	102

### Movements in the year

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

	Number	WAEP (£)
<b>Outstanding at 25 June 2017</b>	<b>1,477,097</b>	<b>0.73</b>
Forfeited during the period	(85,207)	0.59
Exercised during the period	(80,500)	0.62
<b>Outstanding at 1 July 2018</b>	<b>1,311,390</b>	<b>0.74</b>
Forfeited during the period	(190,261)	0.44
Exercised during the period	—	—
<b>Outstanding at 30 June 2019</b>	<b>1,121,129</b>	<b>0.75</b>
<b>Exercisable at 30 June 2019</b>	<b>1,039,254</b>	<b>0.72</b>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 is 6 years (2018: 7 years).

The weighted average exercise price for all options outstanding at the end of the period was £0.75 (2018: £0.74).

The highest and lowest market price of the Group's shares during the period ended 30 June 2019 was £1.01 and £0.40 respectively.

No options were granted during the periods presented.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 18. Share-based payments (continued)

### Movements in the year (continued)

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

Grant-vest	Expiry date — 30 June	Exercise price in £ per share options	Share options (thousands)
2013-14	2023	0.64	78
2013-15	2023	0.64	78
2013-16	2023	0.64	78
2013-17	2023	0.64	90
2014-14	2024	0.64	3
2014-15	2024	0.64	3
2014-16	2024	0.64	3
2014-17	2024	0.64	3
2015-16	2026	0.64	15
2015-17	2026	0.64	28
2015-18	2026	0.64	28
2015-19	2026	0.64	28
2016-16	2026	0.55	77
2016-17	2026	0.55	89
2016-18	2026	0.55	96
2016-19	2026	0.55	96
2016-17	2026	1.11	82
2017-18	2027	1.11	82
2017-19	2027	1.11	82
2017-20	2027	1.11	82
2017-17	2027	0.95	—
2017-18	2027	0.95	—
2017-19	2027	0.95	—
2017-20	2027	0.95	—
			<b>1,121</b>

## 19. Dividends paid and proposed

No dividends were paid or proposed during the period ended 30 June 2019 (2018: £nil).

## 20. Trade and other payables

	As at 30 June 2019 £'000	As at 1 July 2018 £'000
Trade payables	2,069	1,904
Other payable	54	56
Accruals	1,765	1,821
Deferred consideration	354	945
Other taxes and social security costs	780	1,006
	<b>5,022</b>	<b>5,732</b>

## 21. Provisions

	Rent review provision £'000	Onerous lease provision £'000	Total £'000
<b>Balance at 25 June 2017</b>	<b>133</b>	<b>358</b>	<b>491</b>
Additional provision charged to the statement of comprehensive income	20	121	141
Amounts utilised or reversed during the period	(94)	(479)	(573)
<b>Balance at 1 July 2018</b>	<b>59</b>	<b>—</b>	<b>59</b>
Amounts utilised or reversed during the period	(48)	(38)	(86)
Additional provision charged to the statement of comprehensive income	21	137	158
<b>Balance at 30 June 2019</b>	<b>32</b>	<b>99</b>	<b>131</b>
<i>Current</i>	<b>32</b>	<b>99</b>	<b>131</b>
<i>Non-current</i>	—	—	—

### Rent review provision

The Group has made a provision in respect of expected increases in rent costs as a result of rent reviews on operating leases. Operating leases on commercial property are subject to regular rent reviews by landlords in accordance with the lease agreement.

Management makes estimates based on current open market rental rates in the local areas around each site and compares this to the Group's current lease terms. The provision recognised represents the best estimate of any expected increase in rental payments as a result of rent reviews applied retrospectively to the date of the last rent review as per the lease agreement. This provision is expected to be utilised within twelve months of the date of approval of these financial statements.

### Onerous lease provision

In respect of onerous leases, provision is made for onerous lease contracts on sites either that have closed, or where projected future trading income is insufficient to cover the fixed unavoidable expenses such as rent, rates and other property costs to the end of the lease term, net of expected trading on sublet income provision. The provision is based on the present value of expected future cash outflows relating to unavoidable expenses in excess of economic benefits guaranteed with the site business.

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 22. Related party transactions

### Group

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

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

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

	2019 £'000	2018 £'000
Short-term employee benefits	694	611
Post-employment pension	2	3
Share-based payment transactions	8	21
<b>Total compensation paid to key management personnel</b>	<b>704</b>	<b>635</b>

Amounts paid to Directors as part of short term employee benefits including employers national insurance contributions was £704,000 during the period (2018: £635,000).

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

Joe Tager was a Non-Executive Director of the Group. During the period ended 1 July 2018, a company owned and controlled by Mr Tager, provided corporate finance services to the Group in relation to the acquisition of Lethington Leisure Limited. The amount paid during the period for these services was £40,000. No amounts were outstanding at the period end 1 July 2018. No amounts were paid in the year ending 30 June 2019.

