

**Royale Topco Limited**

**Annual report and consolidated financial statements**

For the 16 month period ended 31 December 2018

Registered number 10950960



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## Strategic Report

The directors present their strategic report on the Group for the 16 month period from 7 September 2017 to 31 December 2018 ("the period").

### Principal activity

The Group's principal activities are the franchise and operation of Burger King restaurants.

### Review of the business

The Company was incorporated on 7 September 2017. On 16 November 2017, a subsidiary of the Group, BKUK Group Limited, entered into a Master Franchise and Development Agreement with Burger King Europe GMBH, allowing BKUK Group Limited to become the Master Franchisee for England and Scotland.

The Group also acquired Caspian Food Retailers Limited on 16 November 2017, which operates a number of Burger King franchises around England and Scotland. In line with FRS102, the acquisition has been accounted for applying the business combination rules, which resulted in a fair value assessment of the assets acquired and liabilities assumed as at 16 November 2017 and incorporates the acquiree's operating results from that date.

The operating loss for the Group for the period is £11,101,000 and at the period end the Group has net assets of £17,086,000.

### Key performance indicators

The key performance indicators used by the directors in monitoring the performance of the group are Adjusted EBITDA and like-for-like sales growth.

#### Adjusted EBITDA

Adjusted EBITDA, which is the profit before tax, interest, depreciation, amortisation, and any one off or non-recurring items, of the group, was £4,830,000. This includes the one-off investment in scalability incurred during the period to fulfil the long-term growth plan set by the directors. The directors are working on initiatives to improve the profitability of the business including in areas such as procurement of goods and also through the opening or remodelling of new and existing restaurants.

The reconciliation between the operating loss and Adjusted EBITDA is detailed below:

	£'000
Operating loss	(11,101)
add: depreciation of tangible fixed assets	2,925
add: amortisation of intangible fixed assets	6,526
add: investment in scalability	7,184
add: new site pre-opening costs	745
less: utilisation of property-related provisions	(1,449)
Adjusted EBITDA	4,830

#### Like-for-like sales growth

The Group measures the year-on-year underlying performance of the existing estate. Group like-for-like sales growth is defined as comparing the performance of all mature sites in the current period with the same sites in the comparable period in the previous year.

Like-for-like sales on acquired sites for the 12 month period ended 31 December 2018 were broadly flat compared to sales from the preceding 12 month period.

The group continues to focus on maintaining tight financial control and the directors are satisfied with the performance of the Group.

### Future developments

See the Directors' report for further information.

### Market

The UK Fast Food market, in which the Burger King restaurants operate has been resilient in 2018 although it has seen a slowdown in growth from previous years. The restaurants operated by the Group performed well during the period and this performance has continued in to the new financial period.

## Strategic Report (continued)

### Risks

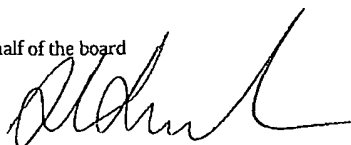
The main risks to our business are:

- Prevailing *economic conditions* including foreign exchange
- The availability of quality food ingredients in the UK
- The recruitment and retention of employees
- Competition from other food outlets
- Consumer sentiment and willingness to spend in the eating out and take away markets
- The impact of adverse weather conditions.
- Liquidity risk

Many of these risks are mitigated by Burger King's strong product range, and ongoing product development.

Liquidity risk exists as a result of a loan made to the Group by another entity within the ultimate controlling party's group. The Group manages this risk by maintaining significant cash reserves and entering into long term loan note agreements which will be not be settled until the agreed repayment dates in 2024 and 2027.

On behalf of the board



AD Murdoch  
Director  
30 April 2019

## Directors' report

The directors present their annual report and the audited consolidated financial statements of Royale Topco Limited ("the Company"), and its subsidiary undertakings (together, the "Group") for the period ended 31 December 2018.

### Future developments

The Group are continuing to look for opportunities for expansion through opening new restaurants and improving the performance of our existing business.

### Dividend

No dividends were paid during the period.

### Directors

The directors who held office during the period, and up to the date of the financial statements, unless otherwise stated, were as follows:

PR Gunner	Appointed 7 September 2017, resigned 31 October 2017
CSJ Barter	Appointed 7 September 2017, resigned 31 October 2017
VML Gwilliam	Appointed 31 October 2017
TJ Doubleday	Appointed 22 December 2017
AM Robinson	Appointed 22 December 2017
AD Murdoch	Appointed 18 April 2018

### Directors' indemnity

Royale Midco Limited, a subsidiary company, maintains liability insurance for directors and officers of the Royale Topco Limited Group and associated companies, which includes the Company. This is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006.

