

THESE ACCOUNTS NEED TO BE FILED WITH INDIVIDUAL COMPANY ACCOUNTS OF UNDERDOG RESTAURANTS LIMITED (COMPANY NO: 05786163) TO BE PLACED ON THE PUBLIC FILE OF UNDERDOG RESTAURANTS LIMITED. IN ACCORDANCE WITH SECTION 479A OF THE COMPANIES ACT 2006.

Company Registration No. 08542386

Underdog Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2019



Underdog Group Limited

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Underdog Group Limited

Company information and advisers

Directors

W Beckett
H Gott
A McLauchlan
K Jones
P Campbell

Registered Office

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

Auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Underdog Group Limited

Strategic report (continued)

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 hold an investment in the Hawksmoor restaurant group. The principal activity of the Group is the operation of restaurants under that brand.

Business review and future developments

In the year, Hawksmoor increased turnover by 8.3% to £45.5m (2018: £42.0m), driven by like-for-like sales growth and the opening of a new restaurant in Edinburgh. Hawksmoor EBITDA increased to £6.2m in the year (2018: £6.0m).

A lease was signed to open a Hawksmoor restaurant in New York in early 2020, but this has been delayed until H2 2021.

Foxlow restaurants remained loss-making throughout 2018 and into 2019 and the company was placed into creditors' voluntary liquidation in September 2019.

Group turnover for the year was £47.4m (2018: £46.9m), with underlying EBITDA of £5.8m (2018: £5.7m).

Key performance indicators

	2019 £'000	2018 £'000
Turnover	47,406	46,919
Underlying EBITDA (earnings before interest, taxation, depreciation, amortisation and pre-opening costs)	5,762	5,666

Underlying EBITDA reconciles to the statutory operating profit value presented in the Profit and Loss Account as follows:

	2019 £'000	2018 £'000
Operating profit	2,742	2,623
Depreciation	1,519	2,016
Pre-opening costs & other non-recurring items (i)	1,501	1,027
Underlying EBITDA	5,762	5,666

- (i) Pre-opening costs relate to costs incurred before a restaurant begins trading. Non-recurring items are one-off costs.

The directors remain confident about the future prospects of the Group notwithstanding the issues it faces during the Covid-19 pandemic. The Group has built an industry-leading brand, which the directors believe will endure the current issues facing the hospitality sector. The Group entered the pandemic with a healthy cash position and was able to access additional debt facilities. The restaurants experienced a swift return to robust trading after the Government mandated lockdowns and expects strong trading to resume once the vaccination program is sufficiently progressed.

Principal risks and uncertainties

The group looks to manage the principal risks and uncertainties arising from both internal and external factors which could impact its performance. The directors have put in place robust risk management processes to identify, monitor and evaluate such issues as they emerge, enabling them to take appropriate action where possible.

Underdog Group Limited

Strategic report (continued)

Financing and treasury

Key to the Group's financial success is the availability of sufficient finance to allow it to meet its obligations and to enable it to fund its growth through investment in new restaurants and in maintaining its existing venues. The Group generates strong cashflows and continues to monitor its working capital position and to mitigate liquidity risk. In 2018, it secured a refinancing of its external debt that has further enhanced its liquidity profile.

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

Covid-19

Following the year-end, the Covid-19 pandemic led to the UK government implementing measures to reduce the spread of the virus. These included especially severe restrictions on the hospitality sector, including an enforced closure over several months. The Group's restaurants remain closed at the date of this report. The directors continue to monitor the situation closely and, where available, make use of applicable mitigations – such as the job retention scheme. As the restrictions abate, the directors will ensure that the restaurants are ready to reopen and to return to profitability. For further detail, including the impact on the Group's going concern assessment, refer to page 5.

Brexit

The Group continues to monitor the situation in respect of the UK's departure from the European Union, in particular the impact on consumer sentiment and the effects on the workforce.

Climate change

The Group does not consider there to exist any immediate risk to its operations from climate change; the directors will continue to monitor the position.

Section 172 Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CA of The Companies Act 2006.

S172(1) (a) The likely consequences of any decision in the long term

The directors understand the business and the evolving environment in which they operate and strive to deliver sustainable profitable growth while advancing the Group's strong brand reputation. They seek the kind of growth that cascades benefit throughout the entire organisation and creates opportunities for all its associates.