During the period ended 1 July 2018, Directors of the Group subscribed to 955,631 new 25p ordinary shares at a price of 95p per share. This was to help fund the acquisition of Lethington Leisure Limited.

Information on shares and share option awards held by key management personnel can be found on page 31 in the report of the Remuneration and Nominations Committee.

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

## 23. Commitments

### Operating lease commitments

#### Lessee:

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

	As at 30 June 2019 £'000	As at 1 July 2018 £'000
Operating leases payment due:		
Within one year	2,030	2,008
In two to five years	8,010	6,954
In over five years	20,879	19,648
	<b>30,919</b>	<b>28,610</b>

All operating lease commitments relate to non-cancellable leases on the Group's portfolio of trading sites. As at the period ended 30 June 2019, the Group had one lease that included a contingent rent clause equating to 5% of revenue in excess of £1.5 million in any twelve month period. This agreement does not have a material impact on the Group.

The Group does not have any renewal, purchase or escalation clauses in its operating leases, nor are there any restrictions imposed by its operating leases.

#### Lessor:

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
Minimum lease payments:		
Within one year	120	247
In two to five years	—	270
In over five years	—	1,440
	<b>120</b>	<b>1,957</b>

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

For the period ended 1 July 2018, this table included the rental income of a freehold building in Derby on a 20 year lease. This freehold building was classed as an asset held for sale on the Consolidated Balance Sheet and was sold in February 2019.

## 24. Events after the reporting period

Since the period end a sub-let was completed of the Reading Coalition site, which closed in July 2018. This concludes the rationalisation of the Bars estate leaving the Group with twelve remaining cash generative sites all located in excellent locations.

## 25. Auditor remuneration

	Period ended 30 June 2019 £'000	Period ended 1 July 2018 £'000
<b>Fees payable to the Group's auditor and its associates for the audit of the parent company and consolidated financial statements</b>		
	<b>51</b>	<b>48</b>
Audit of the Group's subsidiaries	<b>34</b>	<b>32</b>
<b>Fees payable to the Group's auditor and its associates for other services:</b>		
Audit related assurance services	<b>6</b>	<b>9</b>
Tax compliance services	—	12
Tax advisory services	—	8
Corporate finance services	—	59
	<b>91</b>	<b>168</b>

# Notes to the consolidated financial statements

For the period ended 30 June 2019

Continued

## 26. Reconciliation to EBITDA

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

<b>EBITDA Reconciliation</b>	<b>2019</b>	2018
Profit before tax for the year	<b>2,689</b>	2,268
Add back depreciation	<b>1,493</b>	1,432
Add back amortisation	<b>62</b>	39
Add back finance costs	<b>480</b>	387
Add back share-based payment charge	<b>45</b>	102
Add back highlighted items	<b>557</b>	947
<b>Group EBITDA before highlighted items</b>	<b>5,326</b>	5,175

Group EBITDA after highlighted items was £4,769,000 (2018: £4,404,000), which excludes those highlighted items that do not impact EBITDA, namely the write-off of property, plant and equipment at closed and refurbished sites of £nil (2018: £176,000).

## 27. Group arrangements

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

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

In respect of the Bars division, all trading cash is controlled by Eclectic Bars Limited. Eclectic Bars Limited is 100% owned by Eclectic Icon Limited. All trading and operating leases of the Bar division are managed by Eclectic Bars Trading Limited, the principal trading entity of the Bar division. The Group also contains a number of dormant subsidiaries, which hold operating leases. The risks, rewards and expenses relating to all bar and club operating leases are borne by Eclectic Bars Trading Limited.

Lethington Leisure Limited was acquired by the Group on 8 December 2017. It is a 100% subsidiary of The Brighton Pier Group PLC and manages all trading in relation to the Golf division of the Group.

# PARENT COMPANY ACCOUNTS

For the period ended 30 June 2019

## Parent company balance sheet

	Notes	As at 30 June 2019 £'000	As at 1 July 2018 £'000
<b>Non-current assets</b>			
Investments	2	21,628	21,628
<b>Current assets</b>			
Trade and other receivables	3	6,196	5,560
Cash and cash equivalents		29	30
		<b>6,225</b>	5,590
<b>Total assets</b>		<b>27,853</b>	27,218
<b>Equity</b>			
Share capital	4	9,322	8,916
Share premium	4	15,993	15,426
Merger reserve		464	464
Other reserve		407	362
Retained earnings		811	699
<b>Total equity</b>		<b>26,997</b>	25,867
<b>Current liabilities</b>			
Other payables	5	368	959
Income tax payable		109	109
Other payables	5	379	283
		<b>856</b>	1,351
<b>Total liabilities</b>		<b>856</b>	1,351
<b>Total equity and liabilities</b>		<b>27,853</b>	27,218

As permitted by section 408 of Companies Act 2006, a separate statement of comprehensive income for the Company has not been included in these financial statements. The Company's total comprehensive loss for the period ended 30 June 2019 was £112,000 (2018: total comprehensive loss of £289,000).

