

Company Registration No. 05786163

Underdog Restaurants Limited

Report and Financial Statements

For the year ended 31 December 2012



Underdog Restaurants Limited

Report and financial statements 2012

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Underdog Restaurants Limited

Report and financial statements 2012

Officers and professional advisers

Directors

W J J Beckett
H J R Gott
P A Campbell
J A Herring
A McLauchlan

Secretary

A McLauchlan

Registered Office

Unit 402
70 Wapping Wall, London
E1W 3SS

Auditor

Deloitte LLP
Chartered accountants and statutory auditor
Reading, United Kingdom

Underdog Restaurants Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities and business review

The principal activity of the company in the year under review was to operate restaurants under the 'Hawksmoor' brand

The directors consider the results for the year to demonstrate strong performance in the spite of continued economic difficulties that prevailed during the financial year

The directors consider turnover and EBITDA (earnings before interest, taxation, depreciation and amortisation) as the key performance indicators for the company. Turnover for the year increased from £10,627k in 2011 to £18,070k in 2012, with underlying EBITDA rising to £2,686k from £1,716k in comparison to 2011. The primary drivers of the improved performance coming from strong like for like sales in the existing restaurants together with the inclusion of the new restaurants at Guildhall and Air Street in late 2011 and 2012 respectively

The directors expect the results to continue to reflect the business' growing popularity and successful branding

Principal risks and uncertainties

The company looks to manage the principal risks and uncertainties, arising from both internal and external factors that could impact the company's performance. The company has risk management processes to identify, monitor and evaluate such issues as they emerge, enabling the Board to take appropriate action where possible

Economic and market risk

The economic environment and general consumer sentiment have a significant bearing on the success of the company. Consumer spending has been affected by the continuing economic difficulties experienced in the United Kingdom. Furthermore, the company is exposed to the market risks associated with the activities and operation of competing restaurants

The company is committed to maintaining a highly desirable customer experience. Internal processes ensure that the company is well-positioned to react to market pressures while continuing to deliver a high quality product at competitive prices to its customers

Operational efficiency and cost control

The company faces growing internal and external cost pressures. These pressures are managed with a focus on improving supply chain management, operational efficiency and appropriately robust cost control. The company is constantly looking to implement new initiatives to improve efficiency across its restaurants, resulting in lower operating costs without compromising product quality or service levels

Financing and treasury

Key to the financial success of the business is the availability of sufficient finance to allow the company to meet its obligations and to enable it to continue to fund its growth through investment in new restaurants and in improving its existing venues. The company continues to monitor its working capital position and thus mitigate liquidity risk

The nature of the business is such that there is minimal exposure to credit risk, foreign currency exchange risk or interest rate risk.

Underdog Restaurants Limited

Directors' report

Going concern

During the year the company made an operating profit of £1,421k (2011 £1,187k). The balance sheet showed net current liabilities of £2,245k (2011 £751k), chiefly due to continued investment in existing and new restaurants and the timing of the working capital cycle.

The directors, for the reasons set out in the Accounting Policies together with a capital structure that has appropriately manageable long-term financing, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Political and charitable contributions

During the year company made charitable donations of £28k (2011 £18k) for the benefit of various charities.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company and that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

Dividends

The directors did not recommend the payment of a dividend in the year (2011 £nil).

Directors

The directors who served in the year, except as noted, are presented on page 1 of the annual report.

Statement as to disclosure of information to auditor

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

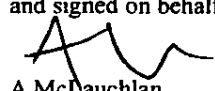
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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 have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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


A McLauchlan
Secretary

30th April 2013

Underdog Restaurants Limited

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). 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 with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Underdog Restaurants Limited

We have audited the financial statements of Underdog Restaurants Limited for the year ended 31 December 2012, which comprise the profit and loss account, the balance sheet, and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Jason Davies ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

30 April 2013

Underdog Restaurants Limited

Profit and loss account For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	18,070	10,627
Cost of sales		(11,725)	(7,048)
Gross profit		<u>6,345</u>	<u>3,579</u>
Administrative expenses		(4,981)	(2,412)
Other operating income		1,364 57	1,167 20
Operating profit	3	<u>1,421</u>	<u>1,187</u>
Interest payable and similar charges		(75)	-
Profit on ordinary activities before taxation		<u>1,346</u>	<u>1,187</u>
Tax on profit on ordinary activities	5	(299)	(312)
Profit for the financial year		<u><u>1,047</u></u>	<u><u>875</u></u>