S172(1) (b) The interests of the company's employees

The directors recognise that the Group's employees are fundamental and core to its business and delivery of its strategic ambitions. The success of its business depends on developing an engaged, high-performing team that embodies company values and supports future growth. From ensuring that it remains a responsible employer, from pay and benefits to health, safety and the workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

S172(1) (c) The need to foster the company's business relationships with suppliers, customers and others

Delivering the Group's strategy requires strong mutually beneficial partnerships with customers and suppliers. They are at the centre of every decision the directors make in order to elevate each customer experience and foster exceptional strategic partnerships.

S172(1) (d) The impact of the company's operations on the community and the environment

The Underdog group is committed to protecting the environment. Accordingly, it seeks to conserve and protect resources and to reduce environmental impact through sustainable purchasing, source reduction, waste diversion, energy and water management, using alternative and renewable energy sources wherever possible.

Underdog Group Limited

Strategic report (continued)

S172(1) (e) The desirability of the company maintaining a reputation for high standards of business conduct

The Group's Code of Conduct gives clear guidance on how to act consistently in accordance with ethical standards.

S172(1) (f) The need to act fairly as between members of the company

The Company is the ultimate parent of the Underdog group of companies. The directors ensure that delivery of the strategy is aligned with that of its members.

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



A McLauchlan
Director

18 February 2021

Underdog Group Limited

Directors' report (continued)

The directors present their annual report on the affairs of the company together with the audited financial statements for the year ended 31 December 2019.

Going concern

The group has prepared the FY19 financial statements on a going concern basis.

The Group has net current liabilities of £45,100k largely due to the other loans due within one year of £44,183k. (2018: £42,401k). These are loan notes due to the shareholders of the Group and as explained below these have now been extended out to 30 June 2022.

Underlying trading has historically been strong; however, from its onset, the Covid-19 pandemic has had a profound impact on the Group. In March 2020, the Group closed all restaurants and subsequently re-opened them in phases from July 2020. A second lockdown was imposed in November 2020 and, following a brief re-opening in December, a third lockdown ensued and currently remains in place.

The Group has taken significant measures to safeguard its business during the periods of lockdown in the interests of all key stakeholders, including working with its banking partner to resolve potential covenant issues and engaging in the UK government's furlough scheme. More details of the measures taken can be found in Note 18.

The Group has produced base case cashflow forecasts for the 12 months following the date of this report, which assume a re-opening of all restaurants from Easter 2021 and has modelled various sensitised cashflow forecasts to allow for a longer lockdown period (including to June 2021) and subdued trading for the next 12 months.

Trading in both re-opening periods in 2020 was very strong and ahead of forecasts, and with additional facilities with our supportive lenders, the directors expect that the Group will be able to meet liabilities as they fall due for the 12 months that follow the date of this report.

In July 2020, loan notes that totalled £44.2m as at 31 December 2019 that had been due for repayment on 29 November 2019, had their maturity extended to 30 June 2022. A refinancing of the external bank debt held by the Group was secured in August 2020 which extended its maturity to 31 December 2021. As this maturity date falls within the twelve month period under consideration for the going concern assessment, the directors have commenced discussions with their banking partner and are confident that the maturity date will be extended further given the group's historical trading performance.

Whilst the directors believe that the assumptions made in arriving at the group's base case forecast cash flows are appropriate, as they are in their sensitised scenarios, there is inherent uncertainty in respect of the lifting of the prevailing restrictions on the Group's core operating environment and thus its ability to generate cash and comply with its covenants. Further, whilst the directors are confident that the bank debt will be successfully refinanced, the extension has not yet been agreed and therefore a material uncertainty exists in that may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The directors consider this an unlikely scenario.

Notwithstanding this material uncertainty, having assessed likely downside scenarios and mitigations available and being confident that a refinancing of the bank debt will be achieved in advance of the maturity date, the directors have formed the judgement that it is appropriate to prepare the financial statements on a going concern basis.

Future developments and principal risks

The Group looks to manage the principal risks and uncertainties, arising from both internal and external factors that could impact its performance. More information can be found in the Strategic Report.

Political and charitable contributions

During the year the company made charitable donations of £31k (2018: £26k) for the benefit of various charities. No political donations were made in either year.

Dividends

The directors did not recommend the payment of a dividend in the year (2018: £nil).