### 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 period. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

### Employees

It is Group policy that there shall be no discrimination in respect of sex, colour, race, religion or nationality and that equal opportunity shall be given to all employees.

The policy of giving full and fair consideration to applications for employment from disabled persons and where practical to continue the employment of anyone who may become disabled during their employment has continued. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees (wherever appropriate).

Every effort is made to ensure good communication. In particular, the Group recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Group.

## Directors' report (continued)

### Financial instruments

The directors consider that the Group's key financial instruments are shareholder loan notes and amounts due to and from group companies. Interest on shareholder loans is fixed at 11 per cent per annum and is therefore not exposed to movements in interest rates. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

The Group has trade creditors on normal terms and finances working capital requirements from its trading performance and a revolving credit facility. All transactions are in sterling. The Group does not use any other financial instruments as part of its risk management.

The Group's exposure to the price risk of financial instruments is therefore minimal. The directors do not consider any other risks in regard to the use of financial instruments to be material to an assessment of its financial position or trading results.

### Risk Management

The Group is conscious of the importance of providing a safe working environment for both its employees and its customers, of ensuring compliance with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible. Careful attention is given to the promotion of risk management procedures.

### Donations

The Group did not make any political donations or incur any political expenditure during the period.

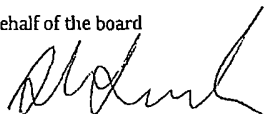
### Post balance sheet events

There have been no significant events affecting the Group since the period end.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have been appointed by the directors. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Audit Committee meeting following the signing of these financial statements.

On behalf of the board



AD Murdoch  
Director  
30 April 2019

# **Independent auditors' report**

to the members of Royale Topco Limited

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Royale Topco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss and cash flows for the 16 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2018; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, and the consolidated statement of cash flows for the 16 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## **Independent auditors' report**

**to the members of Royale Topco Limited**

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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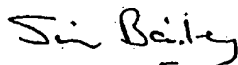
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon Bailey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

30 April 2019

## Consolidated profit and loss account

for the period ended 31 December 2018

	Note	From 7 September 2017 to 31 December 2018 £'000
Turnover	5	91,768
Cost of sales		(84,619)
Gross profit		7,149
Administrative expenses		(18,250)
Operating loss	6	(11,101)
Non-operating expenses	7	(1,795)
Interest receivable and similar income	10	9
Interest payable and similar charges	10	(6,688)
Loss before taxation		(19,575)
Tax on loss	11	96
Loss for the financial period		(19,479)
Loss attributable to:		
Owners of the parent		(17,085)
Non-controlling interests		(2,394)
Loss for the financial period		(19,479)

All results arise from continuing activities.

## Consolidated statement of other comprehensive income

for the period ended 31 December 2018

	Note	31 December 2018 £'000
Loss for the financial period		(19,479)
Remeasurement of the net defined benefit pension scheme liability	20	601
Income tax on other comprehensive income	11	(75)
Total comprehensive expense for the period		(18,953)
Total comprehensive expense attributable to:		
Owners of the parent		(16,559)
Non-controlling interests	32	(2,394)
Total comprehensive expense for the period		(18,953)

The notes on pages 14 to 33 form part of the financial statements.

## Consolidated balance sheet

as at 31 December 2018

	Notes	31 December 2018 £'000
<b>Fixed assets</b>		
Intangible assets	12	53,184
Tangible assets	13	17,999
		<u>71,183</u>
<b>Current assets</b>		
Inventories	15	721
Debtors (including £904,000 due after one year)	16	9,733
Cash and cash equivalents	17	31,332
		<u>41,786</u>
Creditors: amounts falling due within one year	18	(25,509)
<b>Net current assets</b>		<u>16,277</u>
<b>Total assets less current liabilities</b>		<u>87,460</u>
Creditors: amounts falling due after more than one year	19	(59,116)
Provisions for liabilities and charges		
Post-employment benefits	20	(5,744)
Provision for other liabilities	21	(5,514)
<b>Net assets</b>		<u>17,086</u>
<b>Capital and reserves</b>		
Called-up share capital	25	1
Share premium account	25	37,514
Accumulated losses		(16,559)
<b>Equity attributable to owners of the parent</b>		<u>20,956</u>
Non-controlling interest	32	(3,870)
<b>Total equity</b>		<u>17,086</u>

The notes on pages 14 to 33 form part of the financial statements.