All amounts reported in the profit and loss account relate to continuing operations

There were no recognised gains or losses during the current or prior year other than the loss or profit for that financial year. Accordingly, no statement of total recognised gains and losses has been presented

Underdog Restaurants Limited

Balance sheet

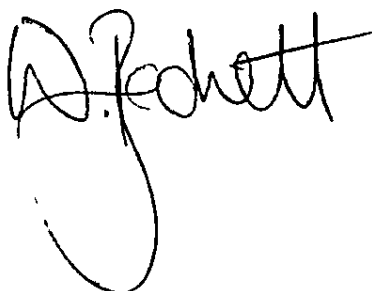
As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	6	6,541	3,250
Current assets			
Stocks		392	309
Debtors amounts due within one year	7	722	342
Debtors amounts due after one year	7	378	195
Cash at bank and in hand		770	938
		<u>2,262</u>	<u>1,784</u>
Creditors: amounts falling due within one year	8	<u>(4,507)</u>	<u>(2,535)</u>
Net current liabilities		<u>(2,245)</u>	<u>(751)</u>
Total assets less current liabilities		4,296	2,499
Creditors: amounts falling due after year	9	(750)	-
Provisions for liabilities	10	<u>(127)</u>	<u>(127)</u>
Net assets		<u>3,419</u>	<u>2,372</u>
Capital and reserves			
Called up share capital	14	-	-
Share premium	15	1,001	1,001
Profit and loss account	15	<u>2,418</u>	<u>1,371</u>
Shareholders' funds		<u>3,419</u>	<u>2,372</u>

The financial statements of Underdog Restaurants Limited, registered number 05786163 were approved by the Board of Directors and authorised for issue on 30th April 2013

Signed on behalf of the Board of Directors

W J J Beckett
Director



Underdog Restaurants Limited

Cashflow statement Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	11	2,596	2,120
Returns on investments and servicing of finance		(75)	-
Taxation		(248)	(46)
Capital expenditure and financial investment		(3,941)	(1 927)
Cash (outflow)/inflow before management of liquid resources and financing		(1,688)	147
Financing	12	1,500	-
(Decrease)/increase in cash in the year		(168)	147

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The accounting policies adopted by the company are set out below and have been applied consistently throughout the year and are consistent with the preceding year

Going concern

The directors have reviewed the current and projected financial position of the company and, notwithstanding the current uncertain economic climate and having taken into account that the company has appropriately manageable long-term financing, fully expect that the company will have access to adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

Turnover

Turnover represents restaurant and bar takings registered at point of sale through electronic tills, excluding any discretionary service charge and value added tax

Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Leasehold expenditure	- over the duration of the lease
Plant and machinery	- 33 33% straight line on cost
Fixtures and fittings	- 20% straight line on cost

Stocks

Stocks are valued at the lower of cost and net realisable value on a first-in-first-out basis, after making due allowance for obsolete and slow moving items

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the relevant tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

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

Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease even if payments are not made on such a basis. In accordance with UITF 28, the aggregate benefit of any rent free period under rental operating leases is also taken to income on a straight-line basis over the period to the first rent review

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2012

2. Turnover

Turnover, attributable to continuing operations, is derived from the sale of food, wines, spirits, other beverages and sundry items. The origin and destination of all turnover was the United Kingdom.

3. Operating profit

The operating profit is stated after charging

	2012 £'000	2011 £'000
Depreciation – owned assets	650	268
Auditor's remuneration	22	22
Operating lease rentals – other	602	232
	<u> </u>	<u> </u>
Directors' remuneration and other benefits etc	370	151
	<u> </u>	<u> </u>

4. Staff costs

The average monthly number of employees (including executive directors) was 296 (2011: 168). Their aggregate remuneration comprised

	2012 £'000	2011 £'000
Wages and salaries	5,930	3,290
Social security costs	494	273
Pension contributions to private schemes	5	-
	<u> </u>	<u> </u>
	6,429	3,563
	<u> </u>	<u> </u>

The highest paid director in the year received emoluments of £120,000 (2011: £90,000).

