

Caspian Food Services Limited

Unaudited annual report and financial statements

Year ended 31 December 2022

Registered number 1450855

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Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2022, with comparatives for the year ended 31 December 2021.

Review of the business

The results for the Company for the year ended 31 December 2022 show sales of £54,653,000 (2021: £53,322,000). The increase in sales is due to the re-opening of sites following closure periods during 2021.

Key performance indicators

The key performance indicator used by the directors in monitoring the performance of the Company is Adjusted EBITDA.

Adjusted EBITDA

Adjusted EBITDA, which is the (loss)/profit before tax, interest, depreciation, amortisation, and any one off or non-recurring items, of the Company, was £6,981,000 (2021: £19,539,000). The directors continually investigate 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 (loss)/profit before tax and Adjusted EBITDA is detailed below:

	2022	2021
	£000	£000
(Loss)/profit before tax	(1,499)	15,758
add: Finance costs	1,140	654
add: Depreciation and amortisation of PP&E, ROU assets and intangible assets	4,125	4,342
add: Impairment/(reversal of impairment) of PP&E, ROU assets and intangible assets	3,203	(1,215)
add: Adjusting items	12	-
Adjusted EBITDA	6,981	19,539

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.

Risks

The main risks to our business are:

- Prevailing economic conditions including the impact of the war in Ukraine and 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
- Increases in food, energy and commodity costs or shortages or interruptions in the supply or delivery of food or packaging materials

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.

The risks posed by COVID-19 over the last few years have been mitigated by the Company's ability to trade effectively through various iterations of lockdowns imposed by the government. The significant portion of the estate that can operate as a Drive Thru as well as the increased demand for home delivery sales ensured that this risk was largely mitigated and reduces any remaining risk to a low level.

Strategic Report (continued)

Section 172(1) statement

This statement sets out how the directors have approached and met their responsibilities under section 172 of the Companies Act 2006. The Company's values are consistent with the requirements under section 172 of the Companies Act. The directors will consider all relevant factors when taking any decision. The examples below illustrate some of the key items under section 172 that were considered by the directors during the year.

Likely consequence of any decision in the long term

There have been no major changes in the Company in the financial year. However, the long-term impacts of any decision are discussed in detail by the directors, especially when considering the Company's strategy

Interest of the Company's employees

The directors engage with their employees frequently. Although not able to do so in 2022 due to COVID-19, we usually conduct an annual conference where managers from each restaurant come together for a workshop to share their thoughts, feedback and feelings about working for Burger King. This is attended by members of the executive team. There are also individual quarterly reviews with all Regional Operations Directors and District Managers to talk through their restaurants and their people – this is facilitated and attended by members of the executive team. Furthermore, the leadership team regularly visit the restaurants across the estate to engage with all the teams.

The People function of the business is accountable for optimising everything we do for our employees and all members of the Company, managing policies and procedures, all with a view of promoting and maintaining fairness and consistency across the whole business. This is enhanced by having two People Business Partners who are affiliated to regions of restaurants, and the appointment of a People Director to ensure this receives the appropriate importance on the executive committee.

Following a review of its diversity and inclusion policies during 2021/22, the Company implemented a number of initiatives in 2022, including workshops and training with key stakeholders and a number of KPI's.

Foster business relationships with suppliers, customers and others

The Company has always been steadfast about the quality of the food we use in our restaurants. To make this possible we have developed strong supplier partnerships to ensure we can maintain these high standards and deliver a unique product experience. These partnerships help us better understand our product, as well as the challenges our suppliers face. Working collaboratively gives us stability both in terms of product consistency and our input costs.

Impact of the Company's operations on the community and environment

The Company launched its 'BK for Good' strategy during the year and is committed to reducing the environmental impact of our operations. For example, we ensure that all of our used oil is collected, recycled and used as Biofuel and we have also focused on reducing single use plastics and intend to focus further on waste management in the next financial year. Refer to the Responsible Business statement above. The desirability of the Company maintaining a reputation for high standards of business conduct. As with fostering relationships with suppliers, customers and other stakeholders, the maintenance of high standards of ethical conduct are very important in order to run a sustainable business.

The need to act fairly between members of the Company

Communications with shareholders are given high priority. Advisory board meetings take place every month. These are attended by members of the executive team and the Bridgepoint representative. The monthly and year to date performance of the Company are presented and discussed, as well as the Company's strategy and long-term impact of any decision.

On behalf of the board



AD Murdoch
Director
13 October 2023

Directors' report

The directors present their annual report and the financial statements of Caspian Food Services Limited ("the Company") for the year ended 31 December 2022.

