Caspian Food Services Limited

Annual report and financial statements

Year ended 31 December 2018

Registered number 1450855

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Contents

Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2018 and comparatives for the 52 week period ended 31 December 2017.

Review of the business
The results for the Company for the year ended 31 December 2018 show sales of £41,625,000 (2017: £39,450,000), operating loss before exceptional charges of £8,170,000 (2017: £433,000) and a loss after taxation of £8,392,000 (2017: £1,418,000).

Key performance indicators
The key performance indicators used by the directors in monitoring the performance of the Company are Adjusted EBITDA and like-for-like sales growth.

Adjusted EBITDA

Adjusted EBITDA, which is the profit before tax, interest, depreciation, amortisation, and any one off or non-recurring items, of the Company, was negative £4,054,000 (2017: 1,028,000). This includes the one-off investment in scalability incurred during the year to fulfil the long-term growth plan set out by the directors. The directors are working on initiatives to improve the profitability of the business including in areas such as procurement of goods and also through the remodelling of existing restaurants.

The reconciliation between the operating loss and Adjusted EBITDA is detailed below:

	2018 £'000	2017 £'000
Operating loss	(8,170)	(4,162)
add: depreciation of tangible fixed assets	1,337	1,403
add: amortisation of intangible fixed assets	79	87
add: exceptional charges	-	3,729
add: investment in scalability	3,755	-
less: utilisation of property-related provisions	(1,055)	(29)
Adjusted EBITDA	(4,054)	1,028

Like-for-like sales growth

The Company measures the year-on-year underlying performance of the existing estate. Company like-for-like sales growth is defined as comparing the performance of all mature sites in the current period with the same sites in the comparable period in the previous year. Like-for-like sales on existing sites for the 12 month period ended 31 December 2018 were broadly flat compared to sales from the preceding 12 month period.

The Company continues to focus on maintaining tight financial control and the directors are satisfied with the performance of the Company.

Future developments
See the Directors' report for further information.

Market
The UK Fast Food market, in which the Burger King restaurants operate, has been resilient in 2018 although it has seen a slowdown in growth from previous years. The restaurants operated by the Company performed well during the year and this performance has continued in to the new financial year.

Strategic Report (continued)

Risks
The main risks to our business are:

- Prevailing economic conditions including foreign exchange
- The availability of quality food ingredients in the UK
- The recruitment and retention of employees
- Competition from other food outlets
- Consumer sentiment and willingness to spend in the eating out and take away markets
- The impact of adverse weather conditions.
- Credit and liquidity risk

Many of these risks are mitigated by Burger King's strong product range, and ongoing product development. The Company manages its exposure to liquidity risk through a naturally low level of debtors and continued funding and support from BKUK Group Limited, which maintains significant cash reserves on behalf of the group.

Credit risk arises as a result of the Company's intercompany debtor balances. Having reviewed budgets and forecasts for the group companies, which are supported by the cashflows from their subsidiary undertakings, the directors are satisfied that the risk associated with this balance is appropriately managed.

On behalf of the board

AD Murdoch
Director
31 July 2019

Directors' report

The directors present their annual report and the audited financial statements of Caspian Food Services Limited ("the Company") for the year ended 31 December 2018.

Principal activities and future developments
The principal activity of the Company is the franchise and operation of Burger King restaurants. The directors expect this to continue for the foreseeable future. The directors have considered the financial position of the Company and concluded that it is appropriate to prepare the financial statements on a going concern basis. See Note 3.2 for further assessment.

Dividend
No dividends were paid during the year (2017: nil) and no final dividend has been proposed (2017: nil).

Directors
The directors who held office during the year, and up to the date of the financial statements, unless otherwise stated, were as follows:

VML Gwilliam	Resigned on 28 June 2018
TJ Doubleday	
AD Murdoch	Appointed 28 June 2018

Directors' indemnity
Royale Midco Limited, a group company, maintains liability insurance for directors and officers of Caspian Food Services Limited. This is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Disclosure of information to auditors
In the case of each director in office at the date the Directors' Report is approved:

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

Employees
It is Company policy that there shall be no discrimination in respect of sex, colour, race, religion or nationality and that equal opportunity shall be given to all employees.

