

BLUBECKERS LIMITED

Annual Report and Financial Statements

For the 52 weeks ended 30 December 2018

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Blubeckers Limited

CORPORATE INFORMATION

Registered No. 01994330

DIRECTORS

Mary Willcock

Kirk Davis

Andrew Hornby

AUDITOR

Ernst & Young LLP

Statutory Auditor

1 More London Place

London, SE1 2AF

SOLICITORS

Slaughter and May

One Bunhill Row

London, United Kingdom

Registered Office

5-7 Marshalsea Road

London SE1 1EP

Blubeckers Limited

STRATEGIC REPORT

The Directors present their strategic report for the 52 weeks ended 30 December 2018.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of Blubeckers Limited (the "Company") during the period continued to be the operation of pub restaurants. The Directors do not foresee any material changes to the activities of the Company.

BUSINESS REVIEW

Our pubs business is well positioned in the market with a compelling, differentiated food-led offer that consistently outperforms the pub restaurant sector. Strong operational execution, along with locally sourced produce, has attracted a loyal and increasing customer base who rate the offering highly, relative to our competitors.

We see opportunities to increase like-for-like sales through optimising our menu pricing architecture and developing better offerings for previously considered non-core occasions such as breakfast and afternoon tea. We will continue to look for ways we can maximise the use of technology, building on the success we've had in driving bookings.

Sales increased by 7.9% to £24,875,000 (2017: £23,050,000) and the Company delivered an operating profit before exceptional items of £3,611,000 (Restated 2017: £2,625,000).

KEY PERFORMANCE INDICATORS

The Board of Directors and executive management receive a wide range of management information delivered in a timely manner. Listed below are the principal measures of progress that are reviewed on a regular basis to monitor the development of the brands:

Like-for-like sales

This measure provides an indicator of the underlying performance of our existing restaurants. There is no accounting standard or consistent definition of 'like-for-like sales' across the industry. Company like-for-like sales are calculated by comparing the performance of all mature sites in the current period versus the comparable period in the prior year. Sites that are closed, disposed or disrupted during a financial year are excluded from the LFL calculation.

New sites opened

The expansion of the brands is a key driver of profitability. Potential new sites are subject to a rigorous appraisal process before they are presented to the Board for approval. This process ensures the quality is maintained as well as the quantity of sites opened.

Adjusted EBITDA

The ability of the Company to finance its rollout programme is aided by strong cash flows from the existing business. The Company defines adjusted EBITDA as operating profit before depreciation, amortisation and exceptional items. Adjusted EBITDA serves as a useful proxy for cash flows generated by operations and is closely monitored.

Operating profit margin

The Board and management closely monitor profit margins as an indicator of operating efficiency within restaurants and across the Company.

BLUBECKERS LIMITED
STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors regularly identify, monitor and manage potential risks and uncertainties to the Company and during the year, a robust assessment of the principal risks was carried out. The current principal risks and uncertainties facing the Company are listed below. This list is not presumed to be exhaustive and is, by its very nature, subject to change.

- adverse economic conditions and a decline in consumer confidence and spend in the UK;
- increased supply of new pub concepts into the market;
- lack of new site opportunities;
- failure to provide customers with brand standard value for money offerings and service levels;
- major failure of key suppliers to deliver products into the pubs;
- damage to our brands' images due to failure in environmental health compliance in the pubs or from contamination of products;
- the loss of key personnel or failure to manage succession planning;
- increases in prices of key raw materials (including foreign currency fluctuations), wages and overheads (including utilities);
- breakdown in internal controls through fraud or error, major failure of IT systems; and
- cyber security failure leading to data loss, disruption of services and trading or reputational damage.

In addition, the Company has risks associated with Brexit, and specifically a Hard Brexit scenario, in line with other UK businesses. The Company has established contingency plans for a range of Brexit scenarios with a key focus being on its ability to source fresh food from outside of the UK. For a number of products, alternative sources and routes into the country have been arranged, and where possible additional stock will be held in preparation. Where not possible, the Company has alternative contingency plans covering substitutions and menu alterations. In addition to the procurement risks, the Company has focussed on the attraction and retention of its workforce and has plans to support its EU workers.

Approved by the Board of Directors and signed on its behalf by:



Kirk Davis
Director
20 December 2019

Blubeckers Limited

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

RESULTS AND DIVIDENDS

The Report and Accounts are drawn up on a 52 week reporting basis ending 30 December 2018 with a comparative 52 week period ending 31 December 2017. The profit after taxation and before dividends for the year was £2,832,000 (Restated 2017: £3,529,000). No interim dividend was paid on during 2018 (2017: nil). The Directors do not recommend payment of a final dividend. A profit after taxation of £2,832,000 (Restated 2017: £3,529,000) will be transferred to reserves.

