23.5 Degrees Topco Limited

Registered number: 09180152

Directors' report and financial statements

For the year ended 31 August 2020

23.5 DEGREES TOPCO LIMITED

COMPANY INFORMATION

Directors	Mr M Hepburn Mr J B Cleland Mr L Contardo Mr B Mulholland Mr M Snaith
Company secretary	Gateley Secretaries Limited
Registered number	09180152
Registered office	Unit 3, Hedge End Retail Park Charles Watts Way Hedge End Southampton Hampshire SO30 4RT
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW

CONTENTS

	Page
Group Strategic Report	1 - 6
Directors' Report	7 - 9
Independent Auditor's Report	10 - 12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14 - 15
Company Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Company Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19 - 20
Notes to the Financial Statements	21 - 40

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

Strategic overview

The 23.5 Degrees Group consists of 23.5 Degrees Topco Limited, 23.5 Degrees Holdings Limited and 23.5 Degrees Limited.

The principal activity of the Group during the year was the operation of franchised Starbucks outlets.

23.5 Degrees Group is a private equity invested, dedicated Starbucks franchise chain with a business model focused on accelerated growth through new site development and ensuring that the Group operate the Starbucks store to the highest possible brand standards.

Review of the business

The year to 31st August 2020 presented big and unforeseen challenges for the Group as a result of the pandemic outbreak and the measures introduced by the authorities in order to curb the spread and save lives.

This culminated with the closure of all stores from the 23rd March 2020 until the 14th May 2020 when 34 stores, out of the 74 estate, started trading again in compliance with social distancing guidelines.

By the end of May 2020 the business reopened 62 stores and the remainder of the stores were reopened during June 2020.

Not related to the lock down, but definitely accelerated by it, the Directors took the decision to anticipate the permanent closure of Maidenhead Shopping Centre store and Newport store.

Maidenhead was going to be closed anyway in January 2021 as the landlord is regenerating the whole scheme and therefore the business still got a statutory compensation from the closure and not incurred any provision for onerous leases.

The Newport closure was driven by the high cost of running the operation in the Isle of White.

As usual, but with more relevance throughout this unprecedented period, the Directors' priority has been the wellbeing and safety of our workforce (partners wearing the green apron), our customers, the communities we trade within and all other Group stakeholders (from Starbucks Brand, to suppliers and landlords).

Looking after our partners mental, physical and financial wellbeing meant we could reopen stores quicker than most competitors and had an engaged and committed workforce as a result of the actions taken by the board which included, but not limited to, topping up the pay during the period staff members were in furlough.

Paying our suppliers and landlords also helped strengthening relationships and receiving support from them in exchange.

Last, but not least, the Directors are grateful to our banking partner HSBC for the financial support package agreed in April 2020 comprising 6 months capital repayment holiday and increase in overdraft.

The overdraft facility was not used at all till the date of approval of these financial statements as the business traded ahead of expectations after reopening stores.

From the moment stores stopped trading the operations team worked tirelessly to ensure stores reopened safely at the earliest opportunity. This involved adapting and documenting new operating procedures and training the entire workforce on running the cafes complying with social distancing and health and safety regulations.

During the lockdown period the business also took the opportunity to roll out a new till system which allowed the launch of two new sales channels in Uber Eats and Mobile Order and Pay (MOP).

Review of the business (continued)

The Directors firmly believe these new channels, together with the Drive Thru model which is built for social distancing, position the business in a better place in case of further lockdowns (local or national).

Considering all challenges faced by the business in the last 6 months of the fiscal year, the Directors are delighted by the Group's performance in the financial year, performing strongly in the existing business and opening 7 stores, taking the total to 74 trading outlets.

At the 6 months half year point the business was on track to deliver for the full year £ 42m (27.4% up on prior year) in sales and £ 4.2m (48.5% up on prior year) EBITDA, performing strongly in the existing business and on track to open 11 stores in the year, taking the total to 79 trading outlets.