Underdog Group Limited

Directors' report (continued)

Directors

The directors who served in the year are presented on page 1 of the annual report. There were no changes in the year or to the date of this report.

The Group has entered into qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 Group continues and that appropriate training is arranged. The Group's policy is to ensure 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 Group 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 its performance. This is achieved through formal and informal meetings and the Company newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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.

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.

Post balance sheet events

In March 2020 the Government mandated the closure of bars and restaurants following the Covid-19 pandemic. Subsequent lockdowns were imposed in November and again in December and currently remain in place.

Refer to note 18 to the financial statements for further disclosure. Approved by the Board of Directors and signed on behalf of the Board:



A McLauchlan

18 February 2021

Underdog Group 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Underdog Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Covid-19 pandemic has had a profound impact on the group and the parent company and there is inherent uncertainty in respect of the lifting of the prevailing restrictions (in particular the enforced closure of restaurant sites) on the group's core operating environment.

The directors state in note 1 on page 17 of the financial statements that, having considered and approved a base case forecast (which assumes a reopening of sites following Easter 2021) covering the next twelve months following the date of this report, they believe that the group will be able to meet all of the group's day to day liquidity needs for that period. The directors have also modelled downside scenarios that show that the group will remain liquid even if the prevailing restrictions continue to June 2021. However, the group's external bank debt of £7.3m has a maturity of 31 December 2021. The directors have commenced discussions with their banking partner and are confident that the group will be able to successfully extend the maturity of this amount, but no such agreement has been confirmed at the date of this report. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic and directors' reports, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, 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 group's and the parent 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 group or the parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

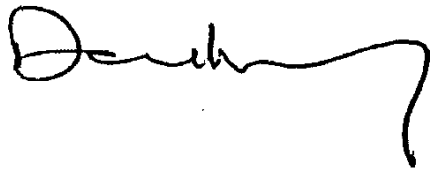
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

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.

A handwritten signature in black ink, appearing to read 'David Perry', with a long horizontal stroke extending to the right and a small loop at the end.

David Perry (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

18 February 2021

Underdog Group Limited

Consolidated profit and loss account For the year ended 31 December 2019

		2019		2018	
	Notes	Continuing operations £'000	Discontinued operations £'000	Continuing operations £'000	Discontinued operations £'000
Turnover	2	45,515	1,891	41,985	4,934
Cost of sales		(26,883)	(1,563)	(24,913)	(3,596)
Gross profit		18,632	328	17,072	1,338
Administrative expenses		(15,251)	(1,063)	(13,414)	(2,381)
Profit on sale of fixed assets		-	57	57	-
Other operating income		-	39	8	-
Operating profit/(loss)	3	3,381	(639)	3,666	(1,043)
Goodwill amortisation	7	-	-	(3,898)	-
Impairment of fixed assets	8	-	-	-	(832)
Interest receivable		18	-	18	-
Interest payable and similar charges		(2,296)	-	(2,203)	-
Profit/(loss) before taxation		1,103	(639)	(2,435)	(1,875)
Tax charge on profit/(loss)	6	(1,061)	424	(724)	(102)
Profit/(loss) for the financial year		42	(215)	(3,159)	(1,977)

In addition to the loss for the financial year the group also incurred a loss of £5k on the translation of foreign exchange on an overseas group company.

Underdog Group Limited

Consolidated balance sheet As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Goodwill	7	-	-
Tangible assets	8	14,346	10,821
		<u>14,346</u>	<u>10,821</u>
Current assets			
Stocks		974	943
Debtors: amounts falling due within one year	10	1,993	2,012
Debtors: amounts falling due after more than one year	10	204	220
Cash at bank and in hand		3,472	5,328
		<u>6,643</u>	<u>8,503</u>
Creditors: amounts falling due within one year	11	<u>(51,743)</u>	<u>(49,603)</u>
Net current liabilities		<u>(45,100)</u>	<u>(41,100)</u>
Total assets less current liabilities		<u>(30,754)</u>	<u>(30,279)</u>
Creditors: amounts falling due after more than one year	12	(7,260)	(7,670)
Provisions for liabilities	13	<u>(256)</u>	<u>(147)</u>
Net liabilities		<u>(38,270)</u>	<u>(38,096)</u>
Capital and reserves			
Called up share capital	14	14	14
Share premium		979	975
Foreign exchange reserve		(5)	-
Profit and loss account		<u>(39,258)</u>	<u>(39,085)</u>
Shareholders' deficit		<u>(38,270)</u>	<u>(38,096)</u>