The financial statements were approved by the board of directors on 30 April 2019 and were signed on its behalf by:



TJ Doubleday  
Director  
30 April 2019

Royale Topco Limited  
Registered no. 10950960

## Company balance sheet

as at 31 December 2018

	Notes	31 December 2018 €'000
<b>Fixed assets</b>		
Investments	14	37,500
		<u>37,500</u>
<b>Current assets</b>		
Debtors	16	15
		<u>15</u>
Creditors: amounts falling due within one year	18	(16)
<b>Net current liabilities</b>		<u>(1)</u>
<b>Total assets less current liabilities</b>		<u>37,499</u>
<b>Net assets</b>		<u>37,499</u>
<b>Capital and reserves</b>		
Called-up share capital	25	1
Share premium account	25	37,514
Accumulated losses		<u>(16)</u>
<b>Total equity</b>		<u>37,499</u>

The notes on pages 14 to 33 form part of the financial statements.

The financial statements were approved by the board of directors on 30 April 2019 and were signed on its behalf by:



TJ Doubleday  
Director  
30 April 2019

Royale Topco Limited  
Registered no. 10950960

## Consolidated statement of changes in equity

for the period ended 31 December 2018

	Called-up share capital £'000	Share premium £'000	Accumulated losses £'000	Equity attributable to the owners of the parent £'000	Non- controlling interests £'000	Total equity £'000
At 7 September 2017	-	-	-	-	-	-
<i>Total comprehensive expense for the period:</i>						
Loss for the financial period	-	-	(17,085)	(17,085)	(2,394)	(19,479)
Other comprehensive income for the period	-	-	526	526	-	526
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>-</b>	<b>(16,559)</b>	<b>(16,559)</b>	<b>(2,394)</b>	<b>(18,953)</b>
<i>Transactions with owners recorded directly in equity:</i>						
Share issue	1	37,514	-	37,515	-	37,515
Non-controlling interest arising on business acquisition	-	-	-	-	(1,476)	(1,476)
<b>At 31 December 2018</b>	<b>1</b>	<b>37,514</b>	<b>(16,559)</b>	<b>20,956</b>	<b>(3,870)</b>	<b>17,086</b>

The notes on pages 14 to 33 form part of the financial statements.

## Company statement of changes in equity

for the period ended 31 December 2018

	Called-up share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
At 7 September 2017	-	-	-	-
Loss for the financial period	-	-	(16)	(16)
Total comprehensive expense for the period	-	-	(16)	(16)
Share issue	1	37,514	-	37,515
At 31 December 2018	1	37,514	(16)	37,499

The notes on pages 14 to 33 form part of the financial statements.

## Consolidated statement of cash flows

for the period ended 31 December 2018

	Notes	31 December 2018 £'000
Net cash from operating activities	26	(666)
Taxation paid		-
Net cash generated from operating activities		(666)
<b>Cash flow from investing activities</b>		
Purchase of subsidiary (net of cash acquired)	31	(41,395)
Purchase of intangible assets		(5,840)
Purchase of tangible assets		(10,927)
Interest received		9
Net cash used in investing activities		(58,153)
Proceeds from loan notes		53,412
Proceeds from issue of ordinary share capital		37,515
Interest paid		(776)
Net cash used in financing activities		90,151
Net increase in cash and cash equivalents		31,332
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		31,332
<b>Reconciliation to cash at bank and in hand</b>		
Cash at bank and in hand	17	30,822
Cash in transit	17	510
Cash and cash equivalents		31,332

The notes on pages 14 to 33 form part of the financial statements.

## Notes to the financial statements

Period ended 31 December 2018

### 1 General information

Royale Topco Limited (the "Company") and its subsidiaries (together the "Group") operate a number of Burger King franchises in England and Scotland.

The Company is a private company limited by shares and incorporated and domiciled in the UK. The company registered number is 10950960 and the registered address is 5 New Street Square, London, EC4A 3TW.

### 2 Statement of compliance

These Group and individual financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These have been applied consistently in the period ended 31 December 2018.

#### 3.1 Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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.

The consolidated and separate financial statements have been prepared for the period from the incorporation of the Company on 7 September 2017 to 31 December 2018.

#### 3.2 Going concern

These financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company and Group has adequate resources to continue its operational existence for the foreseeable future having assessed the business risks, financial position and resources of both the Company and Group.

Although the Group made a loss before tax of £19,479,000 for the period ended 31 December 2018, the financial statements have been prepared on a going concern basis by the directors as follows:

- The Group has net current assets and net assets of £16,277,000 and £17,086,000 respectively.
- The directors have prepared detailed cash flow projections for the period to 30 June 2020, including sensitivity analysis on key assumptions. The Group had cash resources of £31,332,000 at 31 December 2018. The directors have considered the assumptions made and consider the forecasts reasonable and realistic considering market and economic uncertainty. Based on these projections and current trading, the directors consider the Group and Company will continue to operate within its resources for a period of at least 12 months from the date of approval of these financial statements and hence that the use of the going concern basis is appropriate.