The restriction introduced in March and the consequent temporary cease of trading resulted in delivering Group sales of £ 35.7m, representing an increase of 6.8% on prior year and the Group's EBITDA grew to £ 3.6m (£ 2.8m prior year), excluding the costs associated with opening new stores. The reduced number of stores opened during the year was a direct result of the impact of the national lockdown introduced in March in the construction industry. Those sites are not lost and will be opened in the coming months. Three of those sites opened between August and the time of signing the accounts.

The Group also had an extremely successful year in securing new sites for future development and increased the Starbucks approved development pipeline and territory allocation, underpinning the group's growth strategy for the year 2021 & 2022.

During 2020 23.5 Degrees Group has been awarded by Starbucks further territory.

Fast store roll out was achieved through strong partnership with property developers, landlords and the use of modular building which shorten the time from site finding to opening the store. 23.5 Degrees is always open to discuss its expansion plans with new property developers and landlords and welcome them forthcoming and talk to one of the Group Directors for potential business opportunities.

The operations management team delivered a successful and flawless roll out of stores whilst strengthening the underlying core business operations strictly adhering to the brand high operating standards.

The Group's performance to the year-end August 2020 was very encouraging and kept building on the prior year strong performance. This is a strong foundation to achieve the strategic five years business plan.

Basis of preparation

The Directors have adopted the going concern in preparing these accounts after assessing the principal risks and having considered the impact of downside scenarios for COVID-19 second wave.

The major variables are the depth and the duration of COVID-19 and the successful outcome of vaccine trials currently undergoing testing.

Whilst the situation keeps evolving daily, making scenario planning challenging, the board has considered a number of impacts on sales, profits and cash flows which have been based on an already sensitised budget.

We have assumed that our operation might be impacted by full lockdown on traditional stores for a period of 1 month, with associated loss of all sales for the period, or local lockdowns reducing sales levels to up to 30% of next year budgets for a period of 4 consecutive months. Both scenarios will require working capital support as the business has some fixed costs such as rents which cannot be quickly or easily scaled back.

In both scenarios our Drive Thru estate will keep trading of course following health and safety guidelines.

Mitigating actions to these scenarios are cost reductions and growing the new delivery platforms which will allow the business to keep trading respecting the social distancing measure currently in place.

By the time the accounts were signed, three months into the new fiscal year, the Group over delivered sales, profits and cash on the base budget scenario and weathered ahead of the expectations for the first month of restrictions introduced in November 2020. This gives comfort to the Directors that the Group has adequate cash reserves and funding lines to keep pursuing its roll out strategy.

The recent news on progress made around a vaccine with a potential mass vaccination starting early next year are also encouraging.

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank balances, trade creditors and bank loans. The main purpose of these instruments is to raise funds for the Group's day to day operations and store build costs to accelerate the growth.

Due to the nature of the financial instruments used by the Group there is no exposure to price risk. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of the bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and by monitoring the cash conversion, which for this business is always above 1.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Business risks

The principal risks and uncertainties affecting the Group can be summarised as follows:

(A) Current economic outlook / Brexit negotiations

Changes in the country's economic conditions may impact consumer spending. The franchisor is mitigating the impact on the supply chain so the Directors do not expect a short term impact on supplies. ‘Coffee culture’ in the UK has also been built over the last 15 to 20 years and habits are ingrained in consumer behaviours. The Directors believe this and the launch of the new digital channels (Uber Eats and mobile order and pay) will position the business ahead of other competitors in the hospitality sector.

(B) Interest rate fluctuations

Changes to LIBOR and Bank of England rates might impact the Group cashflow to repay interests on the senior bank loan and the equipment finance facility. To mitigate the interest rate fluctuation the Directors have agreed to enter an interest cap hedging product at an appropriate strike rate.

(C) Increased competition

Increased numbers of franchisees operating in the same geographical areas may impact the Group’s success at securing new sites at competitive rates. The Directors are confident of counteracting these risks by continuing to strengthen its covenant for landlord security.

(D) Pandemic evolution and potential lockdowns.

The Directors are constantly monitoring the situation and following governmental and health and safety guidelines. Based on the performance of the business during the first national lockdown and during the further restrictions introduced in November 2020 the business proved to be resilient and weathering well the situation.