The financial statements of Underdog Group Limited (company number 08542386) were approved by the board of directors and authorised for issue on 18 February 2021. They were signed on its behalf by:



A McLauchlan
Director

Underdog Group Limited

Company balance sheet As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	9	-	-
Current assets			
Debtors: amounts due after more than one year	10	12,030	12,026
Creditors: amounts falling due within one year	11	(16,275)	(15,619)
Net current liabilities		(4,245)	(3,593)
Total assets less current liabilities		(4,245)	(3,593)
Creditors: amounts falling due after more than one year	12	(101)	(101)
Net liabilities		(4,346)	(3,694)
Capital and reserves			
Called up share capital	14	14	14
Share premium	14	979	975
Profit and loss account	14	(5,339)	(4,683)
Shareholders' deficit		(4,346)	(3,694)

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The loss after tax of the parent company for the year was £656k (2018: £656k)

The financial statements of Underdog Group Limited (company number 08542386) were approved by the board of directors and authorised for issue on 18 February 2021. They were signed on its behalf by:



A McLauchlan
Director

Underdog Group Limited

Consolidated Group and Company statements of changes in equity For the year ended 31 December 2019

	Called-up share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Total £'000
Group					
At 1 January 2018	14	975	-	(33,949)	(32,960)
Loss for financial year	-	-	-	(5,136)	(5,136)
At 31 December 2018	14	975	-	(39,085)	(38,096)
New share issue	-	4	-	-	4
Translation of foreign subsidiary	-	-	(5)	-	(5)
Loss for the financial year	-	-	-	(173)	(173)
At 31 December 2019	14	979	(5)	(39,258)	(38,270)

	Called-up share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Company				
At 1 January 2018	14	975	(4,027)	(3,038)
Loss for the financial year	-	-	(656)	(656)
At 31 December 2018	14	975	(4,683)	(3,694)
New share issue	-	4	-	4
Loss for the financial year	-	-	(656)	(656)
At 31 December 2019	14	979	(5,339)	(4,346)

Underdog Group Limited

Consolidated cash flow statement For the year ended 31 December 2019

	2019 £'000	2018 £'000
Net cash flows from operating activities (i)	4,378	5,748
Return on investment and servicing of finance		
Interest receivable	18	-
Interest paid	(391)	(329)
Taxation		
Corporation tax paid	(557)	(445)
Cash flows from investing activities		
Purchase of equipment	(5,401)	(2,980)
Receipt from sales of fixed assets	510	15
Net cash flows from investing activities	(4,891)	2,009
Cash flows from financing activities		
New share issue	4	-
Issue costs	-	(345)
New bank loan	-	3,053
Repayments of borrowings	(152)	-
Net cash flows from financing activities	(148)	2,708
Foreign exchange impact on cash	(265)	(149)
Net (decrease)/increase in cash and cash equivalents	(1,856)	4,568
Cash and cash equivalents at beginning of year	5,328	760
Cash and cash equivalents at end of year	3,472	5,328

(i) Reconciliation of operating profit to cash generated by operations

	2019 £'000	2018 £'000
Operating profit	2,742	2,623
Adjustment for:		
Depreciation	1,519	2,016
Operating cash flow before movement in working capital	4,261	4,639
Increase in stocks	(31)	(161)
Decrease in debtors	35	529
Increase in creditors	113	741
Cash generated by operations	4,378	5,748

Underdog Group Limited

Notes to the financial statements Year ended 31 December 2019

1. Accounting policies

General Information

Underdog Group Limited (the “Company”) is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

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

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates (its functional currency).

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.x`

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 functional currency of the group is considered to be Sterling given that is the currency of the primary economic environment in which the group operates.

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 company only cash flow statement, financial instruments 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 and 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 consider the valuation of fixed assets to be the group's only key source of estimation uncertainty, specifically the carrying value of the group's operating sites in the context of the impact of the Covid-19 pandemic and associated restrictions on their ability to trade.

The directors do not believe that there are any critical accounting judgements that were determined in drawing up these financial statements.

Underdog Group Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

Going concern

The Group has prepared the FY19 financial statements on a going concern basis.

The Group has net current liabilities of £45,100k with loans due within one year of £44,183k. (2018: £42,401k).