#### 3.3 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 December 2018, which includes the elimination of all intra-Group transactions. Uniform accounting policies have been adopted across the Group.

#### 3.4 Foreign currency

The Group financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

Foreign currency translations are translated into the functional currency using the spot exchange rate at the dates of the transactions. At each period end, foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

## Notes to the financial statements

Period ended 31 December 2018

### 3 Summary of significant accounting policies (continued)

#### 3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of VAT, refunds and discounts.

The Group recognises revenue when:

- the amount of revenue can be reliably measured; and
- it is probable that the future economic benefits will flow to the entity.

Revenue is mainly derived from the operation of 'Burger King' restaurants and is carried out wholly within the UK.

The Group has franchised its brand to third parties. Fees charged for the use of the rights granted by the agreement and related services are recognised as revenue once services have been supplied and the Group has fulfilled its obligations.

#### 3.6 Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined benefit pension plan.

##### i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### ii. Defined benefit pension plan

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The parent company is not a member of the pension scheme.

##### iii. Annual bonus plan

The Group operates several annual bonus plans for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

#### 3.7 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

##### i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Current or deferred taxation assets and liabilities are not discounted.

##### ii. Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes to the financial statements

Period ended 31 December 2018

### 3 Summary of significant accounting policies (continued)

#### 3.8 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed, and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

#### 3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

▪ Goodwill	10 years
▪ Franchise agreements	20 years
▪ Master Franchise and Development Agreement	20 years
▪ Software	3 - 5 years

Amortisation is included in administrative expenses in the profit and loss account.

Where factors indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software area available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### 3.10 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

▪ Short leasehold properties	Over the unexpired lease of the term
▪ Plant and machinery	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

#### 3.11 Borrowing costs

The costs associated with setting up the shareholder loans have been capitalised and will be amortised over the term of the loan. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 3.12 Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payment under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

## Notes to the financial statements

Period ended 31 December 2018

### 3 Summary of significant accounting policies (continued)

#### 3.13 Investments

Fixed asset investments are included at cost less provision for permanent impairment in value. Current asset investments are stated at the lower of cost and net realisable value. Investments in subsidiary undertakings are initially recorded at cost. The carrying value of investments in subsidiary undertakings is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 3.14 Inventories

Raw materials and consumables are valued at the lower of cost and net realisable value. Cost is based on the purchase cost on a first-in, first-out basis. Cost for small ware inventories is determined by reference to the standard quantity in issue to each restaurant.

#### 3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash in transit. Revolving credit facilities form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### 3.16 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Provisions in respect of dilapidations are made where, in the opinion of the directors, it is almost certain that an obligation will result in a transfer of economic benefit and are based on estimates of the obligation arising from the extent of the wear and tear taking place each year.

Provision are made in respect of leasehold properties for vacant, partly let and loss-making trading stores, for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, cash flows are discounted on a pre-tax basis using a risk-free rate of return.

The Group considers whether individual fixed assets are impaired by considering the profitability of the individual restaurant the assets relate to.

#### 3.17 Financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 3.18 Dividends

Dividends and other distributions to the Group's shareholders are recognised in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

### 4 Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### i. Retirement benefit obligations

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at period end and future returns on pension scheme assets and charges to the profit and loss account. The factors have been determined in consultation with the Company's actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of other comprehensive income. Further details are available in note 20.

## Notes to the financial statements

Period ended 31 December 2018

### 4 Key accounting estimates and assumptions (continued)

#### ii. Provision for dilapidations

Provisions for dilapidations are made in respect of leases for land and buildings where it is anticipated that a cost could arise under the leases to make good the properties. The amount provided is based on the historical costs of similar sites and where there is an intent to exit in the foreseeable future.

#### iii. Onerous lease provisions

Provision are made in respect of leasehold properties for vacant, partly let and loss-making trading stores, for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income and in the case of trading stores the expected future shortfall in contribution to cover the fixed outgoings. In determining the provision, cash flows are discounted on a pre-tax basis using a risk-free rate of return.

Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

#### iv. Impairment of intangible and tangible fixed assets

The Group considers whether individual fixed assets are impaired by considering the profitability of the individual restaurant the assets relate to. This requires estimation about the future cash flows of that particular restaurant, being the designated cash generating unit.