Key performance indicators

The Directors consider financial and non-financial key performance indicators on the day to day running of the business. The list below, by no means exhaustive, summarises the main indicators discussed by the Board:

- Sales by store
- Profitability by store
- Transaction by store
- Staff turnover
- Cash conversion
- Staff wellbeing and safety
- Health and Safety
- Customer Service Levels
- Brand Operational Standards
- Development pipeline
- Waste sustainability
- Ethical sourcing

Future developments

The business growth strategy has 3 core area of focus, referred to as the 3 cups, underpinned by the central function of HR, Legal and Finance:

In 'Cup 1' the Group must maintain the improved profitability, whilst ensuring that the base remains stable as more stores are added to the Group. The development of the staff team to progress through our training programme is vital as our baristas today are our store managers or area managers of tomorrow.

'Cup 2' is the Group's site delivery cup. The group takes the Starbucks approved stores through the legal and property challenges to deliver the new store to the operations team on day 1 of trading. In the year just closed we delivered 14 brand new stores.

'Cup 3' is the Group's property acquisition team who are scouring our territories in search of future new sites that will fit within the overall Starbucks estate whilst delivering against the stringent selection criteria guaranteeing trading success once open. The Group is focusing primarily on Drive Thru locations.

The Directors are very proud that they have a robust, but flexible and dedicated team who have worked tirelessly to develop the Group to where it is today for the benefit of everyone.

The Directors would like to thank them all for their efforts in the past 12 months, and for their continued commitment.

Section 172 statement

As highlighted in the review of the business the year ended 31st August 2020 presented big and unforeseen challenges for the Group as a result of the pandemic outbreak and the measures introduced by the authorities in order to curb the spread of the virus and save lives.

In normal circumstances the board always takes into account the impact of its strategic decisions on the wider stakeholders the Group interacts with (whether these are employees, shareholders, investors, the brand, suppliers and the communities it operates within) and this was more relevant during the year this accounts represent.

During the lock down period in particular the directors worked very closely with shareholders, investors, the brand and key suppliers to ensure the decisions and actions taken would be of mutual benefit for everybody the Group interacts with.

Particular attention was dedicated to the well being of the workforce, the preservation of jobs and supporting the local communities the Group operates within. This was achieved by implementing operational changes in line with the governmental and health and safety guidelines to keep our stores a safe place for our customers to visit and nurturing the community spirit the Starbucks brand is an ambassador for.

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

Luca Contardo
Luca Contardo (Dec 17, 2020 09:32 GMT)

Mr L Contardo
Director

Date: Dec 17, 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

The directors present their report and the audited consolidated financial statements for the year ended 31 August 2020.

Directors

The directors who served during the year and to the date of this report were:

Mr M Hepburn
Mr J B Cleland
Mr L Contardo
Mr B Mulholland
Mr M Snaith (appointed 12 June 2020)
Mr P Wittet (resigned 17 June 2020)

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £2,410,195 (2019: loss of £2,828,604).

The directors do not recommend the payment of a dividend for the year (2019: £nil).

Going concern

A review of the business is detailed within the Strategic Report on pages 1 - 2 confirming the pleasing developments during the year that are in line with the five year strategic business plan. The directors have full commitment from investors and lenders to support the business strategy to roll out stores. The business has adequate funding and cash reserves to keep delivering its strategic objectives set by the board and in line with those objectives, additional trading lines were secured subsequent to the year end.

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Matters covered in the strategic report

The group has prepared a Strategic Report in accordance with section 414C(11) of the Company Act 2006 and (Strategic Report and Directors' Report) Regulations 2013 and covers topics such as future developments and employee involvement.

Post balance sheet events

Between the year end and the date of this report, the Group has opened three more Drive Thru sites (Norwich Chartwell Road DT, Chelmsford DT and Peterlee DT) and secured HSBC funding for the roll out of a further 15 stores in the next 12 months.