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.

The Company are continuing to look for opportunities for expansion through opening new restaurants, selective acquisition of Burger King franchisees and improving the performance of our existing business.

Dividend

No dividends were paid or declared during the year (2021: nil).

Directors

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

TJ Doubleday
AD Murdoch

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 and was in place during the financial year and as at the date of approval of the financial statements.

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 year. 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 101 "Reduced Disclosure Framework", 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 101, 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.

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).

Management has a policy of providing employees with information about the Company. Regular meetings are held between management and employees to allow a free flow of information and ideas. 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.

Financial instruments

The Company has trade creditors on normal terms and finances working capital requirements from its trading performance. All transactions are in pound 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.

Directors' report (continued)

Going concern

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 £7,266,000, of which £7,593,000 included in creditors relate to intercompany creditors. As at 31 December 2022, the Company had cash resources of £1,173,000.
- The Company has the support of BKUK Group Limited, and has received written assurances that it will be provided with financial support for a period of at least 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 June 2023, 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. The directors have prepared various sensitivity scenarios and have concluded that based on the forecast profitability and cashflows generated, and having considered the forecast liquidity position of the wider BKUK Group, the directors are satisfied that the Company has sufficient resources for a period of at least 12 months from the date of approval of these financial statements. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

Risk Management

The Company is conscious of the importance of providing a safe working environment for both its employees and 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 (2021: nil).

Post balance sheet events

There were no post balance sheet events.

Audit exemption

The Company has taken advantage of the audit exemption available for subsidiary companies covered by section 479A of the Companies Act 2006 on the following grounds:

- that for the year ended 31 December 2022, the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- that no notice has been deposited under section 276 of the Companies Act 2006 in relation to the financial statements for the financial year.

The directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 366 of the Companies Act 2006; and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2021 and of its profit and loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

On behalf of the board



AD Murdoch
Director
13 October 2023

Income Statement

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	5	54,653	53,322
Cost of sales		(52,731)	(35,400)
Gross Profit		1,922	17,922
Other operating income	6	-	373
Administrative expenses		(2,281)	(1,883)
Operating (Loss)/profit		(359)	16,412
Finance costs	10	(1,140)	(654)
(Loss)/profit before tax		(1,499)	15,758
Tax on (loss)/profit	11	-	(59)
(Loss)/profit for the financial year		(1,499)	15,699

All results arise from continuing activities.

The notes on pages 9 to 27 form part of the financial statements.

Statement of other comprehensive income

for the year ended 31 December 2022

(Loss)/profit for the year		(1,499)	15,699
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to income statement			
Remeasurement of defined benefit pension schemes	21	385	1,660
Income tax on other comprehensive income/expense	11	(96)	(402)
Total comprehensive (expense)/income for the year		(1,210)	16,957

The notes on pages 9 to 28 form part of the financial statements.

Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Intangible assets	12	554	617
Property, plant and equipment	13	8,635	6,579
Investments	15	-	-
Right-of-use assets	14	20,282	22,047
Deferred tax asset		602	698
Total non-current assets		30,073	29,941
Current assets			
Trade and other receivables	17	764	16,325
Inventory	16	397	324
Cash and cash equivalents	18	1,173	2,306
Total current assets		2,334	18,955
Total assets		32,407	48,896
LIABILITIES			
Post-employment benefits	21	(981)	(1,895)
Provisions	20	(511)	(565)
Lease liabilities	14	(23,505)	(21,716)
Total non-current liabilities		(24,997)	(24,176)
Current liabilities			
Trade and other payables	19	(12,310)	(28,213)
Lease liabilities	14	(2,366)	(2,563)
Total current liabilities		(14,676)	(30,776)
Total liabilities		(39,673)	(54,952)
Net liabilities		(7,266)	(6,056)
EQUITY			
Capital and reserves			
Called-up share capital		-	-
Other reserves		65	65
Accumulated losses		(7,331)	(6,121)
Total equity		(7,266)	(6,056)

The notes on pages 9 to 28 form part of the financial statements.

Audit exemption

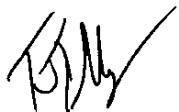
For the financial year ended 31 December 2022 the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year ended 31 December 2022 in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

Caspian Food Services Limited

Statement of Financial Position

as at 31 December 2022

The financial statements on pages 6 to 28 were approved by the board of directors on 13 October 2023 and were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'TJ Doubleday', with a large checkmark at the end.