FUTURE DEVELOPMENTS

Details of future developments can be found as part of the Strategic Report on page 2.

FINANCIAL INSTRUMENTS

The Board of the Company regularly reviews the financial requirements of the Company within the context of its financing arrangements within the group of companies to which it belongs (The Restaurant Group plc). The Company and the Group do not use complicated financial instruments, and within the Group, where applicable financial instruments are used solely for the purpose of reducing interest rate risk. The Group operates a centralised cash pooling and payments system and the financial arrangements of the Group are principally transacted through The Restaurant Group plc and The Restaurant Group (UK) Limited, acting as a treasury function for other subsidiary companies of the Group. Due to the nature of the Company's operational and financial structure there is limited currency and credit risk. Credit risk exists through non-payment by customers although most transactions are settled either through cash or by credit cards, where the Group has an arrangement with major credit card suppliers. Currency risk is limited as the Company has no trading activity outside of the United Kingdom.

DIRECTORS

The names and details of the Company's directors in office during the period and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mary Willcock

Kirk D Davis (appointed 5 February 2018)

Andrew McCue (appointed 5 February 2018/resigned 30 June 2019)

Andrew Hornby (appointed 2 October 2019)

EMPLOYEES

All restaurants receive regular communication packs with updates of what is happening within the Company. There are processes in place for monthly meetings within restaurants to cascade information throughout the Company and, most importantly, senior managers spend a considerable amount of time visiting the restaurants and discussing matters with the teams. The staff handbook clearly sets out that the Company offers equal employment rights regardless of age, colour, gender, sexual orientation, disability or religion and this is reinforced from the recruitment process onwards. There are clear and fair terms of employment within the Company, all staff are provided with a contract of employment or service agreement and there are fully documented procedures in place for disciplinary issues and grievances raised by employees.

DISABLED EMPLOYEES

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

Blubeckers Limited

DIRECTORS' REPORT (CONTINUED)

DISABLED EMPLOYEES (CONTINUED)

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

DIRECTORS' LIABILITIES

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

EVENTS AFTER THE BALANCE SHEET DATE

No material events have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods

GOING CONCERN

The Company is in a net current liabilities position and made a profit after exceptional items of £2,832,000 in the 52 weeks ended 30 December 2018 (Restated 52 weeks ended 31 December 2017: profit of £3,529,000). The Company is part of The Restaurant Group plc, which the Directors believe, having made enquiries, has sufficient financial resources and has committed to provide financial support to the Company for at least twelve months from the balance sheet date. Based on the Company's plans for 2020 and after making enquiries (including preparation of reasonable trading forecasts, consideration of current financing arrangements and current headroom for liquidity), the Directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Blubeckers Limited

DIRECTORS' REPORT (CONTINUED)

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

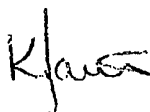
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Deloitte LLP resigned as auditor of the Company following the conclusion of the audit. Ernst & Young LLP have been appointed to replace Deloitte LLP.

Approved by the Board of Directors and signed on behalf by:

Kirk Davis
Director
20 December 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUBECKERS LIMITED

Opinion

We have audited the financial statements of Blubeckers Limited for the 52 weeks ended 30 December 2018 which comprise the Income Statement, Balance Sheet, Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 December 2018 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUBECKERS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUBECKERS LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 December 2019

Blubeckers Limited

INCOME STATEMENT

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

52 weeks ended 30 December 2018				
		Trading business	Exceptional items (Note 7)	Total
	Note	£'000	£'000	£'000
Revenue	3	24,875	-	24,875
Cost of sales		(20,312)	(28)	(20,340)
Gross profit		4,563	(28)	4,535
Administrative expenses		(952)	-	(952)
Operating profit	4	3,611	(28)	3,583
Profit on ordinary activities before taxation		3,611	(28)	3,583
Taxation on profit on ordinary activities	8	(751)	-	(751)
Profit on ordinary activities after taxation		2,860	(28)	2,832

52 weeks ended 31 December 2017				
		Trading business (Restated (Note 2))	Exceptional items (Note 7)	Total
	Note	£'000	£'000	£'000
Revenue	3	23,050	-	23,050
Cost of sales		(20,386)	1,068	(19,318)
Gross profit		2,664	1,068	3,732
Administrative expenses		(40)	-	(40)
Operating profit	4	2,624	1,068	3,692
Interest receivable		1	-	1
Profit on ordinary activities before taxation		2,625	1,068	3,693
Taxation on profit on ordinary activities	8	(179)	15	(164)
Profit on ordinary activities after taxation		2,446	1,083	3,529

All amounts relate to continuing activities. There is no comprehensive income other than the profit for the year in both the current and preceding financial periods.