Underlying trading has historically been strong; however, from its onset the Covid-19 pandemic has had a profound impact on the group. In March 2020 the Group temporarily closed all restaurants and subsequently re-opened them in phases from July 2020. A second lockdown was imposed in November 2020 and, following a brief re-opening in December, a third lockdown ensued and currently remains in place.

The Group has taken appropriate measures to safeguard the business during the periods of lockdown in the interests of all key stakeholders, including working with its banking partner to resolve potential covenant issues and engaging in the UK government's furlough scheme. More details of the measures taken can be found in Note 18.

The Group has produced base case cashflow forecasts for the 12 months following the date of this report, which assume a re-opening of all restaurants from Easter 2021 and has modelled various sensitised cashflow forecasts allowing for a longer lockdown period (including to June 2021) and subdued trading for the next 12 months.

Trading in both re-opening periods in 2020 was very strong and ahead of forecasts and, with additional facilities from our supportive lenders, the directors expect that the Group will be able to meet liabilities as they fall due during the 12 months that follow the date of this report.

In July 2020, loan notes totalling £44.2m as at 31 December 2019 that had been due for repayment on 29 November 2019, had their maturity extended to 30 June 2022. A refinancing of the external bank debt held by the Company's subsidiary was secured in August 2018 which extended the maturity of £6.8m of debt until 31 December 2021. As this maturity date falls within the twelve month period under consideration for the going concern assessment, the directors have commenced discussions with their banking partner and are confident that the outstanding balance of £7.3m will be successfully extended given the Group's historic trading performance.

Whilst the directors believe that the assumptions made in arriving at the group's base case forecast cash flows are appropriate, as they are in their sensitised scenarios, there is inherent uncertainty in respect of the lifting of the prevailing restrictions on the Group's core operating environment and thus its ability to generate cash and comply with its covenants. Further, whilst the directors are confident that the bank debt will be successfully refinanced, the extension has not yet been agreed and therefore a material uncertainty exists in that may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The directors consider this an unlikely scenario.

Notwithstanding this material uncertainty, having assessed likely downside scenarios and mitigations available and being confident that a refinancing of the bank debt will be achieved in advance of the maturity date, the directors have formed the judgement that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

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

Underdog Group Limited

Notes to the financial statements (continued) **Year ended 31 December 2019**

Goodwill

Goodwill arising on acquisitions is amortised over a period of five years, which represents the useful economic life as estimated by the directors. All goodwill was amortised in full during 2019.

Tangible fixed assets

Tangible fixed assets of the Group are stated at historical cost, net of depreciation and any provision for impairment. The company holds no fixed assets.

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 stated 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.

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

1. Accounting policies (continued)

Leases

Rentals paid under operating leases are charged to income 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 utilised the transitional allowance on existing leases to not restate those lease incentives accounted for under UITF 28 on its conversion to FRS 102.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used, and their balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and

in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

2. Turnover

Turnover, attributable to continuing operations, is derived from the sale of food, wines, spirits, other beverages and sundry items. It is recognised at the point of sale net of VAT and discounts offered. The origin and destination of all turnover was the United Kingdom.

3. Operating profit

The operating profit is stated after charging:

	2019 £'000	2018 £'000
Depreciation – owned assets (Note 8)	1,519	2,016
Auditor's remuneration (including £20k for subsidiary audit (2018: £10k))	60	60
Fees to the Company's auditor in respect of non-audit services	15	15
Operating lease rentals – other	2,388	2,530

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

4. Staff costs

The average monthly number of employees for the Group (including executive directors) was 723 (2018: 759). Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	15,549	15,339
Social security costs	1,268	1,248
Pension contributions to private schemes	394	341
	<u>17,211</u>	<u>16,928</u>

Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	604	567
Pension contributions to private schemes	85	82
	<u>689</u>	<u>649</u>

The highest paid director in the year received emoluments of £196,000 (2018: £182,000), which included pension contributions to a defined contribution scheme of £30,000 (2018: £25,000).