TJ Doubleday
Director
13 October 2023
Caspian Food Services Limited
Registered no. 1450855

Statement of Changes in Equity

for the year ended 31 December 2022

	Note	Called-up share capital £000	Other reserves £000	Accumulated losses £000	Total equity £000
At 1 January 2021		-	65	(23,078)	(23,013)
Loss for the financial year		-	-	15,699	15,699
Remeasurement of net defined benefit pensions scheme liability		-	-	1,660	1,660
Income tax on other comprehensive income		-	-	(402)	(402)
Total comprehensive expense for the year		-	-	16,957	16,957
At 31 December 2021		-	65	(6,121)	(6,056)
At 1 January 2022		-	65	(6,121)	(6,056)
Profit for the financial year		-	-	(1,499)	(1,499)
Remeasurement of net defined benefit pensions scheme liability		-	-	385	385
Income tax on other comprehensive income		-	-	(96)	(96)
Total comprehensive income for the year		-	65	(1,210)	(1,145)
At 31 December 2022		-	65	(7,331)	(7,266)

The notes on pages 9 to 28 form part of the financial statements.

Notes to the financial statements

Year ended 31 December 2022

1 General information

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

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 are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), in accordance with applicable accounting standards and the Companies Act 2006.

The financial statements of Caspian Food Services Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

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 2022.

3.1 Basis of preparation

These financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

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 financial statements have been prepared for the year ended 31 December 2022, with comparatives for the year ended 31 December 2021.

3.2 Going concern

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 £7,266,000, of which £7,593,000 included in creditors relate to intercompany creditors. As at 31 December 2022, the Company had cash resources of £1,173,000.
- The Company has the support of BKUK Group Limited, and has received written assurances that it will be provided with financial support for a period of at least 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 June 2023, 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. The directors have prepared various sensitivity scenarios and have concluded that based on the forecast profitability and cashflows generated, and having considered the forecast liquidity position of the wider BKUK Group, the directors are satisfied that the Company has sufficient resources for a period of at least 12 months from the date of approval of these financial statements. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

3.3 Exemptions for qualifying entities under FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. The Company has taken advantage of the following exemptions in its financial statements:

- (a) IAS 7 - 'Statement of Cash Flows'
- (b) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

Notes to the financial statements

Year ended 31 December 2022

3 Summary of significant accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 101 (continued)

- (c) Paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts)
- (d) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64U) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- (e) the requirements of IFRS 7 Financial Instruments: Disclosures
- (f) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (h) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- (i) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (Statement of Cash Flows),
 - 10(f) (a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements,
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third Statement of Financial Position),
 - 111 (cash flow statement information) and
 - 134-136 (capital management disclosures).

The information is included in the consolidated financial statements of BKUK Group Limited as at 31 December 2022 and these financial statements may be obtained from UK Companies House.

3.4 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.

3.5 Revenue recognition

Retail sales

Revenue from the sale of goods is recognised as income on receipt of cash or card payment. Revenue from delivery services is included in the sale of goods revenue and is recognised on delivery. Revenue is measured net of discounts, promotions and value-added taxation.

3.6 Other operating income

Other operating income comprises of income from government grants as a result of the COVID-19 pandemic. Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Notes to the financial statements

Year ended 31 December 2022

3 Summary of significant accounting policies (continued)

3.7 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, 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 year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year 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.

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Notes to the financial statements

Year ended 31 December 2022

3 Summary of significant accounting policies (continued)

3.8 Intangible assets (continued)

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement.

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. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Note that estimated lives may be less if Franchise Agreement is issued for a shorter period.

- Franchise fees 20 years

3.9 Goodwill

Goodwill is initially recognised and measured as set out in 3.8 above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units (being each individual restaurant) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. See note 12 of the financial statements for further details.

Impairment charges are included in profit or loss.

3.10 Property, plant, and equipment

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. In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. Land is not depreciated.

The estimated useful lives are as follows:

- Right-of-use asset Shorter of comparable owned assets or the lease term
- Short leasehold land and buildings Over the unexpired lease of the term
- Plant and equipment 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.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

3.11 Leases

The Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate and this rate is determined on a lease-by-lease basis, and is adjusted for credit risk of each lessee, lease value, and lease term.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred in obtaining the lease, less any lease incentives received.

At inception of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Notes to the financial statements

Year ended 31 December 2022

3 Summary of significant accounting policies (continued)

3.11 Leases (continued)

The Company has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet for leases where the underlying asset is of low value. Lease expenses relating to low value assets will be recognised in the income statement on a straight-line basis.

In relation to vehicle leases, the Company has also elected to apply the exemption for short-term leases and therefore will not recognise right-of-use assets and lease liabilities on the balance sheet for vehicle leases of less than 12 months in duration.