#### v. Fair values on acquisition of Caspian Food Retailers Limited (note 31)

The fair value of assets acquired and liabilities assumed on the acquisition of Caspian Food Retailers Limited involved the use of valuation techniques and estimations in regards to property-related provisions and the review of the lease portfolio.

### 5 Turnover and segmental information

An analysis of turnover by class of business is as follows:

	Group 31 December 2018 £'000
Sale of goods	90,824
Franchise and related service income	944
	<u>91,768</u>

### 6 Operating loss

Operating loss is stated after charging the following:

	Group 31 December 2018 £'000
Depreciation of tangible fixed assets	2,925
Amortisation of intangible fixed assets	6,526
Movement in onerous lease and dilapidations provisions	1,844
Operating lease charges	14,918
Fees payable to the Company's auditors:	
- Audit of these financial statements	16
- Audit of the Company's subsidiaries	197
- Audit-related assurance services	12
- Other assurance services	122
- Tax advisory services	30
- Tax compliance services	60
	<u>437</u>

## Notes to the financial statements

Period ended 31 December 2018

### 7 Non-operating expenses

The following non-operating items are included in the profit and loss account:

	Group 31 December 2018 £'000
Advertising Fund deficit	1,795

The Advertising Fund is controlled by BKUK Group Limited and provides marketing activities, which are deemed to be separate from the Group's principal activity of operating Burger King franchises.

### 8 Employees

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	Group 31 December 2018
Store operations	2,141
Head office administration (including directors)	55
	<u>2,196</u>

The aggregate payroll costs of these persons are as follows:

	£'000
Wages and salaries	28,847
Social security costs	2,308
Pension contributions	276
Total staff costs	<u>31,431</u>

#### Company

The company had no employees during the period ended 31 December 2018.

### 9 Directors' remuneration

The directors' emoluments were as follows:

	Group 31 December 2018 £'000	Company 31 December 2018 £'000
Aggregate emoluments	<u>1,303</u>	<u>-</u>

No amounts were paid to third parties for directors' services, and no retirement benefits are accruing for any of the directors.

The aggregate emoluments of the highest paid director was £522,969.

The emoluments paid to the directors are all paid by a subsidiary undertaking and relate to services provided both to this Company and subsidiary undertakings.

## Notes to the financial statements

Period ended 31 December 2018

### 10 Net interest expense

	31 December 2018 £'000
<b>a. Interest receivable and similar income</b>	
Interest on short term deposits	9
	<u>9</u>
<b>b. Interest payable and similar expenses</b>	
Interest expense on bank loans and revolving facility	(38)
Interest payable on shareholder and vendor loan notes	(5,611)
Net interest expense on the defined benefit liabilities	(208)
Other interest charges	(831)
	<u>(6,688)</u>
<b>c. Net interest expense</b>	
Interest receivable and similar income	9
Interest payable and similar expenses	(6,688)
	<u>(6,679)</u>

### 11 Tax on loss

	31 December 2018 £'000
<b>Total tax expense recognised in the profit and loss account and other comprehensive income</b>	
<b>Current tax:</b>	
Current tax on loss for the period	-
Total current tax	<u>-</u>
<b>Deferred tax:</b>	
Origination and reversal of timing differences	(108)
Effect of changes in tax rates	12
Deferred tax on pension scheme liability	75
Total deferred tax	<u>(21)</u>
<b>Tax credit on loss and other comprehensive income</b>	<u>(21)</u>

	31 December 2018		
	Current tax £'000	Deferred tax £'000	Total tax £'000
Recognised in Profit and loss account	-	(96)	(96)
Recognised in other comprehensive income	-	75	75
<b>Total tax</b>	<u>-</u>	<u>(21)</u>	<u>(21)</u>

# Notes to the financial statements

Period ended 31 December 2018

## 11 Tax on loss (continued)

### Reconciliation of effective tax rate

The tax assessed for the period can be reconciled to the loss per the statement of comprehensive income as follow:

	31 December 2018 £'000
Loss before taxation	(19,575)
Tax using the UK corporation tax rate of 19.00%	(3,719)
Expenses not deductible for tax purposes	2,725
Movement in unprovided deferred tax	886
Tax rate changes	12
Total tax credit included in profit or loss	(96)

### Factors affecting future tax changes

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly. The deferred tax liability at the balance sheet date has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

## 12 Intangible assets

### Group

	Goodwill £'000	Franchise fees £'000	Master Franchise and Development Agreement £'000	Software* £'000	Total £'000
<b>Cost</b>					
At 7 September 2017	-	-	-	-	-
Arising on acquisition	52,907	963	-	-	53,870
Additions	735	1,052	2,198	1,855	5,840
At 31 December 2018	53,642	2,015	2,198	1,855	59,710
<b>Accumulated amortisation</b>					
At 7 September 2017	-	-	-	-	-
Charge for the period	(6,036)	(158)	(123)	(209)	(6,526)
At 31 December 2018	(6,036)	(158)	(123)	(209)	(6,526)
<b>Net book value</b>					
At 31 December 2018	47,606	1,857	2,075	1,646	53,184
At 7 September 2017	-	-	-	-	-

\*Software assets include £335,000 of assets under construction, which will come into use and start to amortise during 2019.