On November the 5th 2020, the United Kingdom saw the reintroduction of restrictive measures and lockdowns designed to slow the spread of a second wave of COVID-19 infections. Whilst the directors note the potential effects of these restrictions, based on the business performance during the first lockdown and trading levels during November, they do not consider this to be an adjusting post-balance sheet event. The new sales channels of Uber Eats and Mobile Order and Pay are also growing since launching them in June 2020 generating incremental business.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

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

Luca Contardo
Luca Contardo (Dec 17, 2020 09:32 GMT)

Mr L Contardo
Director

Date: Dec 17, 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES TOPCO LIMITED

Opinion

We have audited the financial statements of 23.5 Degrees Topco Limited (the ‘parent company’) and its subsidiaries (the 'Group') for the year ended 31 August 2020 which comprise Consolidated Statement of Comprehensive Income, the Consoldated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company’s affairs as at 31 August 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Other information

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

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

We have nothing to report in this regard.

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 year 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 23.5 DEGREES TOPCO LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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 intend to liquidate the group and 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. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the group and 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 group and 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 group and the parent company and the group and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.

Stephen Mills
Stephen Mills (Dec 17, 2020 10:11 GMT)

Stephen Mills (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor
Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date: Dec 17, 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £	2019 £
Turnover	4	35,682,990	33,260,076
Cost of sales		(21,981,807)	(20,324,821)
Gross profit		13,701,183	12,935,255
Administrative expenses		(17,122,891)	(14,604,514)
Other operating income	5	1,879,557	-
Fair value movements		21,113	(66,510)
Operating loss	6	(1,521,038)	(1,735,769)
Interest payable and expenses	10	(889,157)	(747,399)
Loss before taxation		(2,410,195)	(2,483,168)
Tax on loss	11	-	(345,436)
Loss for the financial year		(2,410,195)	(2,828,604)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,410,195)	(2,828,604)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 21 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020

	Note		2020 £		2019 £
Fixed assets					
Intangible assets	**12**		2,725,596		2,978,678
Tangible assets	**13**		14,894,857		14,452,446
			17,620,453		17,431,124
Current assets					
Stocks	**15**	270,936		231,328	
Debtors: amounts falling due after more than one year	**16**	251,317		251,317	
Debtors: amounts falling due within one year	**16**	928,442		1,889,071	
Cash at bank and in hand	**17**	9,096,506		3,542,784	
		10,547,201		5,914,500	
Creditors: amounts falling due within one year	**18**	(15,229,900)		(10,035,740)	
Net current liabilities			(4,682,699)		(4,121,240)
Total assets less current liabilities			12,937,754		13,309,884
Creditors: amounts falling due after more than one year	**19**		(18,111,790)		(16,073,725)
Provisions for liabilities					
Net liabilities			(5,174,036)		(2,763,841)
Capital and reserves					
Called up share capital	**22**		1,444		1,444
Share premium account	**23**		7,628,483		7,628,483
Profit and loss account	**23**		(12,803,963)		(10,393,768)
Total equity			(5,174,036)		(2,763,841)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2020

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

Luca Contardo
Luca Contardo (Dec 17, 2020 09:32 GMT)

Mr L Contardo
Director

Date: Dec 17, 2020

The notes on pages 21 to 40 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020

	Note		2020 £		2019 £
Fixed assets					
Investments	**14**		2,500,100		2,500,100
			2,500,100		2,500,100
Current assets					
Debtors: amounts falling due within one year	**16**	4,094,466		3,863,239	
Cash at bank and in hand	**17**	178,288		173,705	
		4,272,754		4,036,944	
Creditors: amounts falling due within one year	**18**	(346,187)		(32,304)	
Net current assets			3,926,567		4,004,640
Total assets less current liabilities			6,426,667		6,504,740
Creditors: amounts falling due after more than one year	**19**		(58,332)		(84,000)
Net assets			6,368,335		6,420,740
Capital and reserves					
Called up share capital	**22**		1,444		1,444
Share premium account	**23**		7,628,483		7,628,483
Profit and loss account	**23**		(1,261,592)		(1,209,187)
Total equity			6,368,335		6,420,740

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £52,405 (2019: profit of £71,889).