The notes on pages 13 to 24 form part of these financial statements.

Blubeckers Limited

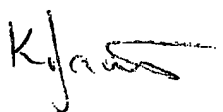
BALANCE SHEET

AS AT 30 DECEMBER 2018

		At 30 December 2018 £'000	Restated (Note 2) At 31 December 2017 £'000
	Note		
FIXED ASSETS			
Property, plant and equipment	9	20,645	20,983
		<u>20,645</u>	<u>20,983</u>
CURRENT ASSETS			
Stock	10	287	272
Other receivables	11	4,209	1
Cash at bank and in hand		23	22
		<u>4,519</u>	<u>295</u>
CREDITORS: amounts falling due within one year	12	(7,331)	(6,329)
NET CURRENT LIABILITIES		<u>(2,812)</u>	<u>(6,034)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,833</u>	<u>14,949</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax liabilities	13	(1,074)	(1,022)
NET ASSETS		<u>16,759</u>	<u>13,927</u>
EQUITY			
Called up share capital	14	5	5
Share premium account		456	456
Revaluation Reserve		4,299	4,299
Retained earnings		11,999	9,167
TOTAL EQUITY		<u>16,759</u>	<u>13,927</u>

The Board of Directors approved the financial statements of Blubeckers Limited (Company Registration number 01994330) on 20 December 2019 and were signed on behalf by:

Kirk Davis
Director



The notes on pages 13 to 24 form part of these financial statements.

Blubeckers Limited

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

	Share capital (note 14) £'000	Share premium account £'000	Revaluation reserve £'000	Retained earnings £'000	Total Equity £'000
At January 2017 - restated	5	456	8,650	1,287	10,398
Total comprehensive income for the year	-	-	-	3,529	3,529
Revaluation reserve transferred directly to retained earnings			(4,351)	4,351	-
At 31 December 2017 - restated	5	456	4,299	9,167	13,927
At 1 January 2018	5	456	4,299	9,167	13,927
Total comprehensive income for the year	-	-	-	2,832	2,832
At 30 December 2018	5	456	4,299	11,999	16,759

The notes on pages 13 to 24 form part of these financial statements.

Blubeckers Limited

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

1. GENERAL INFORMATION

Blubeckers Limited (Company Registration number 01994330) operates pubs throughout the UK. It is a private Company, limited by shares and is incorporated and domiciled in England and Wales. Its registered office is 5-7 Marshalsea Road, London, SE1 1EP.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The accounting year runs to a Sunday within seven days of 31 December each year which will be a 52 or 53 week period. The year ended 30 December 2018 was a 52 week period, with the comparative year to 31 December also being a 52 week period.

The financial statements are presented in pound sterling, rounded to the nearest thousand. They have been prepared on the historical cost basis.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

As permitted under FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to impairments, financial instruments, fair values, remuneration of key management personnel, presentation of a cash flow statement and certain related party transactions. This information is contained in the consolidated financial statements of The Restaurant Group plc, as set out in note 19.

2.2 Going concern basis

The Company is in a net current liabilities position and made a profit after exceptional items of £2,832,000 in the 52 weeks ended 30 December 2018 (Restated 52 weeks ended 31 December 2017: profit of £3,529,000). The Company is part of The Restaurant Group plc, which the Directors believe, having made enquiries, has sufficient financial resources and has committed to provide financial support to the Company for at least twelve months from the balance sheet date. Based on the Company's plans for 2020 and after making enquiries (including preparation of reasonable trading forecasts, consideration of current financing arrangements and current headroom for liquidity), the Directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

2.3 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Blubeckers Limited

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

2.3 Property, plant and equipment (Continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold land	Indefinite
Freehold buildings	50 years
Long and short leasehold property	Term of lease or 50 years, whichever is lower
Fixtures and equipment	3- 10 years
Motor vehicles	4 years
Computer equipment	3-5 years

The estimated useful lives and residual values applied are reviewed at each reporting date with any changes in estimates being applied prospectively.