3.12 Impairment of property, plant and equipment, intangible assets, and right-of-use assets, excluding goodwill

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets, and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where impairments are reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

3.13 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 (FIFO) basis.

Inventories are assessed for impairment at each reporting date. The carrying amount of each item of inventory, or group of similar items, is compared with its selling price less costs to complete and sell. If an item is found to be impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss recognised immediately in profit or loss.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with banks.

3.15 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements and paid holiday arrangements.

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. Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account over the period the related service is rendered based on the amounts expected to be paid out.

3.16 Borrowing costs

The costs associated with setting up the shareholder loans have been capitalised and will be amortised over the term of the loan. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the financial statements

Year ended 31 December 2022

3 Summary of significant accounting policies (continued)

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

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.

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 the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Recoverability of intercompany debtors

The directors have considered the financial position and three year forecast for the Royale JVC Limited Group, which include the cashflows of its trading subsidiaries Royale Midco Limited, BKUK Group Limited, BKUK Devco Limited, Caspian Food Retailers Limited, Caspian Food Services Limited, BKUK Bristol Limited, BKUK Flame Limited, Zing Leisure Limited, BKUK Crown Limited, BKUK Crown Leisure Limited and Teresina Limited. Based upon these forecasts, the directors are satisfied that the intercompany debtors are recoverable.

ii. Impairment of intangible, tangible fixed assets and Right-of-use assets

Property, plant and equipment, intangible assets, including goodwill, and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, restaurant fittings and right-of-use assets may be impaired if sales in that restaurant fall. When the cash generating unit is considered impaired, impairment is allocated to goodwill in the first instance, before allocation of impairment to other assets. When a review for impairment is conducted the recoverable amount is estimated based on either value-in-use calculations or fair value less costs of disposal. Both value-in-use and fair value less costs of disposal calculations require management to estimate future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

Earnings before interest, tax, depreciation, and amortisation ("EBITDA") adjusted for overheads allocation is used as a proxy for net cash flow in determining the future cash flows generated by the assets. Turn-around sites, planned remodels and site-specific items are also taken into account in the net cash flow and is a key source of estimation uncertainty in the impairment assessment. Growth in the forecasted EBITDA is considered to be a key sensitivity.

iii. Determining the rate used to discount lease payments

At the commencement date of property leases the lease liability is calculated by discounting the future lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As the Group had no suitable external borrowings from which to determine that rate, estimation is required to determine the incremental borrowing rate to be used. At the commencement of a new lease a risk-free rate is obtained, linked to the length of the lease and an adjustment is then made to reflect credit risk.

iv. Impairment of goodwill

The Company considers whether the goodwill arising on the acquisition of restaurants is impaired by considering the profitability of the individual restaurants. The directors have concluded that no impairment is required as at the balance date and will reassess the goodwill impairment model periodically.

Notes to the financial statements

Year ended 31 December 2022

4 Key accounting estimates and assumptions (continued)

v. Deferred Tax Asset recognition

The company holds significant unrecognised Deferred Tax Assets. The total amount of unprovided deferred tax asset as at the year ended 31 December 2022 is £2,028,000 (2021: £2,034,000), as detailed in note 11.

The Company have prepared taxable profits projections for the periods to 31 December 2025. Based on the current financing structure, the Group is not expected to have significant taxable profits for the years 2022 or 2023. While the projected taxable profits for the years 2024 and 2025 increase, the uncertainty over the forecasts further into the future also increases. The Company does not currently recognise the deferred tax asset arising on losses due to the uncertainty associated with the availability of future taxable profits to utilise against these losses, as supported by the historical tax loss position.

vi. Retirement benefit obligations

Certain assumptions, including discount rates, RPI inflation and pension increases in payment, have been adopted for factors that determine the valuation of the Company's liability for pension obligations at period 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. Further details, including sensitivities in respect of key assumptions are available in note 21.

5 Revenue

Revenue is derived from the operation of Burger King restaurants and is carried out wholly within the United Kingdom.

	2022 £000	2021 £000
Food and drink sales – recognised at a point in time	54,653	53,322
	<u>54,653</u>	<u>53,322</u>

6 Other operating income

Income from government grants as a result of the COVID-19 pandemic have been recognised in Other income.

