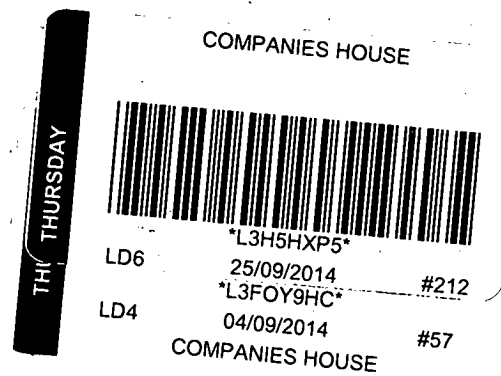


Company Registration No. 05786163

Underdog Restaurants Limited

Report and Financial Statements

For the year ended 31 December 2013



Underdog Restaurants Limited

Report and financial statements 2013

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Underdog Restaurants Limited

Report and financial statements 2013

Officers and professional advisers

Directors

W J J Beckett

H J R Gott

P A Campbell

J A Herring (resigned 26 July 2013)

K E D Jones (appointed 26 July 2013)

A McLauchlan

Secretary

A McLauchlan

Registered Office

Unit 402

70 Wapping Wall, London

E1W 3SS

Underdog Restaurants Limited

Strategic report

The directors, in preparing the strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

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

Business review and future developments

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 £18,070k in 2012 to £25,566k in 2013, with underlying EBITDA rising to £4,792k from £2,686k in comparison with 2012.

The primary drivers of the improved performance coming from strong like for like sales in the existing restaurants together with the inclusion a full year trading for the restaurant at Air Street which opened in late 2012. The directors expect the results to continue to reflect the business's growing popularity and successful branding.

On 26 July 2013 the company was acquired by Underdog Group (C) Limited for consideration of £38,128k satisfied in cash.

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

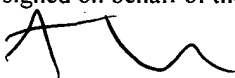
The company continues to encounter internal and external cost challenges. These challenges are managed with a focus on improving supply chain management, operational efficiency and appropriately robust cost control. The company is constantly looking to implement new initiatives to improve efficiency 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.

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


A McLauchlan
Director

15 May 2014

Underdog Restaurants Limited

Directors' report

The directors present their annual report on the affairs of the company together with the financial statements for the year ended 31 December 2013.

Going concern

During the year the company made an operating profit of £3,753k (2012: £1,421k). The balance sheet showed net current assets of £450k (2012: net current liabilities of £2,245k).

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 (2012: £28k) 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 (2012: £nil).

Directors

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

Exemption from audit

For the year ending 31 December 2013 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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



A McLauchlan
Director

15 May 2014

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 members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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.

Underdog Restaurants Limited

Profit and loss account For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	25,566	18,070
Cost of sales		(15,141)	(11,533)
Gross profit		10,425	6,537
Administrative expenses		(6,729)	(5,173)
Other operating income		57	57
Operating profit	2	3,753	1,421
Interest payable and similar charges		(38)	(75)
Profit on ordinary activities before taxation		3,715	1,346
Tax on profit on ordinary activities	4	(886)	(299)
Profit for the financial year		2,829	1,047

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 separate statement of total recognised gains and losses has been presented.

Underdog Restaurants Limited


Balance sheet As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	5	5,923	6,541
Current assets			
Stocks		364	392
Debtors: amounts due within one year	6	2,529	722
Debtors: amounts due after one year	6	383	378
Cash at bank and in hand		1,959	770
		<u>5,235</u>	<u>2,262</u>
Creditors: amounts falling due within one year	7	<u>(4,785)</u>	<u>(4,507)</u>
Net current assets/(liabilities)		<u>450</u>	<u>(2,245)</u>
Total assets less current liabilities		<u>6,373</u>	<u>4,296</u>
Creditors: amounts falling due after year	8	-	(750)
Provisions for liabilities	9	<u>(103)</u>	<u>(127)</u>
Net assets		<u>6,270</u>	<u>3,419</u>
Capital and reserves			
Called up share capital	10	-	-
Share premium	11	1,023	1,001
Profit and loss account	11	<u>5,247</u>	<u>2,418</u>
Shareholders' funds		<u>6,270</u>	<u>3,419</u>

The financial statements of Underdog Restaurants Limited, registered number 05786163 were approved by the Board of Directors and authorised for issue on 5th May 2014.

For the year ended 31 December 2013 the company was entitled to exemption from audit under section 479a of the Companies Act 2006 relating to subsidiary companies.

Signed on behalf of the Board of Directors



A McLauchlan
Director

Underdog Restaurants Limited

Statement of changes in equity Year ended 31 December 2013

	Called-up share capital £	Share premium £	Profit and loss account £	Total £
At 31 December 2011 as previously stated	-	1,001	1,371	2,372
Changes on transition to FRS 102 (see note 14)	-	-	-	-
At 1 January 2012 as restated	-	1,001	1,371	2,372
Total comprehensive income	-	-	1,047	1,047
At 31 December 2012	-	1,001	2,418	3,419
Total comprehensive income	-	22	2,829	2,851
At 31 December 2013	-	1,023	5,247	6,270

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements had no material adjustments following the Company's early adoption of FRS 102 in the current year. For more information see note 14. 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.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to the presentation of a cashflow statement and remuneration of key management personnel.