2.4 Finance Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied properties (excluding land element) acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see accounting policy 2.3) and impairment losses (see accounting policy 2.5). Lease payments are accounted for as described in accounting policy 2.11.

2.5 Impairment

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment.

The Company formally determines whether property, plant and equipment are impaired by considering indicators of impairment annually. This requires the Company to determine the lowest level of assets which generate largely independent cash flows (cash generating units or 'CGU') and to determine their recoverable amount, based on estimating the value-in-use of these assets or CGUs; and compare these to their carrying value. Cash generating units are deemed to be individual units or a cluster of units depending on the nature of the trading environment in which they operate.

2.6 Stock

Stock represents foodstuffs, beverages and consumables and has been valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition and is determined in accordance with the weighted average stock costing model, including applicable discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

2.7 Other receivables

Other receivables are stated at their cost less impairment losses.

2.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

2.9 Revenue

Revenue represents amounts received and receivable for goods provided (excluding value added tax and voluntary gratuities left by customers for the benefit of employees) and is recognised at the point of sale. The Company does not act as franchisor in any trading relationship.

2.10 Commercial discount

Commercial discounts represent a reduction in cost of goods and services in accordance with negotiated supplier contracts, the majority of which are based on purchase volumes. Commercial discounts are recognised in the period in which they are earned and to the extent that any variable targets have been achieved in that financial period.

2.11 Operating lease payments

Fixed payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Contingent rents, such as turnover related rents, are recognised in the income statement as incurred. Incentives to enter into an operating lease are spread on a straight-line basis over the lease term as a reduction in rental expense.

2.12 Exceptional items

In order to illustrate the trading performance of the Company, presentation has been made of performance measures excluding those exceptional items which it is considered would distort the comparability of the Company's results. Exceptional items are defined as those items that, by virtue of their unusual nature or size, warrant separate additional disclosure in the financial statements in order to fully understand the performance of the Company.

The Company's income statement provides a reconciliation of the adjusted profitability measures, excluding exceptional items to the equivalent unadjusted IFRS measures. Exceptional items are then further detailed in note 7.

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

2.13 Onerous lease provisions

A provision for onerous lease is recognised when the expected benefits to be derived by the Company from a lease are lower than the unavoidable cost of meeting its obligations under the lease.

The Company provides for its onerous obligations under operating leases where the property is closed or vacant and for properties where the fixed cost is in excess of income. The amount provided is based on the lowest net cost of exiting the contract. Estimates have been made with respect to the time to exit, sublet or cover the fixed cost base, along with other associated exit costs as well as an evaluation of the cost of void period prior to sublet and the value of lease incentive which may be required to be paid as part of the sublet process.

2.14 Pre-opening expenses

Property rentals and related costs incurred up to the date of opening a new restaurant are written off to the Income Statement in the period in which they are incurred. Promotional and training costs are written off to the Income Statement in the period in which they are incurred.

2.15 Current and deferred taxation

Corporation tax payable is provided on the taxable profit at the current rate. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that are enacted, or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2.16 Dividends

In accordance with IAS 10 "Events after the Balance Sheet Date", dividends declared after the balance sheet date are not recognised as a liability at that balance sheet date, and are recognised in the financial statements when they have received approval by shareholders.

2.17 Critical accounting judgements

In the process of applying the Group's accounting policies as described above, management has made a number of judgements and estimations of which the following are the most significant:

2.18 Critical accounting estimates and assumptions

Onerous lease provisions

Provisions for onerous leases are identified as major sources of estimation uncertainty and by their nature are inherently judgemental. The Group provides for its onerous obligations under operating leases where the property is closed or vacant and for properties where the fixed cost is in excess of income. The amount provided is based on the lowest net cost of exiting the contract.

Estimates have been made with respect to the time to exit, sublet or cover the fixed cost base, along with other associated exit costs as well as an evaluation of the cost of void periods prior to sublet and the value of lease incentive which may be required to be paid as part of the sublet process.

In determining the provision, the risk adjusted cash flows have been discounted on a pre-tax basis using a risk free rate.

Blubeckers Limited

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

Critical accounting judgements (continued)

Onerous lease provisions (continued)

Changes in the EBITDA performance of each site could impact on the value of the provision. It is estimated that, a 10% decline in the EBITDA performance of the sites included in the provision would generate an additional provision of £nil.

Additionally, it is estimated that, should all leases with more than ten years remaining on the committed lease term be exited two years ahead of expiry, the provision would reduce by £nil.