### Company

The Company had no intangible assets at 31 December 2018.

## Notes to the financial statements

Period ended 31 December 2018

### 13 Tangible assets

#### Group

	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 7 September 2017	-	-	-
Arising on acquisition	1,002	8,995	9,997
Additions	<u>1,913</u>	<u>9,014</u>	<u>10,927</u>
At 31 December 2018	<u>2,915</u>	<u>18,009</u>	<u>20,924</u>
<b>Accumulated depreciation</b>			
At 7 September 2017	-	-	-
Charge for the period	<u>(177)</u>	<u>(2,748)</u>	<u>(2,925)</u>
At 31 December 2018	<u>(177)</u>	<u>(2,748)</u>	<u>(2,925)</u>
<b>Net book value</b>			
At 31 December 2018	<u>2,738</u>	<u>15,261</u>	<u>17,999</u>
At 7 September 2017	<u>-</u>	<u>-</u>	<u>-</u>

All assets are stated at cost.

#### Company

The Company had no tangible assets at 31 December 2018.

### 14 Investments

#### Company

	Shares in group undertakings £'000
<b>Cost and net book value</b>	
At 7 September 2017	-
Additions	<u>37,500</u>
At 31 December 2018	<u>37,500</u>

On 16 November 2017, the Company subscribed for 18,750,000 ordinary shares in Royale Midco Limited at £1.00 per share.

On 16 November 2018, the Company subscribed for 18,750,000 ordinary shares in Royale Midco Limited at £1.00 per share.

The directors are satisfied that the carrying value of the investment is supported by the underlying trading of its subsidiary companies. A list of the subsidiary companies is provided in note 33.

## Notes to the financial statements

Period ended 31 December 2018

### 15 Inventories

#### Group

31 December  
2018  
£'000

Raw materials and consumables

721

Raw materials and consumables recognised as cost of sales in the Group in the period amounted to £25,725,404.

There is no material difference between the replacement cost and book value of inventory.

#### Company

The Company had no inventory at 31 December 2018.

### 16 Debtors

	Group	Company
	31 December	31 December
	2018	2018
	£'000	£'000
Trade debtors	2,765	-
Amounts owed by group undertakings	-	15
Other debtors	2,110	-
Corporation tax	7	-
Deferred tax assets (see note 22)	904	-
Prepayments and accrued income	3,947	-
	<u>9,733</u>	<u>15</u>

With the exception of the deferred tax assets, all debtors are due within one year. The amounts owed by group undertakings relate to trading balances with group undertakings. These amounts are unsecured, interest-free and repayable on demand.

### 17 Cash and cash equivalents

#### Group

31 December  
2018  
£'000

Cash at bank and in hand

30,822

Cash in transit

510

31,332

#### Company

The Company had no cash and cash equivalents at 31 December 2018.

## Notes to the financial statements

Period ended 31 December 2018

### 18 Creditors: amounts falling due within one year

	Group 31 December 2018 £'000	Company 31 December 2018 £'000
Trade creditors	11,513	-
Amounts owed to group undertakings	-	16
Other taxation and social security	1,019	-
Other creditors	59	-
Accruals and deferred income	12,918	-
	<u>25,509</u>	<u>16</u>

Amounts owed to group undertakings relate to balances incurred in the course of normal trading activity. Balances are unsecured, interest-free and repayable on demand.

### 19 Creditors: amounts falling due after more than one year

#### Group

	31 December 2018 £'000
Shareholder loan notes payable	49,795
Vendor loan notes payable	9,321
	<u>59,116</u>

#### Shareholder loan notes

On 16 November 2017, the Group entered into a £100,000,000 11% unsecured redeemable series A loan note agreement with its shareholder, Bridgepoint Funds. The amount drawn as at the balance sheet date is £44,750,000. The maturity date of the loan notes is 30 September 2027. The loan notes accrue interest at a compound rate of 11% per annum. Interest capitalised into the principal of the loan notes at 31 December 2018 was £5,611,111.