	2022 £000	2021 £000
Government grant	-	373

7 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting) the following:

	2022 £000	2021 £000
Depreciation and amortisation of tangible and intangible assets	1,460	1,017
Depreciation of Right-of-use assets	2,665	3,235
Impairment of tangible and intangible assets	28	25
Impairment/(reversal of impairment) of Right-of-use assets	3,175	(6,634)

Notes to the financial statements

Year ended 31 December 2022

8 Staff Costs

	2022 £000	2021 £000
The aggregate payroll costs incurred by the Company are as follows:		
Wages and salaries	11,902	10,114
Social security costs	679	586
Other pensions costs	128	122
Total staff costs	12,709	10,822

All employees are employed by the parent company, BKUK Group Limited, and their costs are recharged to the Company.

9 Directors' remuneration

The directors' remuneration is 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 Finance costs

	2022 £000	2021 £000
Finance expense		
Net interest expense on the defined benefit liabilities	30	75
Interest on lease liability	1,110	579
Total finance expense	1,140	654

11 Tax on (loss)/profit

The tax assessed for the year can be reconciled to the (loss)/profit per the Income Statement as follow:

	2022 £000	2021 £000
(Loss)/profit before taxation	(1,499)	15,758
(Loss)/profit before taxation multiplied by the UK corporation tax rate of 19% (2021: 19%)	(285)	2,994
Expenses not deductible for tax purposes	113	92
Non-taxable income	(104)	(215)
Adjustment from previous period	(377)	-
Effects of group relief	761	(1,398)
Tax rate changes	90	(199)
Effects of losses carried back	116	-
Amounts not recognised	(314)	-
Movement in unprovided deferred tax	-	(1,215)
Total tax charge	-	59

Notes to the financial statements

Year ended 31 December 2022

11 Tax on (loss)/profit

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income/expense:

	2022 £000	2021 £000
Deferred Tax		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	96	402
Total tax charge recognised in other comprehensive income/ expense	96	402

The following amounts are included in the Statement of Financial Position relating to current and deferred tax:

	31 December 2022 £000	31 December 2021 £000
Non-current assets		
Deferred tax assets	602	698

The Company does not recognise the deferred tax asset arising on losses due to uncertainty associated with the availability of future taxable profits to utilise against these losses.

Factors affecting future tax changes

As announced in the Spring Budget 2021, legislation introduced in the Finance Bill 2021 to change the Corporation Tax main rate to 25% for the financial year beginning 1 April 2023 and became substantively enacted on 24 May 2021 and therefore its effects are included in these financial statements.

12 Intangible assets

	Goodwill £000	Franchise fees £000	Total £000
Cost			
At 1 January 2021	1,732	1,730	3,462
Disposals	-	(116)	(116)
At 31 December 2021	1,732	1,614	3,346
Disposals	-	-	-
At 31 December 2022	1,732	1,614	3,346
Accumulated amortisation and impairment			
At 1 January 2021	(1,722)	(1,119)	(2,841)
Charge for the year	-	(4)	(4)
Impairment	-	116	116
At 31 December 2021	(1,722)	(1,007)	(2,729)
Charge for the year	-	(42)	(42)
Disposals	-	(21)	(22)
At 31 December 2022	(1,722)	(1,070)	(2,793)
Net book value			
At 31 December 2020	10	611	621
At 31 December 2021	10	607	617
At 31 December 2022	10	544	554

Notes to the financial statements

Year ended 31 December 2022

13 Property, plant, and equipment

	Short leasehold land and buildings	Plant and Equipment	Total
	£000	£000	£000
Cost:			
At 1 January 2021	3,362	16,266	19,628
Additions	80	1,610	1,690
Disposals	(271)	(481)	(752)
At 31 December 2021	3,171	17,395	20,566
Additions	156	3,394	3,550
At 31 December 2022	3,327	20,789	24,116
Accumulated depreciation and impairment:			
At 1 January 2021	(2,827)	(10,750)	(13,577)
Depreciation charge for the year	(87)	(926)	(1,013)
Impairment	-	(25)	(25)
Disposals	272	356	628
At 31 December 2021	(2,642)	(11,345)	(13,987)
Depreciation charge for the year	(70)	(1,418)	(1,488)
Impairment	(6)	-	(6)
At 31 December 2022	(2,718)	(12,763)	(15,481)
Net book value			
At 31 December 2020	535	5,516	6,051
At 31 December 2021	529	6,050	6,579
At 31 December 2022	609	8,324	8,635

Notes to the financial statements

Year ended 31 December 2022

14 Leases

Lease liability

	Land and buildings leasehold
	£000
At 1 January 2021	(23,002)
Remeasurement	(5,097)
Interest expense	(579)
Lease payments	4,399
At 31 December 2021	(24,279)
Remeasurement	(4,673)
Interest expense	(1,111)
Lease payments	1,658
Revised discount rate	2,534
At 31 December 2022	(25,871)

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk.

Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

At 31 December 2022 and 31 December 2021, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on all dates it was considered reasonably certain that the Company would not exercise its right to exercise any right to break the lease.

The maturity of lease liabilities are as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	£000	£000	£000	£000	£000
At 31 December 2021	(2,563)	(2,024)	(5,363)	(14,329)	(24,279)
At 31 December 2022	(2,366)	(2,321)	(6,399)	(14,785)	(25,871)

Notes to the financial statements

Year ended 31 December 2022

14 Leases (continued)

Right-of-use assets

	Land and buildings leasehold
Cost	£000
At 1 January 2021	14,393
Re measurement	10,050
Disposals	(3,046)
At 31 December 2021	23,987
Additions	-
Re-measurement	12,355
Disposals	(789)
At 31 December 2022	35,553
Accumulated depreciation and impairment:	
At 1 January 2021	-
Depreciation charge for the year	(3,235)
Impairment	1,240
Disposals	3,046
At 31 December 2021	(1,940)
Depreciation charge for the year	(2665)
Impairment	(3,175)
Re-measurement	(8,280)
Disposals	789
At 31 December 2022	(15,271)
Net book value	
At 31 December 2021	22,047
At 31 December 2022	20,282

There were no short term property expenses in the year (2021: nil).

15 Investments

	31 December 2022	31 December 2021
	£000	£000
Cost	4,397	4,397
Provision for impairment	(4,397)	(4,397)
	-	-

During the previous financial year, the leases in Westside Express Limited were transferred to Caspian Food Services Limited. As a result, the value of Westside Express Limited was determined to be nil and the carrying value of the investment was fully impaired.

A list of the subsidiary companies is provided in note 27.

16 Inventories

	31 December 2022	31 December 2021
	£000	£000
Raw materials and consumables	397	305

Raw materials and consumables recognised as cost of sales in the Company in the year amounted to £15,116,000 (2021: £11,991,000). There is no material difference between the replacement cost and book value of inventory.

Notes to the financial statements

Year ended 31 December 2022

17 Trade and other receivables

	31 December 2022 £000	31 December 2021 £000
<i>Current assets</i>		
Trade debtors	449	588
Amounts owed by group undertakings	115	15,616
Other debtors	12	16
Corporation tax	-	-
Prepayments and accrued income	188	105
Total current trade and other receivables	764	16,325

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.

18 Cash and cash equivalents

	31 December 2022 £000	31 December 2021 £000
Cash at bank and in hand	1,174	2,306
	1,174	2,306

19 Trade and other payables

Creditors: amounts falling due within one year

	31 December 2022 £000	31 December 2021 £000
Trade creditors	-	-
Amounts owed to group undertakings	7,593	24,664
Taxation and social security	2,578	1,566
Other creditors	-	170
Accruals and deferred income	2,138	1,813
Total current trade and other payables	12,310	28,213

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. All trade and other payables are repayable within one year.

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.

Notes to the financial statements

Year ended 31 December 2022

20 Provisions

The Company had the following provisions during the year:

	Dilapidations £000
At 1 January 2021	565
Additions via Right-of-use asset	266
Amounts utilised	(755)
At 31 December 2021	565
Additions via Right-of-use asset	257
Amounts utilised	(124)
Unused amount reversed	(187)
At 31 December 2022	511

Dilapidations

The dilapidations provision represents the directors' estimated cost of returning leased sites to their original condition on exit of that site. Dilapidation provisions are recognised against sites that are expected to be exited within 5 years due to uncertainty around the timing of exit of the lease involved in periods longer than 5 years. Dilapidations costs have been capitalised against ROU assets.

21 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 and was closed to the future accrual of benefits from 31 October 2010. The employer's contributions to the Scheme during the year amounted to £771,000 (2021: £982,000).

The Scheme is Trust-based, operating on a funded basis within the UK legislative and regulatory framework with assets held in external funds overseen by a Trustee. Benefits are provided to members upon retirement or death as determined by UK legislation and the Scheme's Trust Deed & Rules.

The Trustee is required to act on behalf of the Scheme's membership and invest the Scheme's assets with an aim of ensuring that all members' current and future benefits can be paid. The Trustee conducts regular reviews of the funding level of the Scheme in accordance with UK legislation and monitors the long-term investment and funding strategies of the Scheme. The appointment of the Trustee is determined by the Scheme's Trust Deed & Rules and UK legislation. Currently, the Trustee is an independent, professional Trustee appointed by the Company.