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

Luca Contardo
Luca Contardo (Dec 17, 2020 09:32 GMT)

Mr L Contardo
Director

Date: Dec 17, 2020

The notes on pages 21 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2018	1,394	7,628,483	(7,565,164)	64,713
Comprehensive income for the year				
Loss for the year	-	-	(2,828,604)	(2,828,604)
Total comprehensive income for the year	-	-	(2,828,604)	(2,828,604)
Shares issued during the year	50	-	-	50
Total transactions with owners	50	-	-	50
At 1 September 2019	1,444	7,628,483	(10,393,768)	(2,763,841)
Comprehensive income for the year				
Loss for the year	-	-	(2,410,195)	(2,410,195)
Total comprehensive income for the year	-	-	(2,410,195)	(2,410,195)
Total transactions with owners	-	-	-	-
At 31 August 2020	1,444	7,628,483	(12,803,963)	(5,174,036)

The notes on pages 21 to 40 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2018	1,394	7,628,483	(1,281,076)	6,348,801
Comprehensive income for the year				
Profit for the year	-	-	71,889	71,889
Total comprehensive income for the year	-	-	71,889	71,889
Shares issued during the year	50	-	-	50
Total transactions with owners	50	-	-	50
At 1 September 2019	1,444	7,628,483	(1,209,187)	6,420,740
Comprehensive income for the year				
Loss for the year	-	-	(52,405)	(52,405)
Total comprehensive income for the year	-	-	(52,405)	(52,405)
Total transactions with owners	-	-	-	-
At 31 August 2020	1,444	7,628,483	(1,261,592)	6,368,335

The notes on pages 21 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(2,410,195)	(2,828,604)
Adjustments for:		
Amortisation of intangible assets	468,082	439,239
Depreciation of tangible assets	3,211,239	2,757,800
(Profit) / Loss on disposal of tangible assets	275,615	(71,472)
Interest charge in the P&L	889,157	747,399
Taxation charge	-	345,436
(Increase) in stocks	(39,608)	(59,822)
Decrease/(increase) in debtors	960,629	(585,274)
Increase in creditors	3,211,566	1,568,490
Write-off of tangible fixed assets	-	344,563
Net fair value losses recognised in P&L	21,113	66,509
Net cash generated from operating activities	6,587,598	2,724,264
Cash flows from investing activities		
Purchase of intangible fixed assets	(215,000)	(340,000)
Purchase of tangible fixed assets	(3,763,379)	(6,757,433)
Sale of tangible fixed assets	37,936	-
Net cash from investing activities	(3,940,443)	(7,097,433)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

	2020 £	2019 £
Cash flows from financing activities		
Repayment of bank loans	(284,210)	(284,211)
New finance leases	4,211,672	5,042,364
Repayments of finance leases	(485,328)	(175,432)
Interest paid	(535,567)	(411,462)
Net cash used in financing activities	2,906,567	4,171,259
Net increase/(decrease) in cash and cash equivalents	5,553,722	(201,910)
Cash and cash equivalents at beginning of year	3,542,784	3,744,694
Cash and cash equivalents at the end of year	9,096,506	3,542,784
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	9,096,506	3,542,784
	9,096,506	3,542,784

The notes on pages 21 to 40 form part of these financial statements.

1. General information

The Company (No. 09180152) is a private company limited by shares, incorporated and registered in England and Wales. The address of the registered office of the company is the same as that of all subsidiary undertakings, and is 3 Hedge End Retail Park, Charles Watts Way, Hedge End, Southampton, SO30 4RT.

The principal activity of the Group during the year was the operation of franchised Starbucks outlets.

The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment in which the Group operates and are rounded to the nearest pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ('the group') as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Going concern

A review of the business is detailed within the Strategic Report on pages 1 - 2 confirming the pleasing developments during the year that are in line with the five year strategic business plan. The directors have full commitment from investors and lenders to support the business strategy to roll out stores. The business has adequate funding and cash reserves to keep delivering its strategic objectives set by the board and in line with those objectives, additional trading lines were secured subsequent to the year end.