The policy of giving full and fair consideration to applications for employment from disabled persons and where practical to continue the employment of anyone who may become disabled during their employment has continued. Where existing employees become disabled, it is the Company'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).

Every effort is made to ensure good communication. In particular, the Company recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Company.

Directors' report (continued)

Financial instruments
The Company has trade creditors on normal terms and finances working capital requirements from its trading performance. All transactions are in sterling. The Company does not use any other financial instruments as part of its risk management.

The Company's exposure to the price risk of financial instruments is therefore minimal. The directors do not consider any other risks in regard to the use of financial instruments to be material to an assessment of its financial position or trading results.

Going concern
Although the Company is in a net liability position of £10,568,981 as at 31 December 2018, the financial statements have been prepared on a going concern basis by the directors as follows:

- The net current liabilities and net liabilities at 31 December 2018 include intercompany liabilities of £12,483,914.
- The Company has the support of BKUK Group Limited and has received written assurances that it will be provided with financial support for twelve months from the signing of these financial statements.
- The directors of the Group have prepared detailed cash flow projections for the period to 30 September 2020, including sensitivity analysis on key assumptions. The directors have considered the assumptions made and consider the forecasts reasonable and realistic taking into account marketing and economic uncertainty. On the basis of these projections and current trading, the directors of the Company consider BKUK Group Limited is able to provide the support for a period of at least twelve months from the date of approval of these financial statements and that the use of the going concern basis is appropriate.

Risk Management
The Company is conscious of the importance of providing a safe working environment for both its employees and its customers, of ensuring compliance with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible. Careful attention is given to the promotion of risk management procedures.

Donations
The Company did not make any political donations or incur any political expenditure during the year (2017: nil).

Post balance sheet events
There have been no significant events affecting the Company since the year end.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have been re-appointed by the directors. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the board

AD Murdoch
Director
31 July 2019

Independent auditors' report

to the members of Caspian Food Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Caspian Food Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of other comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report

to the members of Caspian Food Services Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Simon Bailey

Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

01 August 2019

Profit and loss account

for the year ended 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Turnover	5	41,625	39,450
Cost of sales		(39,116)	(38,247)
Gross profit		2,509	1,203
Administrative expenses		(10,679)	(1,636)
Operating loss before exceptional charges	6	(8,170)	(433)
Exceptional charges	7	-	(3,729)
Operating loss		(8,170)	(4,162)
Profit on sale of subsidiary	14	-	263
Income from shares in group undertakings		-	2,312
Interest payable and similar charges	10	(154)	(193)
Loss before taxation		(8,324)	(1,780)
Tax on loss	11	(68)	362
Loss for the financial year		(8,392)	(1,418)

All results arise from continuing activities.

The notes on pages 11 to 24 form part of the financial statements.

Statement of other comprehensive income

for the year ended 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Loss for the financial period		(8,392)	(1,418)
Remeasurement of the net defined benefit pension scheme liability		440	964
Income tax on other comprehensive income	11	(75)	(164)
Total comprehensive expense for the period		(8,027)	(618)

The notes on pages 11 to 24 form part of the financial statements.

Balance sheet
as at 31 December 2018

	Notes	31 December 2018 £000	31 December 2017 £000
Fixed assets			
Intangible assets	12	786	688
Tangible assets	13	6,197	6,154
Investments	14	2,422	2,422
		9,405	9,264
Current assets			
Inventories	15	333	343
Debtors	16	4,321	3,608
Cash and cash equivalents		2,317	6,337
		6,971	10,288
Creditors: amounts falling due within one year	17	(17,045)	(12,971)
Net current liabilities		(10,074)	(2,683)
Total assets less current liabilities		(669)	6,581
Post-employment benefits	19	(5,744)	(6,060)
Provisions for other liabilities	18	(4,156)	(3,063)
Net liabilities		(10,569)	(2,542)
Capital and reserves			
Called-up share capital	23	-	-
Other reserves		65	65
Accumulated losses		(10,634)	(2,607)
Total equity		(10,569)	(2,542)

The notes on pages 11 to 24 form part of the financial statements.

