

Company Registration No. 05786163

Underdog Restaurants Limited

Report and Financial Statements

For the year ended 31 December 2018

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Underdog Restaurants Limited

Report and financial statements 2018

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Underdog Restaurants Limited

Report and financial statements 2018

Officers and professional advisers

Directors

W Beckett
H Gott
P Campbell
K Jones
A McLauchlan
T Gould (appointed 31 December 2018)

Secretary

A McLauchlan

Registered Office

Jack's Place, Unit B,
6 Corbet Place,
London
E1 6NN

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 £38.8m in 2017 to £42.0m in 2018, with underlying EBITDA rising from £5.5m in 2017 to £6.0m in 2018.

A new restaurant opened in Edinburgh in the summer of 2018. The company recorded an operating deficit as a result of the impairment of an intercompany loan not deemed recoverable following the appointment of liquidators to a subsidiary company.

The directors expect the results to continue to reflect the business's growing popularity and look forward to the first international opening of a restaurant in New York in early 2020.

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. 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 generates strong cashflows and 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

30th September 2019

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 2018.

Going concern

During the year the company made an operating loss of £3,372k (2017: profit of £3,376k) primarily as a result of the impairment of an intercompany loan not deemed recoverable. The balance sheet showed net current assets of £3,541k (2017: net assets of £9,056k).

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 £26k (2017: £42k) 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 (2017: £nil).

Directors

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

Exemption from audit

For the year ending 31 December 2018 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

30th September 2019

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 judgements 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 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.

Underdog Restaurants Limited

Profit and loss account

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	41,985	38,809
Cost of sales		(24,914)	(23,171)
Gross profit		17,071	15,638
Administrative expenses		(13,271)	(12,345)
Impairment of intercompany loan		(7,180)	-
Other operating income		8	83
Operating (loss)/profit	2	(3,372)	3,376
Interest payable and similar charges		-	-
(Loss)/profit on ordinary activities before taxation		(3,372)	3,376
Tax on (loss)/profit on ordinary activities	3	(817)	(863)
(Loss)/profit for the financial year		(4,189)	2,513

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 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 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	4	10,335	8,976
Current assets			
Stocks		878	694
Debtors: amounts due within one year	5	8,421	14,539
Debtors: amounts due after one year	5	202	202
Cash at bank and in hand		5,236	601
		<u>14,737</u>	<u>16,036</u>
Creditors: amounts falling due within one year	6	<u>(11,196)</u>	<u>(6,980)</u>
Net current assets		<u>3,541</u>	<u>9,056</u>
Total assets less current liabilities		<u>13,876</u>	<u>18,032</u>
Provisions for liabilities	8	<u>(147)</u>	<u>(114)</u>
Net assets		<u>13,729</u>	<u>17,918</u>
Capital and reserves			
Called up share capital	9	-	-
Share premium	10	1,023	1,023
Profit and loss account	10	<u>12,706</u>	<u>16,895</u>
Shareholders' funds		<u>13,729</u>	<u>17,918</u>

The financial statements of Underdog Restaurants Limited, registered number 05786163 were approved by the Board of Directors and authorised for issue on 30th September 2019.

For the financial year in question 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 in question 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.

Signed on behalf of the Board of Directors



Alex McLauchlan
Director

Underdog Restaurants Limited

Statement of changes in equity Year ended 31 December 2018

	Called-up share capital £	Share premium £	Profit and loss account £	Total £
At 31 December 2016	-	1,023	14,382	15,405
Total comprehensive income	-	-	2,513	2,513
At 31 December 2017	-	1,023	16,895	17,918
Total comprehensive income	-	-	(4,189)	(4,189)
At 31 December 2018	-	1,023	12,706	13,729

Underdog Restaurants Limited

Notes to the financial statements

Year ended 31 December 2018

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 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 cash flow statement and remuneration of key management personnel.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates are associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to the changes on the estimates or assumptions.

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.

Underdog Restaurants Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

1. Accounting policies (continued)

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.