2. Accounting policies (continued)

2.4 Foreign currency translation: transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The point at which these conditions is considered to be met is at point of sale of goods within the stores.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2. Accounting policies (continued)

2.7 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, where there is an excess of proceeds over the carrying amount of the asset, the gain is not initially recognised. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

2.8 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest payable and similar expenses

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.10 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.11 Pensions

Defined contribution pension plan

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

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

2. Accounting policies (continued)

2.12 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill

Goodwill represents the difference between the consideration and associated costs paid in order to acquire a business, and the fair value of the acquirer's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is amortised on a straight line basis charged to to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the Statement of Comprehensive Income in administrative expenses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases: being the estimated useful life of the asset:

Goodwill	-	10 % per annum - straight line
Franchise fees	-	10 % per annum - straight line

2. Accounting policies (continued)

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Long-term leasehold property	-	10% per annum
Plant and machinery	-	20% to 30% per annum
Fixtures, fittings and equipment	-	20% per annum
Computer equipment	-	33% per annum

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.17 Debtors

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

2.18 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2. Accounting policies (continued)

2.19 Creditors

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

2.20 Holiday pay accrual

A liability is recognised for any unused holiday pay entitlement which staff have not used at the year end. This is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday pay entitlement as accrued at the Statement of Financial Position date.

2.21 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

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

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

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

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

In applying the group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable.

Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting are recognised in the year in which the estimate is revised, if the revision affects only that year, in the year of the revision and future years, if the revision affects both current and future years.

3.1 Critical judgements in applying the Company's accounting policies

Impairment of intangible assets

Intangible assets includes goodwill which is subject to impairment review as well as amortisation. In assessing the recoverability of goodwill, the Group makes judgements regarding whether impairment indicators exist based on legal factors, market conditions and operating performances of stores held. Assessment made on the basis of other factors may result in a different conclusion. Future events could cause the Group to conclude that impairment indicators exist and that the carrying values of these assets are impaired.

3.2 Key sources of estimation uncertainty

Depreciation of tangible fixed assets

Management provide for depreciation on the cost of tangible fixed assets over the assets' useful lives after taking their residual values into account. Management estimate the residual values as the amount currently obtainable from the disposal of the asset, after deducting the estimated disposal costs, if the asset were already of the age and in the condition expected at the end of its useful life. Management estimate the useful lives of assets based on past experience with similar assets.

4. Turnover

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

	2020 £	2019 £
Sale of goods	35,682,990	33,260,076

All turnover arose within the United Kingdom and is derived from the principal activity of operating franchised Starbucks outlets.

5. Other operating income

	2020 £	2019 £
Government grants receivable	1,879,557	-

Government grants receivable relate to the Coronaviorus Job Retention Scheme and Business Rate Grants.

6. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Amortisation of intangible assets	468,082	439,239
Depreciation of tangible assets	3,211,239	2,757,800
Loss/(profit) on disposal of tangible assets	275,615	(71,472)
Operating lease rentals	4,435,297	3,804,689

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	19,200	24,000

Fees payable to the Group's auditor in respect of:

	2020 £	2019 £
All other assurance services	7,200	6,200
Taxation compliance services	5,100	4,500
	12,300	10,700

8. Employees

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	11,315,881	9,230,099	671,815	402,301
Social security costs	581,763	492,419	88,506	53,630
Other pension costs	143,304	104,632	34,659	29,747
	12,040,948	9,827,150	794,980	485,678

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

	2020 No.	2019 No.
Production staff	874	731
Adminstrative staff	29	22
	903	753

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	760,322	556,792
Company contributions to defined contribution schemes	34,659	32,417

During the year retirement benefits were accruing to 4 directors (2019: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £210,522 (2019: £193,035).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,314 (2019: £1,061).

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	566,988	569,340
Other interest payable	322,169	178,059
	889,157	747,399

£361,465 (2019: £337,137) of the bank interest payable relates to interest on loan notes payable in July 2023.

11. Taxation

	2020 £	2019 £
Deferred tax		
Origination and reversal of timing differences	-	345,436
Total deferred tax	-	345,436
Taxation on profit on ordinary activities	-	345,436

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £	2019 £
Loss on ordinary activities before tax	(2,410,195)	(2,483,168)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(457,937)	(471,802)
Effects of:		
Expenses not deductible for tax purposes	139,747	60,675
Fixed asset timing differences	493,154	410,542
Short term timing difference leading to an increase (decrease) in taxation	-	5,591
Non-taxable income	-	(52,187)
Remeasurement of deferred tax for changes in tax rates	(109,706)	-
Deferred tax not recognised on movement of losses	(65,258)	392,617
Total tax charge for the year	-	345,436

Factors that may affect future tax charges

No changes to the rate of corporation tax in the United Kingdom are foreseen at the date of this report.