5. Loss attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent Company was £656k (2018: loss of £656k).

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

6. Taxation

(a) Analysis of the tax charge

The tax charge on the profit/(loss) for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	393	516
Under provision from prior years	135	4
	<u>528</u>	<u>520</u>
Total current tax	528	520
Deferred tax charge	109	306
	<u>637</u>	<u>826</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) for the year varies from the effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

6. Taxation (continued)

	2019 £'000	2018 £'000
Profit/(loss) before tax	464	(4,310)
Loss on ordinary activities multiplied by the effective rate of corporation tax in the UK at 19% (2018: 19%)	88	(819)
Expenditure not deductible for tax purposes	210	1,166
Timing differences on fixed assets	95	169
Adjustment to tax in respect of prior periods	135	4
Total current tax (note 6 (a))	528	520

The main rate of UK corporation tax is set at 19% for the financial year beginning 1 April 2020. The main rate will also be set at 19% for the financial year beginning 1 April 2021. Existing temporary differences may therefore unwind in periods, subject to changes in rates.

7. Intangible assets - Goodwill

The net book value of goodwill for the group is comprised as follows:

	£'000
Cost	
At 1 January 2019 and 31 December 2019	34,178
Accumulated amortisation	
At 1 January 2019	34,178
Provided during the year	-
At 31 December 2019	34,178
Net book value	
At 31 December 2019	-
At 31 December 2018	-

The Company has no goodwill or other intangible fixed assets.

8. Tangible fixed assets – Group

	Leasehold expenditure £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2019	14,911	3,108	3,134	21,153
Additions	4,926	139	336	5,401
Disposals	(2,562)	(818)	(804)	(4,184)
At 31 December 2019	17,275	2,429	2,666	22,370

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

8. Tangible fixed assets – Group (continued)

Accumulated depreciation

At 1 January 2019	5,866	2,256	2,210	10,332
Charge for the year	708	360	451	1,519
Disposals	(2,520)	(685)	(622)	(3,827)
At 31 December 2019	4,054	1,931	2,039	8,024
Net book value				
At 31 December 2019	13,221	498	627	14,346
At 31 December 2018	9,045	852	924	10,821

The Company has no tangible fixed assets.

9. Investments

	2019 £	2018 £
Shares at 1 January and 31 December	1	1

Details of the company's subsidiary undertakings, as at 31 December 2019 are as follows:

Company	Country of incorporation	Nature of business	Class	%
Underdog Group (B) Limited *	UK	Holding company	Ordinary	100
Underdog Group (C) Limited	UK	Holding company	Ordinary	100
Underdog Restaurants Limited	UK	Restaurants	Ordinary	100
Hawksmoor Restaurant Group Inc.	USA	Restaurants	Ordinary	100
Foxlow Restaurants Limited **	UK	Restaurants	Ordinary	100
Dinish Restaurants Limited **	UK	Property company	Ordinary	100

* Held directly

** Placed into Creditors' Voluntary Liquidation on 26 September 2019

The registered office of all subsidiary companies is Jack's Place, Unit B, 6 Corbet Place, London, E1N 6NN.

The following companies are exempt from the requirement relating to the audit of individual accounts for the year ended 31 December 2019 by virtue of Section 479A of the Companies Act 2006 relating to subsidiary companies:

Underdog Restaurants Limited (05786163)
Underdog Group (C) Limited (8542498)

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

10. Debtors

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Trade debtors	828	-	834	-
Other debtors	481	-	403	-
Prepayments and accrued income	684	-	775	-
	<u>1,993</u>	<u>-</u>	<u>2,012</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	12,030	-	12,026
Other debtors	204	-	220	-
	<u>204</u>	<u>12,030</u>	<u>220</u>	<u>12,026</u>
	<u>2,197</u>	<u>12,030</u>	<u>2,232</u>	<u>12,026</u>

Amounts owing to and from Group undertakings accrue no interest and have no repayment date assigned. As such, they are repayable on demand; however, the Company has provided a confirmation to its subsidiaries that it will not call these amounts within the following 12 months from the approval of these financial statements.

11. Creditors: amounts falling due within one year

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts (see note 12)	427	-	153	-
Other loans	44,183	16,275	42,401	15,619
Trade creditors	2,397	-	2,851	-
Corporation tax	263	-	292	-
Other taxation and social security	1,278	-	1,326	-
Other creditors	481	-	523	-
Accruals and deferred income	2,714	-	2,057	-
	<u>51,743</u>	<u>16,275</u>	<u>49,603</u>	<u>15,619</u>

The bank loan is secured by a fixed and floating charge over the Company's assets and is repayable in instalments. Interest is payable at LIBOR + margin varying between 3% - 3.5%.