The financial statements were approved by the board of directors on 31 July 2019 and were signed on its behalf by:

TJ Doubleday
Director
31 July 2019

Caspian Food Services Limited
Registered no. 1450855

Statement of changes in equity

for the year ended 31 December 2018

	Called-up share capital £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2017	10,000	-	(1,989)	8,011
Total comprehensive expense for the period				
Loss for the financial period	-	-	(1,418)	(1,418)
Distribution to owners	-	(9,935)	-	(9,935)
Remeasurement of the net defined benefit pensions scheme liability	-	-	964	964
Income tax on other comprehensive income	-	-	(164)	(164)
Total comprehensive expense for the period	-	(9,935)	(618)	(10,553)
Redemption of share capital	(10,000)	10,000	-	-
At 31 December 2017	-	65	(2,607)	(2,542)
At 1 January 2018	-	65	(2,607)	(2,542)
Total comprehensive expense for the year				
Loss for the financial year	-	-	(8,392)	(8,392)
Remeasurement of the net defined benefit pensions scheme liability	-	-	440	440
Income tax on other comprehensive income	-	-	(75)	(75)
Total comprehensive expense for the year	-	-	(8,027)	(8,027)
Redemption of share capital	-	-	-	-
At 31 December 2018	-	65	(10,634)	(10,569)

The notes on pages 11 to 24 form part of the financial statements.

Notes to the financial statements

Year ended 31 December 2018

1 General information

Caspian Food Services Limited (the "Company") operates a number of Burger King franchises in England.

The Company is a private company limited by shares and incorporated and domiciled in the UK. The company registered number is 1450855 and the registered address is 5 New Street Square, London, EC4A 3TW.

2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been applied consistently in the year ended 31 December 2018.

3.1 *Basis of preparation*

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 *Going concern*

Although the Company made a loss before tax of £8,323,145 for the year ended 31 December 2018, the financial statements have been prepared on a going concern basis by the directors as follows:

- The Company is in a net liability position of £10,568,981, of which £12,483,014 included in creditors relate to intercompany creditors. As at 31 December 2018, the Company had cash resources of £2,317,348.
- The Company has the support of BKUK Group Limited, and has received assurances that it will be provided with financial support for twelve months from the signing of these financial statements.
- The directors of the Group have prepared detailed cash flow projections for the period to 30 September 2020, including sensitivity analysis on key assumptions. The directors have considered the assumptions made and consider the forecasts reasonable and realistic taking into account marketing and economic uncertainty. On the basis of these projections and current trading, the directors of the Company consider BKUK Group Limited is able to provide the support for a period of at least twelve months from the date of approval of these financial statements and that the use of the going concern basis is appropriate.

3.3 *Exemptions for qualifying entities under FRS 102*

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. The Company has taken advantage of the following exemptions in its financial statements:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The information is included in the consolidated financial statements of Royale JVC Limited as at 31 December 2018 and these financial statements may be obtained from UK Companies House.

3.4 *Consolidated financial statements*

The Company is a wholly owned subsidiary of Caspian Food Retailers Limited and is included in the consolidated financial statements of Royale JVC Limited which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The address of the parent's registered office is 5 New Street Square, London, EC4A 3TW.

3.5 *Foreign currency*

The financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

3.6 *Exceptional items*

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Notes to the financial statements

Year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.7 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of VAT, refunds and discounts.

The Company recognises revenue when:

- the amount of revenue can be reliably measured; and
- it is probable that the future economic benefits will flow to the entity.

Revenue is mainly derived from the operation of 'Burger King' restaurants and is carried out wholly within the UK.