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2012

5. Taxation

(a) Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2012 £'000	2011 £'000
Current tax		
UK corporation tax	308	257
Overprovision in prior years	(9)	-
Total current tax	299	257
Deferred tax	-	55
Tax on profit on ordinary activities	299	312

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year varies from the effective rate of corporation tax in the UK of 24.5% (2011 26.5%) The differences are reconciled below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	1,346	1,187
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK at 24.5% (2011 26.5%)	330	315
Expenditure not deductible for tax purposes	6	3
Timing differences on fixed assets	(28)	(61)
Adjustment to tax charge in respect of previous periods	(9)	-
Total current tax (note 4 (a))	299	257

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2012

6 Tangible fixed assets

	Leasehold expenditure £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2012	2,399	616	633	3,648
Additions	3,014	627	300	3,941
At 31 December 2012	5,413	1,243	933	7,589
Accumulated depreciation				
At 1 January 2012	116	152	130	398
Charge for the year	207	233	210	650
At 31 December 2012	323	385	340	1,048
Net book value				
At 31 December 2012	5,090	858	593	6,541
At 31 December 2011	2,283	464	503	3,250

7 Debtors

Amounts falling due within one year

	2012 £'000	2011 £'000
Trade debtors	411	163
Other debtors	30	75
Prepayments	281	104
	722	342

Amounts falling due after more than one year

	2012 £'000	2011 £'000
Other debtors	378	195

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Notes to the financial statements Year ended 31 December 2012

8. Creditors, amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans and overdrafts	750	-
Trade creditors	917	939
Corporation tax	308	257
Other taxation and social security	1,171	642
Other creditors	458	233
Accruals and deferred income	903	464
	<u>4,507</u>	<u>2,535</u>

9. Creditors: amounts falling due after one year

	2012 £'000	2011 £'000
Bank loans	750	-
	<u>750</u>	<u>-</u>

The bank loan is secured by a fixed and floating charge over the Company's assets and is repayable in quarterly instalments over two years commencing March 2013. Interest is charged at LIBOR + 3.95%.

10. Provisions for liabilities and charges

	2012 £'000	2011 £'000
Provision for deferred taxes	<u>127</u>	<u>127</u>
		Deferred tax
		£'000
On accelerated capital allowances		
Balance at 1 January 2012		127
Profit and loss account		-
Balance at 31 December 2012		<u>127</u>

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Notes to the financial statements Year ended 31 December 2012

11 Reconciliation of operating profit to operating cash flows

	2012 £'000	2011 £'000
Operating profit	1,421	1,187
Depreciation	650	268
Increase in stocks	(83)	(205)
Increase in debtors	(563)	(349)
Increase in creditors	1,171	1,219
Net cash inflow from operating activities	2,596	2,120

12. Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
(Decrease)/increase in cash in the year	(168)	147
Cash flow from increase in debt	(1,500)	-
Change in net debt resulting from cash flows	(1,668)	147
Movement in net debt in the year	(1,668)	147
Net debt brought forward	938	791
Net debt carried forward	(730)	938

13. Analysis of net debt

	31 December 2011 £'000	Acquisitions £'000	Cash flow £'000	Non-cash movements £'000	31 December 2012 £'000
Cash	938	-	(168)	-	770
Bank overdrafts	-	-	-	-	-
	938	-	(168)	-	770
Debt due within one year	-	-	(750)	-	(750)
Debt due after one year	-	-	(750)	-	(750)
Total	938	-	(1,668)	-	(730)

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2012

14. Called up share capital

	2012 £	2011 £
Allotted, issued and fully paid		
9,500 Ordinary "A" shares of 1p each	95	95
1,820 Ordinary "B" shares of 1p each	18	18
7,400 Ordinary "C" shares of 1p each	74	74
	<u>187</u>	<u>187</u>

The company has three classes of ordinary share, each of which carries no right to fixed income. All shares are ranked *pari passu*.

15. Reserves

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2012	1,371	1,001	2,372
Profit for the year	<u>1,047</u>	<u>-</u>	<u>1,047</u>
At 31 December 2012	<u>2,418</u>	<u>1,001</u>	<u>3,419</u>

16. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2012 £'000	2011 £'000
Expiring		
Between two and five years	32	32
In more than five years	<u>675</u>	<u>303</u>

17. Related party disclosures

Controlling parties

The Company is not controlled by a single controlling party