The initial issue costs of the shareholder loan notes totalled £637,500, which is being amortised over the period from drawdown of the loan to the expected maturity date. At 31 December 2018, the unamortised cost was £565,781.

On 28 September 2018, the £44,750,000 11% unsecured redeemable series A loan note was listed on The International Stock Exchange.

#### Vendor loan note

On 16 November 2017, the Group entered into a £9,227,282 guaranteed vendor loan note payable to the previous owner of the acquired Caspian Retailers Limited entity. Interest is charged at 8% and is repayable each year on the anniversary of the initial loan agreement. The amount of accrued interest as at 31 December 2018 is £93,031. The loan is fully repayable on 16 November 2024.

#### Company

The Company had no creditor amounts due after more than one year at 31 December 2018.

## Notes to the financial statements

Period ended 31 December 2018

### 20 Post-employment benefits

#### Group

The Group operates a pension scheme (Gowrings 1975 Pension Scheme) which provides benefits based on final pensionable pay. The Scheme was closed to new entrants with effect from 14 August 2002. The employer's contributions to the Scheme during the period amounted to £276,000. The Parent Company did not participate in the pension scheme.

The Scheme actuary has provided the following estimate of the Plan deficit following the guidance in FRS 102.28 as at 31 December 2018. The estimate is based on the data and results of the valuation as at 31 December 2015 and updated to 31 December 2018 by a qualified independent actuary.

	2018 £'000
Amounts recognised in the consolidated balance sheet*:	
Defined benefit obligation	(16,641)
Fair value of scheme assets	10,897
Net defined benefit liability	<u>(5,744)</u>

\*Note: before deferred tax considerations

	2018 £'000
Changes in the present value of scheme liabilities are as follows:	
Opening defined benefit obligation	(18,290)
Interest cost	(513)
Actuarial losses	1,188
Benefits paid	974
Closing defined benefit obligation	<u>(16,641)</u>

	2018 £'000
Changes in the fair value of scheme assets are as follows:	
Opening fair value of scheme assets	12,100
Interest income on scheme assets	395
Return on scheme assets excluding interest income	(587)
Contributions by employer	299
Benefits paid	(974)
Scheme administration expenses	(246)
Closing fair value of scheme assets	<u>10,897</u>

	2018 £'000
Amounts recognised in the consolidated profit and loss account:	
Scheme administration expenses	(246)
Net interest on the defined benefit liability	(208)
Total expense recognised in the profit and loss account	<u>(454)</u>

	2018 £'000
Amounts recognised in the consolidated statement of comprehensive income:	
Actuarial gains	1,188
Return on scheme assets excluding interest income	(587)
Total gains recognised in other comprehensive income	<u>601</u>

## Notes to the financial statements

Period ended 31 December 2018

### 20 Post-employment benefits (continued)

	2018 £'000
Breakdown of value of assets at end of period:	
Global Equities	6,420
Fixed Interest Gilts	2,838
Corporate Bonds	1,422
Index Linked Gilts	39
Cash and cash equivalents	178
Total value of assets at end of the period	<u>10,897</u>

	2018 £'000
Sensitivity of the scheme liabilities to change in the principal actuarial assumptions:	
Scheme liabilities as at 31 December 2018	16,641
0.25% increase in discount rate	15,953
0.25% decrease in discount rate	17,373
0.25% increase in price inflation (and associated assumptions)	17,073
0.25% decrease in price inflation (and associated assumptions)	16,228
1 year increase in life expectancy	17,075
1 year decrease in life expectancy	16,210

#### Principal actuarial assumptions at the balance sheet date:

	2018 %
Discount rate	2.90
Future salary growth	n/a
RPI inflation	3.10
Pension increases in payment:	
- RPI max 5%	3.00
- RPI max 2.5%	2.05
Mortality	90% S2PXA base tables, CMI 2017 improvements, long-term trend rate of 1.25% and smoothing parameter of 7.5

The mortality assumptions are based on standard mortality tables which allow for the following future mortality improvements:

Retiring today:	2018
Males	22.7 years
Females	24.1 years
Retiring in 20 years:	
Males	24.6 years
Females	26.2 years

Cash commutation	90% of members assumed to exchange pension for maximum cash using current cash commutation factors
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## Notes to the financial statements

Period ended 31 December 2018

### 20 Post-employment benefits (continued)

The return on gilts and bonds is the current market yield on long term gilts and bonds.

Assets are marked to market at 31 December 2018 and liabilities are calculated using the projected unit method. The actuary estimates the Scheme deficit at 31 December 2018 to be approximately £5,744,000, which is the deficit for the multi-employer scheme as a whole, as discussed above, and does not arise in respect of the Company alone.