3.8 *Employee benefits*

The Company provides a range of benefits to employees, including paid holiday arrangements and a defined benefit pension plan.

i. *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. *Defined benefit pension plan*

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

3.9 *Taxation*

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

i. *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Current or deferred taxation assets and liabilities are not discounted.

ii. *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3.10 *Intangible assets*

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Franchise agreements — 20 years
- Goodwill — 10 years

Amortisation is included in administrative expenses in the profit and loss account.

Where factors indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if factors indicate that the carrying amount may be impaired.

Notes to the financial statements

Year ended 31 December 2018

3 **Summary of significant accounting policies (continued)**

3.11 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

▪ Short leasehold properties	Over the unexpired lease of the term
▪ Plant and machinery	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

3.12 Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payment under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.13 Investments

Fixed asset investments are included at cost less provision for permanent impairment in value. Current asset investments are stated at the lower of cost and net realisable value. Investments in subsidiary undertakings are initially recorded at cost. The carrying value of investments in subsidiary undertakings is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3.14 Inventories

Raw materials and consumables are valued at the lower of cost and net realisable value. Cost is based on the purchase cost on a first-in, first-out basis. Cost for small ware inventories is determined by reference to the standard quantity in issue to each restaurant.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash in transit.

3.16 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Provisions in respect of dilapidations are made where, in the opinion of the directors, it is almost certain that an obligation will result in a transfer of economic benefit and are based on estimates of the obligation arising from the extent of the wear and tear taking place each year.

Provisions are made in respect of leasehold properties for vacant, partly let and loss-making trading stores, for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, cash flows are discounted on a pre-tax basis using a risk-free rate of return.

The Company considers whether individual fixed assets are impaired by considering the profitability of the individual restaurant the assets relate to.

3.17 Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

3.18 Dividends

Dividends and other distributions to the Company's shareholders are recognised in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Notes to the financial statements

Year ended 31 December 2018

4 Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Retirement benefit obligations

Certain assumptions have been adopted for factors that determine the valuation of the Company's liability for pension obligations at year end and future returns on pension scheme assets and charges to the profit and loss account. The factors have been determined in consultation with the Company's actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of other comprehensive income. Further details are available in note 19.

ii. Provision for dilapidations

Provisions for dilapidations are made in respect of leases for land and buildings where it is anticipated that a cost could arise under the leases to make good the properties. The amount provided is based on the historical costs of similar sites and where there is an intent to exit in the foreseeable future.

iii. Onerous lease provisions

Provision are made in respect of leasehold properties for vacant, partly let and loss-making trading stores, for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, cash flows are discounted on a pre-tax basis using a risk-free rate of return.

Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

iv. Impairment of intangible and tangible fixed assets

The Company considers whether individual fixed assets are impaired by considering the profitability of the individual restaurant the assets relate to. This requires estimation about the future cash flows of that particular restaurant, being the designated cash generating unit.

v. Recoverability of intercompany debtors

The directors have considered the financial position and three year forecast for the group companies, which are supported by the cashflows from their subsidiary undertakings. On the basis of these projections and current trading, the directors are satisfied that the intercompany debtors are recoverable.

5 Turnover and segmental information

The directors regard the operation of the restaurants as a single activity and therefore no further segmental analysis is required.

Notes to the financial statements

Year ended 31 December 2018

6 Operating loss

Operating loss is stated after charging the following:

	31 December 2018 £'000	31 December 2017 £'000
Depreciation of tangible fixed assets	1,337	1,403
Amortisation of intangible fixed assets	79	87
Impairment of tangible fixed assets	1,628	703
Impairment of intangible fixed assets	499	35
Operating lease charges	1,093	4,179
Fees payable to the Company's auditors:		
- Audit of these financial statements	46	55
- Tax compliance services	8	8
	54	63

7 Exceptional charges

The following exceptional charges are included in the profit and loss account:

	31 December 2018 £'000	31 December 2017 £'000
Onerous lease provision	-	2,431
Dilapidation provision	-	560
Impairment of tangible fixed assets	-	703
Impairment of intangible fixed assets	-	35
	-	3,729

Following the acquisition of the Company, the directors undertook a detailed review of the property portfolio acquired. This resulted in an exceptional charge, establishing provisions and impairing assets, as set out above.