Other loans comprise unsecured fixed rate loan notes which bear interest at 6% per annum. The loan notes were redeemable on 26 November 2019, however the redemption was moved to 30 June 2022 subsequent to the year-end.

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

12. Creditors: amounts falling due after more than one year

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	7,260	-	7,670	-
Amounts owed to Group undertakings	-	101	-	101
	<u>7,260</u>	<u>101</u>	<u>7,670</u>	<u>101</u>

The bank loan is secured by a fixed and floating charge over the Company's assets and is repayable in instalments. Interest is payable at LIBOR + margin varying between 3% - 4%.

Borrowings are repayable as follows:

	Group	
	2019 £'000	2018 £'000
Bank loans:		
Between one and two years	7,337	612
Between two and five years	-	7,365
After five years	-	-
	<u>7,337</u>	<u>7,977</u>
On demand or within one year	542	153
Deferred issue costs	(192)	(307)
	<u>7,687</u>	<u>7,823</u>

13. Provisions for liabilities and charges – Group

	2019 £'000	2018 £'000
Provision for deferred taxes	<u>256</u>	<u>147</u>
		Deferred tax
		£'000
On accelerated capital allowances		
Balance at 1 January 2019		147
Profit and loss account		<u>109</u>
Balance at 31 December 2019		<u>256</u>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Underdog Group Limited

Notes to the financial statements (continued) Year ended 31 December 2019

14. Called up share capital and reserves

	2019 £	2018 £
Allotted, issued and fully paid		
505,312 'A' Ordinary shares of 1p each	5,053	5,053
275,356 'B' Ordinary shares of 1p each	2,754	2,754
50,000 'C' Ordinary shares of 1p each	500	500
80,000 'D' Ordinary shares of 5p each	4,000	4,000
60,600 'E' Ordinary shares of 1p each (2018: 56,600)	606	566
2,500 'F' Ordinary shares of 1p each	25	25
15,738 'B2' Ordinary shares of 5p each	787	787
3,594 'B3' Ordinary shares of 5p each	180	180
	<u>13,905</u>	<u>13,865</u>

All shares are ranked *pari passu* except 'B2' and 'B3' shares have enhanced voting rights 5% for each share held and 'D' 3 votes for each share held. No shares carry a right to fixed income.

During the year 4,000 'E' Ordinary shares of 1p each were issued for consideration of £4,000.

The group and company's other reserves are as follows;

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses.

The foreign exchange reserve represents the gains or losses on the translation of foreign subsidiary financial information.

15. Financial commitments

Total future minimum lease commitments under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Within one year	3,001	2,620
Between one and five years	12,313	10,385
In more than five years	<u>30,637</u>	<u>24,893</u>

The company has no non-cancellable operating lease commitments.

16. Control

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

17. Related parties

As at 31 December 2019 the group had outstanding loans due from directors of £210k (2018: £146k). The facility has a maximum limit of £230k, accrues interest at 4% pa and the full amount is repayable in 2021. The movement in the current year derives from an additional £50k drawn down by the borrower.

Underdog Group Limited

Notes to the financial statements (continued) **Year ended 31 December 2019**

18. Post balance sheet events

In March 2020 the UK Government mandated the closure of bars and restaurants following the onset of the Covid-19 pandemic. Subsequent lockdowns were imposed in November and again in December and currently remain in place. The pandemic has had a profound impact on the Group, with trading days reduced by around 40% over the course of the year and capacity significantly restricted during those trading days.

During the lockdown periods the directors took a number of steps to safeguard the business and its employees. These included securing additional funding from the Group's banking partner to provide sufficient liquidity to pay suppliers and cover fixed costs as well as making use of the Government Job Retention Furlough Scheme. The Group and its employees have continued to support various charity initiatives throughout the various lockdowns and has also developed a nationwide meal box delivery service.

Initiatives and actions taken in response to the pandemic include the following:

- £4m term loan to aid liquidity;
- Waiver of existing banking covenants for June-20 through December-20 and replacement with alternative covenant tests that have been fully complied with;
- Placement of employees on the Coronavirus Job Retention Scheme; and
- Rent concessions with landlords.

The Group has incurred significant losses during the first and subsequent lockdowns but maintains sufficient liquidity to meet its financial obligations as they fall due. Further information about the adoption of the going concern basis of accounting is presented in Note 1 to the financial statements.