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:

	2018 £'000	2017 £'000
Depreciation – owned assets	1,481	1,158
Impairment of fixed assets	-	587
Impairment of intercompany loan	7,180	-
Operating lease rentals – other	1,922	1,730
	<u>649</u>	<u>579</u>
Directors' remuneration and other benefits etc		

3. Staff costs

The average monthly number of employees (including executive directors) was 614 (2017: 600). Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	13,291	12,444
Social security costs	1,095	1,004
Pension contributions to private schemes	300	137
	<u>14,686</u>	<u>13,585</u>

The highest paid director in the year received emoluments of £182,000 (2017: £173,000)

Underdog Restaurants Limited

Notes to the financial statements (continued) Year ended 31 December 2018

4. Taxation

(a) Analysis of the tax charge

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

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	780	796
(Over)/underprovision in prior years	4	144
Total current tax	784	940
Deferred tax	33	(77)
Tax on profit on ordinary activities	817	863

(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 19% (2017: 19%). The differences are reconciled below:

	2018 £'000	2017 £'000
(Loss)/profit on ordinary activities before tax	(3,372)	3,376
(Loss)/profit on ordinary activities multiplied by the effective rate of corporation tax in the UK at 19% (2017: 19%)	(641)	641
Expenditure not deductible for tax purposes	1,368	5
Timing differences on fixed assets	53	150
Adjustment to tax charge in respect of previous periods	4	144
Total current tax (note 4 (a))	784	940

Underdog Restaurants Limited

Notes to the financial statements (continued) Year ended 31 December 2018

5. Tangible fixed assets

	Leasehold expenditure £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2018	10,729	2,527	2,344	15,600
Additions	1,987	350	503	2,840
Disposals	-	-	(15)	(15)
At 31 December 2018	12,716	2,877	2,832	18,425
Accumulated depreciation				
At 1 January 2018	3,072	1,840	1,712	6,624
Charge for the year	770	318	393	1,481
Disposals	-	-	(15)	(15)
At 31 December 2018	3,842	2,158	2,090	8,090
Net book value				
At 31 December 2018	8,874	719	741	10,335
At 31 December 2017	7,657	687	632	8,976

6. Debtors

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade debtors	759	963
Amounts owed by group undertakings	6,703	12,479
Other debtors	339	513
Prepayments	620	584
	<u>8,421</u>	<u>14,539</u>

Amounts falling due after more than one year:

	2018 £'000	2017 £'000
Other debtors	<u>202</u>	<u>202</u>

Underdog Restaurants Limited

Notes to the financial statements (continued) Year ended 31 December 2018

7. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	2,496	2,130
Amounts owed to group undertakings	4,751	1,268
Corporation tax	556	575
Other taxation and social security	1,223	1,012
Other creditors	484	406
Accruals and deferred income	1,686	1,589
	<u>11,196</u>	<u>6,980</u>

8. Provisions for liabilities and charges

	2018 £'000	2017 £'000
Provision for deferred taxes	147	114
		Deferred tax
		£'000
On accelerated capital allowances		
Balance at 1 January 2018		114
Profit and loss account		33
Balance at 31 December 2018		<u>147</u>

9. Called up share capital

	2018 £	2017 £
Allotted, issued and fully paid		
9,500 Ordinary "A" shares of 1p each	95	95
2,822 Ordinary "B" shares of 1p each	28	28
7,400 Ordinary "C" shares of 1p each	74	74
	<u>197</u>	<u>197</u>

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

Underdog Restaurants Limited

Notes to the financial statements (continued) Year ended 31 December 2018

10. Reserves

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2018	16,895	1,023	17,918
Loss for the year	(4,189)	-	(4,189)
At 31 December 2018	<u>12,706</u>	<u>1,023</u>	<u>13,729</u>

11. Operating lease commitments

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

	Land and buildings	
	2018 £'000	2017 £'000
Expiring:		
Within one year	1,987	1,752
Between two and five years	7,855	6,784
In more than five years	<u>18,468</u>	<u>15,945</u>

12. Capital commitments

At the balance sheet date the company had capital commitments as follows:

Contracted for but not provided in the financial statements:

	2018 £'000	2017 £'000
Acquisition of property, plant and equipment	<u>-</u>	<u>-</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, Jack's Place, Unit B, 6 Corbet Place, London E1 6NN.

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