8 Employees

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	31 December 2018 Number	31 December 2017 Number
Store operations	1,207	1,016
Head office administration (including directors)	6	16
	1,213	1,032

The aggregate payroll costs of these persons are as follows:

	£'000	£'000
Wages and salaries	11,573	11,357
Social security costs	938	769
	12,511	12,126

Notes to the financial statements

Year ended 31 December 2018

9 Directors' remuneration

The directors' emoluments were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Aggregate emoluments	-	477

No retirement benefits are accruing for any of the directors (2017: Nil).

The aggregate of remuneration of the highest paid director was nil (2017: £261,000).

For the year ended 31 December 2018, the directors' remuneration was borne by Royale Midco Limited and details are disclosed in the financial statements of that company. The directors consider that it is not possible to accurately apportion these costs to the Company, and therefore no recharge has been incurred by the Company. No retirement benefits are accruing for any of the directors.

10 Interest payable and similar charges

	31 December 2018 £'000	31 December 2017 £'000
Net interest expense on the defined benefit liabilities	154	185
Other interest charges	-	8
	154	193

11 Tax on loss

	31 December 2018 £'000	31 December 2017 £'000
Total tax expense recognised in the profit and loss account and other comprehensive income		
Current tax:		
Current tax on loss for the year	-	(174)
Adjustments in respect of prior periods	174	(6)
Total current tax	174	(180)
Deferred tax:		
Origination and reversal of timing differences	(137)	(159)
Change in tax rate	52	(29)
Adjustments in respect of prior periods	(21)	6
Deferred tax on pension scheme liability	75	164
Total deferred tax	(31)	(18)
Tax charge/(credit) on loss and other comprehensive income	143	(198)

	31 December 2018			31 December 2017		
	Current tax £'000	Deferred tax £'000	Total tax £'000	Current tax £'000	Deferred tax £'000	Total tax £'000
Recognised in profit and loss account	174	(106)	68	(180)	(182)	(362)
Recognised in other comprehensive income	-	75	75	-	164	164
Total tax	174	(31)	143	(180)	(18)	(198)

Notes to the financial statements

Year ended 31 December 2018

11 Tax on loss (continued)

Reconciliation of effective tax rate

The tax assessed for the year can be reconciled to the loss per the statement of comprehensive income as follow:

	31 December 2018 £'000	31 December 2017 £'000
Loss before taxation	(8,324)	(1,780)
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	(1,581)	(343)
Expenses not deductible for tax purposes	462	60
Non taxable income	-	(491)
Movement in unprovided deferred tax	982	-
Adjustments from previous periods	153	-
Effects of group relief	-	393
Tax rate changes	52	25
Other differences	-	(6)
Total tax charge/(credit) included in profit or loss	68	(362)

The Company does not recognise the deferred tax asset arising on losses due to uncertainty associated with the recoverability of the balance.

Factors affecting future tax changes

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly. The deferred tax liability at the balance sheet date has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

12 Intangible assets

	Goodwill £'000	Franchise fees £'000	Total £'000
Cost			
At 31 December 2017	2,000	1,166	3,166
Additions	-	676	676
Disposals	(243)	(154)	(397)
At 31 December 2018	1,757	1,688	3,445
Accumulated amortisation			
At 31 December 2017	(1,874)	(604)	(2,478)
Charge for the year	(16)	(63)	(79)
Impairment	(100)	(399)	(499)
Disposals	243	154	397
At 31 December 2018	(1,747)	(912)	(2,659)
Net book value			
At 31 December 2018	10	776	786
At 31 December 2017	126	562	688