The accompanying notes form an integral part of these Company financial statements.

The financial statements were approved by the Board of Directors, authorised for issue on 22 September 2019 and were signed on its behalf by:

**J.A.Smith**

*Company Secretary and Director*

Company registration number: 08687172

# PARENT COMPANY ACCOUNTS

For the period ended 30 June 2019

Continued

## Parent company statement of changes in equity

For the period ended 30 June 2019

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 25 June 2017</b>		<b>7,941</b>	<b>13,229</b>		<b>321</b>	<b>988</b>	<b>22,479</b>
Loss and total comprehensive income for the period		—	—	—	—	(289)	(289)
Transactions with owners:							
Issue of shares	4	975	2,303	464	(61)	—	3,681
Share issue costs taken directly to equity	4	—	(106)	—	—	—	(106)
Share-based payments charge		—	—	—	102	—	102
<b>Balance at 1 July 2018</b>		<b>8,916</b>	<b>15,426</b>	<b>464</b>	<b>362</b>	<b>699</b>	<b>25,867</b>
Loss and total comprehensive loss for the period		—	—	—	—	112	112
Transactions with owners:							
Issue of shares	4	406	567	—	—	—	973
Share issue costs taken directly to equity	4	—	—	—	—	—	—
Share-based payments charge		—	—	—	45	—	45
<b>Balance at 30 June 2019</b>		<b>9,322</b>	<b>15,993</b>	<b>464</b>	<b>407</b>	<b>811</b>	<b>26,997</b>

The prior year reserves have been restated to transfer merger relief of £464,210 out of share premium into merger reserves. This merger relief arose from consideration shares issued at the time of the purchase of Lethington Leisure Limited on 8 December 2017, as the total equity secured in the target company exceeded 90% this should be shown in merger relief. The figure previously balance reported as at 1 July 2018 showed share premium of £15,890,000 and no merger relief.

## 1. Accounting Policies

### Basis of Preparation

The annual financial statements of The Brighton Pier Group PLC (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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

The financial statements are prepared on a 52 or 53 week basis up to the last Sunday in June or the first Sunday in July each year (2019: 52 week period ended 30 June 2019; 2018: 53 week period ended 1 July 2018). The notes to the consolidated financial statements are on this basis.

### Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

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

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

### Going concern

The Company's principal business activity is to hold the investment in Eclectic Icon Limited and Brighton Palace Pier (Holdings) Limited. The Company receives dividends from its 100% subsidiary undertakings, which funds its own distributions to shareholders.

As at 30 June 2019, the Company had net current assets of £5.4 million (2018: £4.2 million). This largely consists of intercompany loans receivable from other Group companies.

The Company has two principal sources of funding.

- The Company has the ability to raise further funds through the offer of new shares on AIM. These funds, net of issue costs, would be available to fund the activities of the Group.
- The Company receives dividends from its 100% owned subsidiary undertakings, which funds dividend payments to shareholders of the Company.

Based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# PARENT COMPANY ACCOUNTS

For the period ended 30 June 2019

Continued

## 1. Accounting Policies (continued)

### Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment.

### Foreign currency

The presentation currency for the Company's financial statements is Sterling. Foreign currency transactions are recorded in their functional currencies at the exchange rate at the date of the transaction.

The Parent Company's functional currency is Sterling.

### Current taxation

Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

### Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full and are not discounted.

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

### Equity

Equity comprises the following:

- "share capital" represents the nominal value of equity shares issued.
- "share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "other reserve" relates to the equity value of share-based payments issued to date.

### Financial assets

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

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

The company determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

### Amortised cost

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

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

The company's financial assets measured at amortised cost comprise amounts due from Group undertakings and cash and cash equivalents.

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

### Financial liabilities

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

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

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

#### Amortised cost

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## 2. Investments

	2019 £'000	2018 £'000
Investment in Lethington Leisure Limited	10,834	10,834
Investment in Eclectic Icon Limited	9,900	9,900
Investment in Newman Bars Limited	894	894
	<b>21,628</b>	21,628