The estimate is based on the data and results of the full actuarial valuation as at 31 December 2022 by a qualified independent actuary.

Notes to the financial statements

Year ended 31 December 2022

21. Post-employment benefits (continued)

	31 December 2022	31 December 2021
	£000	£000
Amounts recognised in the Consolidated statement of financial position*:		
Defined benefit obligation	(10,037)	(17,108)
Fair value of scheme assets	9,056	15,213
Net defined benefit liability	(981)	(1,895)

*Note: before deferred tax considerations

Changes in the present value of scheme liabilities are as follows:	2022	2021
	£000	£000
Opening defined benefit obligation	(17,108)	(19,652)
Past service credit	-	1,692
Interest cost	(313)	(262)
Actuarial loss arising from changes in demographic assumptions	(324)	(339)
Actuarial gain arising from changes in financial assumptions	7,407	703
Actuarial gain arising from experience adjustments	(132)	292
Benefits paid	433	458
Closing defined benefit obligation	(10,037)	(17,108)

Changes in the fair value of scheme assets are as follows:	2022	2021
	£000	£000
Opening fair value of scheme assets	15,213	13,735
Interest income on scheme assets	283	187
Return on scheme assets excluding interest income	(6,566)	1,004
Contributions by employer	771	982
Benefits paid	(433)	(458)
Scheme administration expenses	(212)	(237)
Closing fair value of scheme assets	9,056	15,213

Amounts recognised in the Consolidated income statement:	2022	2021
	£000	£000
Past service credit	-	1,692
Scheme administration expenses	(212)	(237)
Net interest on the defined benefit liability	(30)	(75)
Total (expense)/credit recognised in the Consolidated income statement	(242)	1,380

Amounts recognised in the Consolidated statement of comprehensive income:	2022	2021
	£000	£000
Actuarial loss arising from changes in demographic assumptions	(324)	(339)
Actuarial gain arising from changes in financial assumptions	7,407	703
Actuarial (loss)/gain arising from experience adjustments	(132)	292
Total Actuarial gains	6,951	656
Return on scheme assets excluding interest income	(6,566)	1,004
Total gains recognised in other comprehensive income	385	1,660

Notes to the financial statements

Year ended 31 December 2022

21. Post-employment benefits (continued)

A summary of the main risks that the Scheme exposes the Group to can be found below, including current mitigation put in place by both the Trustee and Group:

Risk	Description	Mitigation
Investment	<p>The Scheme's IAS 19 liabilities are calculated using a discount rate set with reference to corporate bond yields. If the return on the Scheme's assets underperforms this rate, the accounting deficit will increase.</p> <p>In addition, there is the risk of volatility of the future IAS 19 and funding positions due to the proportion of Scheme assets invested in return generating assets, whereas the IAS 19 and funding liabilities are assessed by reference to yields on corporate bonds and gilts, respectively. Any increase to the funding level as a result could increase the future cash requirements of the Group.</p>	<p>The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.</p> <p>The Trustee and Group conduct regular monitoring of the funding position of the Scheme and have implemented a well-diversified investment strategy that utilises liability driven investment ('LDI') to hedge material risks such as movements in interest rates and inflation.</p> <p>The assets of the Scheme consist predominantly of investments which are traded on regulated markets.</p> <p>The Trustee invests in a number of different funds with different investment managers to ensure there is limited concentration risk with regards to the Scheme's assets. Additionally, the Trustee has a policy in place to ensure that no more than 5% of the Scheme's assets are exposed to Group-related investments.</p>
Interest rate	<p>The Scheme's funding liabilities are linked to gilt yields. As such, a decrease in interest rates (and subsequently gilt yields) will increase the Scheme's funding liabilities which may require additional cash contributions to be made by the Group in future.</p>	<p>The Trustee and Group aim to mitigate the risk of low interest rates through the LDI strategy and other bond assets.</p> <p>The LDI strategy invests in assets which increase in value as interest rates decrease to mitigate the impact of any future adverse movements in interest rates.</p> <p>As the aim of the LDI strategy is used to mitigate the risk to the funding position, there can be divergence in the effectiveness to hedge the IAS 19 liabilities due to spreads between corporate bond and gilt yields.</p> <p>Approximately 80% of the Scheme's liabilities are hedged by the LDI strategy for changes in interest rates.</p>
Inflation	<p>A significant proportion of the Scheme's liabilities are linked to inflation. If inflation is higher than expected, then this will lead to higher IAS 19 and funding liabilities in future. Any increase to the funding level as a result could increase the future cash requirements of the Group.</p>	<p>The Trustee and Group aim to mitigate the risk of higher-than-expected inflation through the LDI strategy and other real assets.</p> <p>The LDI strategy invests in assets which increase in value as inflation increases to mitigate the impact of any future adverse movements in inflation expectations.</p> <p>Approximately 80% of the Scheme's inflation-linked liabilities are hedged by the LDI strategy for changes in inflation rates.</p>
Life expectancy	<p>The Scheme provides benefits to members for the remainder of their (and their spouse's) lives. As such, any increase to life expectancies will lead to higher liabilities for the Scheme.</p>	<p>The Trustee and Group regularly monitor the impact of longevity on the Scheme and conducted a medically underwritten mortality study of the Scheme population as part of the 31 December 2022 actuarial valuation to determine life expectancies that are as accurate as possible.</p>