Notes to the financial statements
Year ended 31 December 2018

13 Tangible assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 31 December 2017	7,235	15,122	22,357
Additions	1	3,007	3,008
Disposals	(3,917)	(5,534)	(9,451)
At 31 December 2018	3,319	12,595	15,914
Accumulated depreciation			
At 31 December 2017	(6,211)	(9,992)	(16,203)
Charge for the year	(141)	(1,196)	(1,337)
Impairment	(207)	(1,421)	(1,628)
Disposals	3,917	5,534	9,451
At 31 December 2018	(2,642)	(7,075)	(9,717)
Net book value			
At 31 December 2018	677	5,520	6,197
At 31 December 2017	1,024	5,130	6,154

All assets are stated at cost.

14 Investments

	31 December 2018 £'000	31 December 2017 £'000
Cost	4,397	4,397
Provisions	(1,975)	(1,975)
	2,422	2,422

On 14 November 2017 the Company disposed of VXYZ Limited, its former subsidiary. The sale resulted in a profit of £263,000.

A list of the subsidiary companies is provided in note 28.

15 Inventories

	31 December 2018 £'000	31 December 2017 £'000
Raw materials and consumables	333	343

Raw materials and consumables recognised as cost of sales in the Company in the year amounted to £11,763,000 (2017: £10,936,000).

There is no material difference between the replacement cost and book value of inventory.

Notes to the financial statements

Year ended 31 December 2018

16 Debtors

	31 December 2018 £'000	31 December 2017 £'000
Trade debtors	209	-
Amounts owed by group undertakings	1,194	153
Corporate tax asset	7	181
Other debtors	590	167
Deferred tax assets (see Note 20)	977	947
Prepayments and accrued income	1,344	2,160
	4,321	3,608

Amounts owed by group undertakings relate to balances incurred in the course of normal trading activity. Balances are unsecured, interest-free and repayable on demand.

17 Creditors: amounts falling due within one year

	31 December 2018 £'000	31 December 2017 £'000
Trade creditors	186	3,817
Amounts owed to group undertakings	12,483	4,742
Other taxation and social security	1,903	1,512
Other creditors	-	482
Accruals and deferred income	2,473	2,418
	17,045	12,971

Amounts owed to group undertakings relate to balances incurred in the course of normal trading activity. Balances are unsecured, interest-free and repayable on demand.

18 Provisions for other liabilities

	Onerous leases £'000	Dilapidations £'000	Total £'000
At 1 January 2018	2,503	560	3,063
Additions	2,183	155	2,338
Amounts utilised	(1,010)	(45)	(1,055)
Unused amounts reversed to the profit and loss account	-	(190)	(190)
At 31 December 2018	3,676	480	4,156

Onerous lease

The onerous lease provision represents leases on vacant properties or where a restaurant is loss making for an extended period, until the end of the lease or until the directors estimate the properties can be sublet.

Dilapidation

The dilapidation provision represents the directors estimated cost of returning leased sites to their original condition on exit of that site.

Notes to the financial statements

Year ended 31 December 2018

19 Post-employment benefits

The Company operates a pension scheme (Gowrings 1975 Pension Scheme) which provides benefits based on final pensionable pay. The Scheme was closed to new entrants with effect from 14 August 2002. The employer's contributions to the Scheme during the year amounted to £276,000 (2017 - £269,000).

The Scheme actuary has provided the following estimate of the Plan deficit following the guidance in FRS 102.28 as at 31 December 2018. The estimate is based on the data and results of the valuation as at 31 December 2015 and updated to 31 December 2018 by a qualified independent actuary.