A 1% increase in the risk free rate would reduce the provision by £nil while a reduction of similar magnitude would result in an additional provision of £nil.

Impairment of property, plant and equipment

The Company formally determines whether property, plant and equipment are impaired by considering indicators of impairment annually. This requires the Company to determine the lowest level of assets which generate largely independent cash flows (cash generating units or CGU) and to estimate the value in use of these assets or CGUs; and compare these to their carrying value. Cash generating units are deemed to be individual units or a cluster of units depending on the nature of the trading environment in which they operate.

Calculating the value in use requires the Company to make an estimate of the future cash flows of each CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimated future cash flows for each CGU are based on past experience and trading at the specific CGU. The discount rate used in the year ended 30 December 2018 for all CGUs was based on the Group's weighted average cost of capital of 9.2% (year ended 31 December 2017: 10.2%). The Directors believe the risks associated with each CGU are the same, considering they are all UK based, the nature of assets being tested for impairment is consistent, all CGUs are within the restaurant sector and cash flow projections are compiled in the same way for every CGU.

The key assumptions in the value-in-use calculations are the discount rate applied and the forecast cash flows. An increase or decrease of 1% in the discount rate would give rise to an additional or reduction in impairment of approximately £nil. The forecast cash flows are based on Board approved budgets and long term business plans covering the period to December 2020. These forecasts take into account management's experience of the specific sites and its long term expectations of the market. A 10% reduction in these forecast cash flows would result in an additional impairment of circa £nil.

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NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

2.19 RESTATEMENT OF COMPARATIVES

During the year, management have identified one item for which we have retrospectively amended the financial statements.

	As originally disclosed	Impairment	As restated
	£'000	£'000	£'000
Income statement			
Cost of sales before exceptional items	(20,477)	91	(20,386)
Profit after tax	3,438	91	3,529
Balance sheet at 31 December 2017			
Property, plant and equipment	21,696	(713)	20,983
Amounts owed to group undertakings	(4,704)	(46)	(4,750)
Deferred tax liabilities	(1,068)	46	(1,022)
Retained earnings	9,880	(713)	9,167
Consolidated changes in equity			
Retained earnings as at 1 January 2017	2,091	(804)	1,287

Impairment

As part of the year-end process, management reviewed and re-assessed the method by which central costs are allocated to the individual CGUs for the purposes of impairment testing. As a result an appropriate portion of the central costs were allocated to the CGUs to more accurately determine their future cash flows.

This change has been applied retrospectively to the 1 January 2017 balance sheet. This has resulted in a write down of the 1 January 2017 Property, plant and equipment values of £0.7m, a reduction in depreciation of £0.1m and corresponding reduction in opening Retained earnings.

Blubeckers Limited

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

3. REVENUE

All revenue has been generated from principal trading activities within the United Kingdom.

4. OPERATING PROFIT/ (LOSS)

This is stated after charging/ (crediting):

	2018 £'000	2017 (Restated Note 2) £'000
Cost of sales consists of the following:		
Trading cost of sales	20,312	20,386
Exceptional charge / (credit)	28	(1,068)
Total cost of sales for the year	20,340	19,318

	2018 £'000	2017 (Restated Note 2) £'000
Depreciation	858	1,318
Impairment of property, plant and equipment	-	1,148
Staff costs (see Note 5)	8,992	8,132
Minimum lease payments	758	819
Contingent rents	(6)	-
Total operating lease rentals of land and buildings	752	819

5. STAFF COSTS & NUMBERS

The average monthly number of staff employed by the Company during the period amounted to:

Employees

	2018	2017
Restaurant staff	564	561
Administration staff	1	1
	565	562

	2018 £'000	2017 £'000
Wages and salaries	8,426	7,656
Social security costs	486	430
Pension costs	80	46
	8,992	8,132

Blubeckers Limited

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

6. DIRECTORS REMUNERATION

None of the Directors received any remuneration from the Company during the year. All of the Directors during the year were also directors of The Restaurant Group (UK) Limited and Brunning and Price Limited and were remunerated in that capacity.

7. EXCEPTIONAL ITEMS

	2018	2017
	£'000	£'000
Impairment of fixed assets	-	(1,148)
Onerous lease cost	28	80
Profit/(loss) before tax	28	(1,068)
Tax effect of exceptional Items	-	(15)
Total exceptional items	28	(1,083)

An exceptional pre-tax charge of £28k has been recorded in the year (2017: £80k) relating to the release of the onerous lease provision.