12. Intangible assets

Group

	Franchise fees £	Goodwill £	Negative goodwill £	Total £
Cost				
At 1 September 2019	1,340,000	3,401,374	(166,337)	4,575,037
Additions	215,000	-	-	215,000
At 31 August 2020	1,555,000	3,401,374	(166,337)	4,790,037
Amortisation				
At 1 September 2019	322,328	1,339,528	(65,497)	1,596,359
Charge for the year	144,579	340,137	(16,634)	468,082
At 31 August 2020	466,907	1,679,665	(82,131)	2,064,441
Net book value				
At 31 August 2020	1,088,093	1,721,709	(84,206)	2,725,596
At 31 August 2019	1,017,672	2,061,846	(100,840)	2,978,678

The parent company doesn't hold any intangible fixed assets.

13. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Assets in the course of construction £	Total £
Cost						
At 1 September 2019	10,638,153	2,809,676	5,779,276	1,193,441	751,598	21,172,144
Additions	1,441,943	372,165	767,832	612,923	772,338	3,967,201
Disposals	(85,799)	(101,807)	(108,261)	(543,272)	(112,532)	(951,671)
Transfers between classes	176,259	14,971	3,681	210	(195,121)	-
At 31 August 2020	12,170,556	3,095,005	6,442,528	1,263,302	1,216,283	24,187,674
Depreciation						
At 1 September 2019	2,275,585	965,380	2,913,232	565,501	-	6,719,698
Charge for the year	1,164,685	591,895	1,090,153	364,506	-	3,211,239
Disposals	(53,730)	(47,013)	(84,298)	(453,079)	-	(638,120)
At 31 August 2020	3,386,540	1,510,262	3,919,087	476,928	-	9,292,817
Net book value						
At 31 August 2020	8,784,016	1,584,743	2,523,441	786,374	1,216,283	14,894,857
At 31 August 2019	8,362,568	1,844,296	2,866,044	627,940	751,598	14,452,446

Tangible fixed assets with a carrying value of £14,894,075 (2019: £14,452,446) are pledged as security for the group's finance leases and bank loans.

Tangible fixed assets with a carrying value of £10,256,647 (2019: £7,045,098) are held under finance leases.

The parent company doesn't hold any tangible fixed assets.

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2019	2,500,100
Impairment for the year	-
At 31 August 2020	2,500,100

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
23.5 Degrees Holdings Limited	Holding company	Ordinary	100%
23.5 Degrees Limited *	Operating of franchised Starbucks outlets	Ordinary	100%

Holdings indicated with (*) are held indirectly.

15. Stocks

	Group 2020 £	Group 2019 £
Finished goods	270,936	231,328

Stocks are stated net of a provision as at year end of £nil (2019: £nil).

Stock recognised in cost of sales during the year as an expense was £8,184,986 (2019: £8,303,160).

16. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due after more than one year				
Prepayments and accrued income	251,317	251,317	-	-

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due within one year				
Amounts owed by group undertakings	-	-	4,094,466	3,863,239
Other debtors	98,325	176,778	-	-
Prepayments and accrued income	830,117	1,712,293	-	-
	928,442	1,889,071	4,094,466	3,863,239

17. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	9,096,506	3,542,784	178,288	173,705

18. Creditors: amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank loans	284,211	378,947	-	-
Trade creditors	4,839,382	3,176,295	94,233	1,080
Other taxation and social security	1,070,027	803,022	36,708	29,364
Obligations under finance lease and hire purchase contracts	2,976,190	1,177,949	-	-
Other creditors	1,339,022	124,356	30,000	-
Accruals and deferred income	4,721,068	4,375,171	185,246	1,860
	15,229,900	10,035,740	346,187	32,304

The finance lease creditor is secured on the assets to which it relates.