	2018 £'000	2017 £'000
Amounts recognised in the balance sheet*:		
Defined benefit obligation	(16,641)	(18,448)
Fair value of scheme assets	10,897	12,388
Net defined benefit liability	(5,744)	(6,060)

*Note: before deferred tax considerations

	2018 £'000	2017 £'000
Changes in the present value of scheme liabilities are as follows:		
Opening defined benefit obligation	(18,448)	(18,965)
Interest cost	(459)	(499)
Actuarial losses	1,350	36
Benefits paid	916	980
Closing defined benefit obligation	(16,641)	(18,448)

	2018 £'000	2017 £'000
Changes in the fair value of scheme assets are as follows:		
Opening fair value of scheme assets	12,388	12,109
Interest income on scheme assets	305	314
Return on scheme assets excluding interest income	(910)	928
Contributions by employer	276	269
Benefits paid	(916)	(980)
Scheme administration expenses	(246)	(252)
Closing fair value of scheme assets	10,897	12,388

	2018 £'000	2017 £'000
Amounts recognised in the profit and loss account:		
Scheme administration expenses	(246)	(252)
Net interest on the defined benefit liability	(154)	(185)
Total expense recognised in the profit and loss account	(400)	(437)

	2018 £'000	2017 £'000
Amounts recognised in the statement of comprehensive income:		
Actuarial gains	1,350	36
Return on scheme assets excluding interest income	(910)	928
Total (losses)/gains recognised in other comprehensive income	(440)	964

Notes to the financial statements
Year ended 31 December 2018

19 Post-employment benefits (continued)

	2018 £'000	2017 £'000
Breakdown of value of assets at end of year:		
Global Equities	6,420	7,500
Fixed Interest Gilts	2,838	2,401
Corporate Bonds	1,422	2,001
Index Linked Gilts	39	-
Cash and cash equivalents	178	486
Total value of assets at end of the year	10,897	12,388

	2018 £'000
Sensitivity of the scheme liabilities to change in the principal actuarial assumptions:	
Scheme liabilities as at 31 December 2018	16,641
0.25% increase in discount rate	15,953
0.25% decrease in discount rate	17,373
0.25% increase in price inflation (and associated assumptions)	17,073
0.25% decrease in price inflation (and associated assumptions)	16,228
1 year increase in life expectancy	17,075
1 year decrease in life expectancy	16,210

Principal actuarial assumptions at the balance sheet date:

	2018 %	2017 %
Discount rate	2.90	2.55
Future salary growth	n/a	n/a
RPI inflation	3.10	3.15
Pension increases in payment:		
- RPI max 5%	3.00	3.10
- RPI max 2.5%	2.05	2.20
Mortality	90% S2PXA base tables, CMI 2017 improvements, long-term trend rate of 1.25% and smoothing parameter of 7.5	90% S2PXA base tables, CMI 2016 improvements, long-term trend rate of 1.5% and smoothing parameter of 7.5

The mortality assumptions are based on standard mortality tables which allow for the following future mortality improvements:

	2018	2017
Retiring today:		
Males	22.7 years	23.0 years
Females	24.1 years	24.9 years
Retiring in 20 years:		
Males	24.6 years	24.8 years
Females	26.2 years	26.7 years
Cash commutation	90% of members assumed to exchange pension for maximum cash using current cash commutation factors	90% of members assumed to exchange pension for maximum cash using current cash commutation factors

Notes to the financial statements

Year ended 31 December 2018

19 Post-employment benefits (continued)

The return on gilts and bonds is the current market yield on long term gilts and bonds.

Assets are marked to market at 31 December 2018 and liabilities are calculated using the projected unit method. The actuary estimates the Scheme deficit at 31 December 2018 to be approximately £5,744,000, which is the deficit for the multi-employer scheme as a whole, as discussed above, and does not arise in respect of the Company alone.

Relationship between the Company and the trustees of the Scheme
The pension assets are held in a separate trustee administered fund to meet the long-term pension liabilities to past and present employees. The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of trustees to the Scheme is determined by the Scheme's trust documentation.

Estimated contributions
The employer's best estimate of contributions to be paid to the Scheme by the company next year is £276,000. The Scheme was closed to future accruals for existing members in 2010; as a result, there will be no further contributions to be paid to the Scheme by employees.