Going concern

The directors have reviewed the current and projected financial position of the company 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. The origin and destination of all turnover was the United Kingdom.

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	- 33.33% 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 substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies (continued)

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. The aggregate benefit of any rent-free period or similar incentive under rental operating leases is also recognised on a straight-line basis over the full lease period. The Company has taken the transitional allowance on existing leases to not restate those lease incentives accounted for under UITF 28.

2. Operating profit

The operating profit is stated after charging:

	2013 £'000	2012 £'000
Depreciation – owned assets	907	650
Operating lease rentals – other	662	602
	<u> </u>	<u> </u>
Directors' remuneration and other benefits etc	530	370
	<u> </u>	<u> </u>

3. Staff costs

The average monthly number of employees (including executive directors) was 402 (2012: 296). Their aggregate remuneration comprised:

	2013 £'000	2012 £'000
Wages and salaries	7,644	5,930
Social security costs	625	494
Pension contributions to private schemes	33	5
	<u> </u>	<u> </u>
	8,302	6,429
	<u> </u>	<u> </u>

The highest paid director in the year received emoluments of £173,000 (2012: £120,000)

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

4. Taxation

(a) Analysis of the tax charge

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

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	906	308
Overprovision in prior years	4	(9)
Total current tax	910	299
Deferred tax	(24)	-
Tax on profit on ordinary activities	886	299

(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 23.5% (2012: 24.5%). The differences are reconciled below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	3,715	1,346
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK at 23.5% (2012: 24.5%)	873	330
Expenditure not deductible for tax purposes	4	6
Timing differences on fixed assets	29	(28)
Adjustment to tax charge in respect of previous periods	4	(9)
Total current tax (note 4 (a))	910	299

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

5. Tangible fixed assets

	Leasehold expenditure £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2013	5,413	1,243	933	7,589
Additions	114	117	58	289
At 31 December 2013	5,527	1,360	991	7,878
Accumulated depreciation				
At 1 January 2013	323	385	340	1,048
Charge for the year	301	344	262	907
At 31 December 2013	624	729	602	1,955
Net book value				
At 31 December 2013	4,903	631	389	5,923
At 31 December 2012	5,090	858	593	6,541

6. Debtors

Amounts falling due within one year:

	2013 £'000	2012 £'000
Trade debtors	465	411
Amounts owed by group undertakings	1,572	-
Other debtors	97	30
Prepayments	395	281
	2,529	722

Amounts falling due after more than one year:

	2013 £'000	2012 £'000
Other debtors	383	378

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

7. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loans and overdrafts	-	750
Trade creditors	1,037	917
Amounts owed to group undertakings	274	-
Corporation tax	906	308
Other taxation and social security	1,164	1,171
Other creditors	498	458
Accruals and deferred income	906	903
	<u>4,785</u>	<u>4,507</u>

8. Creditors: amounts falling due after one year

	2013 £'000	2012 £'000
Bank loans	-	750
	<u>-</u>	<u>750</u>

The bank loan was repaid during the year following the acquisition of Underdog Restaurants Limited by Underdog Group (C) Limited.

9. Provisions for liabilities and charges

	2013 £'000	2012 £'000
Provision for deferred taxes	<u>103</u>	<u>127</u>
		Deferred tax
		£'000
On accelerated capital allowances		127
Balance at 1 January 2013		(24)
Profit and loss account		<u>103</u>
Balance at 31 December 2013		<u>103</u>

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

10. Called up share capital

	2013 £	2012 £
Allotted, issued and fully paid		
9,500 Ordinary "A" shares of 1p each	95	95
2,822 Ordinary "B" shares of 1p each	28	18
7,400 Ordinary "C" shares of 1p each	74	74
	<u>197</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*.

During the year the company issued 1,002 "B" shares for consideration of £21,710.

11. Reserves

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2013	2,418	1,001	3,419
New share issue	-	22	22
Profit for the year	<u>2,829</u>	<u>-</u>	<u>2,829</u>
At 31 December 2013	<u>5,247</u>	<u>1,023</u>	<u>6,270</u>

12. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2013 £'000	2012 £'000
Expiring:		
Between two and five years	32	32
In more than five years	<u>675</u>	<u>675</u>

13. Control

At the balance sheet date, the directors consider Underdog Group (C) Limited, a company incorporated in the United Kingdom, to be the parent company. The smallest and largest group into which the results of the company are consolidated is that headed by Underdog Group Limited.

Copies of the consolidated financial statements can be obtained from Underdog Group Limited, Unit 402, 70 Wapping Wall, London E1W 3SS.

The directors do not consider there to be an ultimate controlling party.

Underdog Restaurants Limited

Notes to the financial statements Year ended 31 December 2013

14. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, following the Company's early adoption of the standard. The following disclosures are required in the year of transition.

The last financial statements under previous UK GAAP were for the year ended 31 December 2012 and the date of transition to FRS 102 was therefore 1 January 2013. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. No changes have had a material impact on the financial statements.