The bank loan is secured by way of a debenture, dated 22 June 2018, incorporating a fixed and floating charge over the group's current and future assets.

The bank loan is held with HSBC Bank plc and is repayable over the period until June 2023. The interest rate on the loan is LIBOR + 2.73%.

19. Creditors: amounts falling due after more than one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank loans	5,947,368	6,136,842	-	-
Net obligations under finance leases and hire purchase contracts	7,283,095	5,354,992	-	-
Other creditors	4,849,822	4,519,521	58,332	84,000
Accruals and deferred income	31,505	62,370	-	-
	18,111,790	16,073,725	58,332	84,000

20. Loans

Analysis of the maturity of loans is given below:

	Group 2020 £	Group 2019 £
Amounts falling due within one year		
Bank loans	284,211	378,947
Amounts falling due 1-2 years		
Bank loans	378,947	378,947
Amounts falling due 2-5 years		
Bank loans	5,568,421	5,757,895
	6,231,579	6,515,789

21. Finance leases

Minimum lease payments under finance leases fall due as follows:

	Group 2020 £	Group 2019 £
Within one year	2,976,190	1,777,949
Between 1-5 years	7,283,095	5,534,992
	10,259,285	7,312,941

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
250,000,000 (2019: 250,000,000) Ordinary A shares of £0.000001 each	250	250
37,783 (2019: 37,783) Ordinary B shares of £0.010000 each	378	378
30,200 (2019: 30,200) Ordinary C shares of £0.010000 each	302	302
100,000 (2019: 100,000) Ordinary D shares of £0.000001 each	-	-
513,744,000 (2019: 513,740,000) Ordinary shares of £0.000001 each	514	514
10,000 (2019: 10,000) Ordinary E shares of £0.000001 each	-	-
36,000 (2019: 36,000) Ordinary F shares of £0.000001 each	-	-
9,000 (2019: 9,000) Ordinary G shares of £0.000001 each	-	-
22,400 (2019: 22,400) Preference shares shares of £0.000001 each	-	-
	1,444	1,444

All shares have full voting, dividend and capital distribution (including on winding up) rights; they do not contain any right of redemption.

23. Reserves

Share premium account

This account represents the consideration received by the Company in exchange for newly-issued shares, which is in excess of the nominal value of those shares issued.

Profit and loss account

This account represents the cumulative profits and losses of the Group.

24. Capital commitments

At 31 August 2020 the Group had capital commitments as follows:

	Group 2020 £	Group 2019 £
Contracted for but not provided for	1,292,575	994,419

The Company had no capital commitments as at the reporting date.

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £143,304 (2019: £104,632). Contributions totalling £51,551 (2019: £38,054) were payable to the fund at the reporting date and are included in creditors.

26. Commitments under operating leases

At 31 August 2020 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £	Group 2019 £
Not later than 1 year	4,231,197	4,030,154
Later than 1 year and not later than 5 years	16,596,768	15,877,130
Later than 5 years	35,133,016	30,675,552
	55,960,981	50,582,836

27. Related party transactions

Group Companies

During the year the parent company entered into transactions, in the ordinary course of business, with other group companies or related parties. The parent company has taken advantage of the exemption under paragraph 33.1A of FRS102 not to disclose transactions with fellow group companies.

S H Recruitment & HR Solutions Limited

During the year, a company with a common director provided services to 23.5 Degrees Limited amounting to £279,000 (2019: £513,000). The balance due to S H Recruitment & HR Solutions Limited at the year end was £nil (2019: £nil).

28. Post balance sheet events

Between the year end and the date of this report, the Group has opened three more Drive Thru sites (Norwich Chartwell Road DT, Chelmsford DT and Peterlee DT) and secured HSBC funding for the roll out of a further 15 stores in the next 12 months.

On November the 5th 2020, the United Kingdom saw the reintroduction of restrictive measures and lockdowns designed to slow the spread of a second wave of COVID-19 infections. Whilst the directors note the potential effects of these restrictions, based on the business performance during the first lockdown and trading levels during November, they do not consider this to be an adjusting post-balance sheet event. The new sales channels of Uber Eats and Mobile Order and Pay are also growing since launching them in June 2020 generating incremental business.