20 Deferred tax assets

Deferred tax assets are attributable to the following:

	31 December 2018 £'000	31 December 2017 £'000
Accelerated capital allowances	-	(83)
Deferred taxation on the net defined benefit pension scheme liability	977	1,030
Net deferred tax assets	977	947

21 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	31 December 2018 £'000	31 December 2017 £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	2,317	6,337
Amounts owed by group undertakings	1,194	153
Trade debtors	209	-
Other debtors	590	167
Total financial assets	4,310	6,657
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings	(12,483)	(4,742)
Trade creditors	(186)	(3,817)
Accruals	(2,473)	(2,418)
Total financial liabilities	(15,142)	(10,977)
Net financial liabilities	(10,832)	(4,320)

Notes to the financial statements

Year ended 31 December 2018

22 Operating leases

The Company's future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018 £'000	31 December 2017 £'000
Less than one year	4,865	5,279
Between one and five years	13,782	16,325
More than five years	14,586	18,835
	33,233	40,439

During the year, £4,352,000 (2017: £4,258,000) was recognised as an expense in the Company profit and loss account in respect of operating leases.

23 Share capital and other reserves

	Number 31 December 2018	£ 31 December 2018	Number 31 December 2017	£ 31 December 2017
Allotted, called up and fully paid:				
'A' Ordinary shares of £0.0000001 each	9,900,000	0.99	9,900,000	0.99
'B' Ordinary shares of £0.0000001 each	100,000	0.01	100,000	0.01
	10,000,000	1.00	10,000,000	1.00

The "A" and "B" shares rank pari passu in all respects.

Dividends

No dividends were paid in the year ended 31 December 2018 (2017: nil) and no final dividend is proposed (2017: nil).

24 Contingent liabilities

There were no contingent liabilities at year-end (2017: nil).

25 Related party transactions

Transactions and balances between companies wholly owned by BKUK Group Limited have not been disclosed as is permitted by FRS 102 Section 33.1A *Related Party Disclosures*. There are no additional related party transactions outside of the group which require disclosure.

26 Controlling party

The immediate parent company of Caspian Food Services Limited is Caspian Food Retailers Limited. BKUK Group Limited is a limited company incorporated in England and Wales and the smallest group for which consolidated financial statements are prepared. Royale Topco Limited is a limited company incorporated in England and Wales and the largest group for which consolidated financial statements are prepared. The financial statements of BKUK Group Limited and Royale Topco Limited are available from the Company Secretary, 5 New Street Square, London, United Kingdom, EC4A 3TW.

Shares in Royale Topco Limited are held in the name of a nominee company, BEV Nominees II Limited, which holds the shares as nominee for the 12 limited partnerships that comprise the Bridgepoint Europe V Fund being Bridgepoint Europe V 'A1' LP, Bridgepoint Europe V 'A2' LP, Bridgepoint Europe V 'A3' LP, Bridgepoint Europe V 'B1' LP, Bridgepoint Europe V 'B2' LP, Bridgepoint Europe V 'B3' LP, Bridgepoint Europe V 'B4' LP, Bridgepoint Europe V 'B5' LP, Bridgepoint Europe V 'C' LP, Bridgepoint Europe V 'D' LP, Bridgepoint Europe V 'E' LP and Wigmore Street Co-Investments No.1 LP (the "Partnerships"). The Partnerships each act by their FCA authorised fund manager, Bridgepoint Advisers Limited.

BEV Nominees II Limited's and Bridgepoint Advisers Limited's ultimate parent company is Bridgepoint Group Limited. Accordingly, at 31 December 2018, the Directors consider the Company's ultimate controlling party to be Bridgepoint Group Limited.

27 Events after the reporting period

There were no significant events which occurred after the reporting period.

Notes to the financial statements

Year ended 31 December 2018

28 Subsidiaries and related undertakings

The list of subsidiaries is as follows:

Name	Address of the registered office	Nature of business	Interest
Westside Express Limited	5 New Street Square, London, EC4A 3TW	Retailer	100% ordinary shares
Gowrings Pension Trustee Company Limited	5 New Street Square, London, EC4A 3TW	Dormant company	100% ordinary shares