Notes to the financial statements

Year ended 31 December 2022

21. Post-employment benefits (continued)

	31 December 2022	31 December 2021
	£000	£000
Breakdown of value of assets at end of the year:		
Diversified growth funds	419	1,867
Diversified alternatives	1,340	1,417
Equity linked LDI	2,247	2,997
LDI	1,935	2,817
Cash	860	1,955
ESG focused physical equity	944	2,781
Semi-liquid credit	1,311	1,379
Total value of assets at end of the year	9,056	15,213

The Trustee of the Scheme has implemented an LDI (Liability Driven Investment) strategy, which aims to hedge approximately 80% of the interest rate and inflation exposure of the Scheme's liabilities. The Scheme will invest in assets such as gilts and swaps (often using leverage) and will create a liability benchmark which aims to "mimic" the sensitivity of the liabilities to movements in interest rate and inflation expectations, thereby reducing the volatility of the Scheme's funding position.

All of the amounts above are quoted, besides cash of £274,000 which is unquoted (2021: £426,000).

Principal actuarial assumptions at the balance sheet date:

	2022	2021
	%	%
Discount rate	4.80	1.85
RPI inflation	3.10	3.25
Pension increases in payment:		
- RPI max 5%	2.85	3.15
- RPI max 2.5%	1.85	2.25
Mortality	Base table: 124% S3PxA Future improvements: CMI 2021 projections with a long term improvement rate of 1.25% p.a., smoothing factor of 7.0, initial addition parameter of 0.0 and w2020 and w2021 parameter of 10%	Base table: 124% S3PXA Future improvements: CMI 2020 projections and a long-term improvement rate of 1.25% p.a. with smoothing factor of 7.0 and initial addition parameter of 0.0 and w2020 parameter of 10%

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

	2022	2021
Male (current age 45)	21.1 years	21.4 years
Male (current age 65)	19.9 years	20.1 years
Female (current age 45)	23.9 years	24.0 years
Female (current age 65)	22.5 years	22.6 years
Cash commutation	90% of members take maximum tax free cash using current commutation factors	90% of members take maximum tax free cash using current commutation factors

Notes to the financial statements

Year ended 31 December 2022

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	31 December 2022 £000	31 December 2021 £000
<i>Financial assets measured at amortised cost</i>		
Cash and cash equivalents	1,174	2,306
Trade debtors	449	588
Amounts owed by group undertakings	115	15,616
Other debtors	12	16
Total financial assets held at amortised cost	1,750	18,526
<i>Financial liabilities measured at amortised cost</i>		
Amounts owed to group undertakings	(7,593)	(24,664)
Other creditors	-	(170)
Accruals and other payables	(2,138)	(1,983)
Total financial liabilities held at amortised cost	(9,731)	(26,817)
Net financial liabilities	(7,981)	(8,291)

Notes to the financial statements

Year ended 31 December 2022

23 Called-up share capital

	31 December 2022 Number	31 December 2022 £	31 December 2021 Number	31 December 2021 £
Allotted, authorised, 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
	<u>10,000,000</u>	<u>1</u>	<u>10,000,000</u>	<u>1</u>

Dividends

No dividends were declared or paid for the year ended 31 December 2022 (2021: nil).

24 Contingent liabilities

There were no contingent liabilities at year-end (2021: nil).

25 Related party transactions

In accordance with the exemption under IAS 24 "Related Party Disclosures" transactions with other wholly owned undertakings within the BKUK Group Limited have not been disclosed in these financial statements.

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 2022, the Directors consider the Company's ultimate controlling party to be Bridgepoint Group Limited.

27 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	Dormant company	100% ordinary shares

28 Events after the reporting period

There have been no significant events after the reporting period.