# PARENT COMPANY ACCOUNTS

For the period ended 30 June 2019

Continued

## 2. Investments (continued)

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

	Holding	Proportion of voting rights and shares held	Nature of Business
Brighton Palace Pier (Holdings) Limited	Ordinary shares	100%	Holding Company
Lethington Leisure Limited	Ordinary shares	100%	Operation of Paradise Island Adventure Golf
Brighton Marine Palace & Pier Company (The) <sup>‡</sup>	Ordinary shares	100%	Operation of Brighton Palace Pier
Brighton Palace Pier (Assets) Limited <sup>°</sup>	Ordinary shares	100%	Operation of Brighton Palace Pier
Eclectic Icon Limited	Ordinary shares	100%	Holding Company
Eclectic Bars Limited <sup>†</sup>	Ordinary shares	100%	Funding entity
Newman Bars Limited	Ordinary shares	100%	Dormant
Chalice Bars Limited <sup>^</sup>	Ordinary shares	100%	Dormant
Eclectic Bars Trading Limited*	Ordinary shares	100%	Management & operation of bars
Eclectic Bars (Bath) Limited <sup>■</sup>	Ordinary shares	100%	Management of bars
Eclectic Bars (Cambridge) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Deansgate Locks) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (East Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Embargo) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Friar Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Manchester) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Norwich) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Brighton Arches) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (Sidney Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Eclectic Bars (West Street) Limited <sup>■</sup>	Ordinary shares	100%	Dormant
Sakura Bars Limited <sup>■</sup>	Ordinary shares	100%	Dormant
HSB Clubs Limited <sup>■</sup>	Ordinary shares	100%	Dormant

<sup>‡</sup> held indirectly by Brighton Palace Pier (Holdings) Limited

<sup>°</sup> held indirectly by Brighton Marine Palace and Pier Company (The)

<sup>†</sup> held indirectly by Eclectic Icon Limited

\* held indirectly by Eclectic Bars Limited

<sup>■</sup> held indirectly by Eclectic Bars Trading Limited

<sup>^</sup> held indirectly by Newman Bars Limited

### 3. Receivables

	2019 £'000	2018 £'000
Amounts due from group undertakings	6,196	5,560

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

Of the total amount owing of £6,196,000, £1,942,000 is due from Brighton Palace Pier (Holdings) Limited. As Brighton Palace Pier (Holdings) Limited has sufficient liquid resources to be able to repay the receivable, if demanded, the Directors have assessed that there has not been a significant increase in credit risk and no impairment has been recognised.

£4,254,000 is due from the subsidiaries of Eclectic Bars Limited. These subsidiaries do not have sufficient liquid resources to be able to repay the receivable if it were demanded at the balance sheet date however the subsidiaries are cash generative and are expected to continue being so for the foreseeable future. The Directors consider that the subsidiaries will be able to repay the amounts owed (including any accrued interest) in the short to medium term even if estimates used in projecting future profitability are at the lower end of what the Directors consider a reasonable range. For this reason, no impairment is considered necessary.

### 4. Issued capital and reserves

#### Ordinary shares called up and fully paid

	At 30 June 2019		At 1 July 2018	
	Thousands	£'000	Thousands	£'000
Ordinary shares issued and fully paid				
Ordinary shares of £0.25 each	37,286	9,322	35,664	8,916

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

#### Share premium

	£'000
<b>At 25 June 2017</b>	<b>13,229</b>
Directly attributable share issue costs taken to equity	(106)
Issue on 8 January 2018	2,233
Issue on 26 January 2018	70
<b>At 1 July 2018</b>	<b>15,426</b>
Issue on 23 November 2018	567
<b>At 30 June 2019</b>	<b>15,993</b>

#### Merger Reserve

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

#### Other reserve

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

# PARENT COMPANY ACCOUNTS

For the period ended 30 June 2019

Continued

## 5. Other payables

### Current:

	2019 £'000	2018 £'000
Deferred consideration for Lethington Leisure	354	945
Accruals	14	14
Amounts due to Group undertakings	379	283
	747	1,242

The deferred cash consideration of £354,000 (2018: £954,000) arose from the acquisition of Lethington Leisure Limited on 8 December 2017. The remaining balance was settled in full on 2 July 2019.

Amounts owed to Group undertakings are repayable on demand and bear interest at 2.5% per annum (2018: 2.5%). The counterparty has confirmed that demands for payment will not be made during the next twelve months from the date of the Balance Sheet. As such the amount payable has been treated as non-current.

## 6. Related Parties and Directors' Transactions

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

Joe Tager is a Non-Executive Director of the Company. During the period ended 1 July 2018, a company owned and controlled by Mr Tager, provided corporate finance services to the Company in relation to the acquisition of Lethington Leisure Limited. The amount paid during the year for these services was £40,000. No amounts were outstanding at the period end. No amounts were paid in the current period.

As at 30 June 2019, a loan of £4,254,000 (2018: £3,665,000) is due from Eclectic Bars Limited and £1,942,000 (2018: £1,895,000) is due from Brighton Palace Pier (Holdings) Limited. Both loans are interest bearing and repayable on demand.

As at 30 June 2019, a loan of £379,000 is payable to Brighton Marine Palace and Pier Company. This loan is interest-bearing and repayable on demand.



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