8. TAXATION

The taxation charge comprises:

	2018	2017
	£'000	£'000
<i>Current taxation</i>		
Current tax on profits for the year	689	549
Adjustment in respect of prior years	10	9
	699	558
<i>Deferred taxation</i>		
Current year	68	(157)
Adjustments in respect of previous years	(9)	(255)
Effect of changes in tax rates	(7)	18
	52	(394)
Total tax charge	751	164

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NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

8. TAXATION (CONTINUED)

Factors affecting the tax charge for the year

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	3,583	3,693
Profit on ordinary activities before taxation multiplied by the standard UK corporation tax rate of 19% (2017: 19.25%)	681	711
<i>Effects of:</i>		
Adjustments in respect of prior years	1	(245)
Expenses not deductible	11	25
Transfer pricing adjustments	(12)	(35)
Tax rate changes	(7)	13
Exempt depreciation	77	62
Revaluations	-	(367)
Total tax charge	751	164

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Fixtures, equipment and vehicles £'000	Total £'000
<i>Cost:</i>			
At 1 January 2018 (Restated Note 2)	30,513	8,957	39,470
Additions	371	205	576
Disposals	(70)	(5)	(75)
At 30 December 2018	30,814	9,157	39,971
<i>Accumulated depreciation and impairment:</i>			
At 1 January 2018 (Restated Note 2)	10,360	8,127	18,487
Provided during the year	614	244	858
Disposals	(13)	(6)	(19)
At 30 December 2018	10,961	8,365	19,326
<i>Net book values:</i>			
At 30 December 2018	19,853	792	20,645
At 31 December 2017 (Restated Note 2)	20,153	830	20,983

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NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2018	2017 (Restated Note 2)
	£'000	£'000
<i>Net book value of land and buildings:</i>		
Freehold	18,242	18,871
Short leasehold	1,611	1,282
	<u>19,853</u>	<u>20,153</u>

10. STOCK

Stock comprises raw materials and consumables and has been valued at the lower of cost and estimated net realisable value. The replacement cost at 30 December 2018 is not considered by the Directors to be materially different from the balance sheet value. The Company recognised £6.1m of purchases as an expense in 2018 (2017: £6.1m).

11. OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Prepayments and accrued income	-	1
Amount receivable from other group undertakings	4,209	-
	<u>4,209</u>	<u>1</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 December 2018	31 December 2017 (Restated Note 2)
	£'000	£'000
Trade creditors	13	-
Amounts owed to group undertakings	5,271	4,750
Corporation tax	689	548
Other creditors	740	-
Accruals	618	1,031
	<u>7,331</u>	<u>6,329</u>

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NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

13. DEFERRED TAXATION

	2018	2017 (Restated Note 2)
	£'000	£'000
Balance at beginning of the year	1,022	1,461
Deferred tax charge to income statement for the period	61	(138)
Adjustment in respect of prior years	(9)	(301)
Balance at the end of the year	1,074	1,022

	2018	2017 (Restated Note 2)
	£'000	£'000
<i>Deferred tax consists of:</i>		
Accelerated capital allowances	423	372
Revaluation	651	650
	1,074	1,022

14. SHARE CAPITAL

	2018	2017
	£'000	£'000
<i>Authorised, issued and fully paid:</i>		
5,219 Ordinary shares of £1 each	5	5

15. FINANCE LEASE COMMITMENTS

The company had no commitments contracted but not provided for in the financial statements at 30 December 2018 (31 December 2017: £Nil).

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NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

16. LEASE COMMITMENTS

Future lease payments in respect of operating leases are due as follows:

The total future minimum rentals payable under operating leases over the remaining lives of the leases are:

	Payable 2018 £'000	Payable 2017 £'000
<i>Payments due:</i>		
Within one year	648	748
Within two to five years	1,993	2,624
After five years	3,460	4,975
	6,101	8,347

The Company has entered into a number of property leases on standard commercial terms. There are no restrictions imposed by the Company's operating lease arrangements, either in the current or prior year.

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption as a wholly owned member of The Restaurant Group plc from disclosing related party transactions and balances with other wholly owned members of The Restaurant Group plc group.

18. ULTIMATE PARENT UNDERTAKING

The Restaurant Group plc, which is registered in Scotland, 1 George Square, Glasgow G2 1AL (Registration No. SC30343) is the ultimate parent undertaking, the controlling party and the parent undertaking of the smallest and largest group for which group financial statements are prepared. Copies of financial statements of The Restaurant Group plc can be obtained from the Company Secretary at 5-7 Marshalsea Road, Borough, London SE1 1EP.