#### *Relationship between the Company and the trustees of the Scheme*

The pension assets are held in a separate trustee administered fund to meet the long-term pension liabilities to past and present employees. The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of trustees to the Scheme is determined by the Scheme's trust documentation.

#### *Estimated contributions*

The employer's best estimate of contributions to be paid to the Scheme by the company next year is £276,000. The Scheme was closed to future accruals for existing members in 2010; as a result, there will be no further contributions to be paid to the Scheme by employees.

#### *Company*

The Company had no post-employment benefits at 31 December 2018.

### 21 Provision for other liabilities

#### *Group*

The Group had the following provisions during the period:

	Onerous leases £'000	Dilapidations £'000	Total £'000
At 7 September 2017	-	-	-
Arising on acquisition (Note 31)	6,133	830	6,963
Amounts utilised	(1,321)	(128)	(1,449)
At 31 December 2018	<u>4,812</u>	<u>702</u>	<u>5,514</u>

#### *Onerous lease*

The onerous lease provision represents leases on vacant properties or where a restaurant is loss making for an extended period, until the end of the lease or until the directors estimate the properties can be sublet.

#### *Dilapidation*

The dilapidation provision represents the directors' estimated cost of returning leased sites to their original condition on exit of that site.

#### *Company*

The Company had no provisions at 31 December 2018.

### 22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group 31 December 2018 £'000	Company 31 December 2018 £'000
Fixed asset timing differences	(77)	-
Other timing differences	<u>981</u>	<u>-</u>
Net deferred tax assets	<u>904</u>	<u>-</u>

## Notes to the financial statements

Period ended 31 December 2018

### 23 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 31 December 2018 £'000	Company 31 December 2018 £'000
<i>Financial assets measured at amortised cost</i>		
Cash and cash equivalents	31,332	-
Amounts owed by group undertakings	-	15
Trade debtors	2,765	-
Other debtors	2,110	-
Total financial assets	36,207	15
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	(11,513)	-
Other creditors	(59)	-
Accruals	(11,858)	-
Amounts owed to group undertakings	-	(16)
Shareholder loan notes	(49,796)	-
Vendor loan notes	(9,320)	-
Total financial liabilities	(82,546)	(16)
Net financial (liabilities)/assets	(46,339)	(1)

### 24 Operating leases

#### Group

The Group's future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018 £'000
Less than one year	9,031
Between one and five years	28,629
More than five years	45,118
	82,778

During the period £14,917,539 was recognised as an expense in the Group profit and loss account in respect of operating leases.

#### Company

The Company had no operating leases as at 31 December 2018.

## Notes to the financial statements

Period ended 31 December 2018

### 25 Share capital and other reserves

	Number 31 December 2018	£ 31 December 2018
<b>Allotted, called up and fully paid:</b>		
Ordinary A1 shares of £0.01 each	82,808	829
Ordinary B1 shares of £0.04 each	6,000	240
Ordinary B2 shares of £0.001 each	9,472	9
Priority shares of £0.000001 each	<u>37,417,192</u>	<u>37</u>
	<u>37,515,472</u>	<u>1,115</u>

On 7 September 2017, the Company was incorporated by BEV Nominees Limited and held an initial shareholding of 2 Ordinary shares for a nominal value of £1.00 each.

On 16 November 2017, the following events occurred:

- the 2 Ordinary shares were renamed to Ordinary A1 shares and sub-divided to 200 shares for a value of £0.01 each.
- the Company issued 82,056 A1 Ordinary shares for a subscription price of £0.01 per share.
- the Company issued 18,542,744 Priority shares for a subscription price of £0.000001 per share

On 22 December 2017, the Company issued:

- 331 A1 Ordinary shares for a subscription price of £0.01 per share.
- 4000 B1 Ordinary shares for a subscription price of £0.04 per share.
- 4882 B2 Ordinary shares for a subscription price of £0.001 per share.
- 149,669 Priority shares for a subscription price of £0.000001 per share.

On 18 April 2018, the Company issued:

- 221 A1 Ordinary shares for a subscription price of £0.01 per share.
- 2000 B1 Ordinary shares for a subscription price of £0.04 per share.
- 4590 B2 Ordinary shares for a subscription price of £0.001 per share.
- 99,779 Priority shares for a subscription price of £0.000001 per share.

On 16 November 2018, the Company issued 18,625,000 Priority shares for a subscription price of £0.000001 per share.

There are four classes of shares:

- A1 Ordinary shares have attached to them full voting and dividend rights, full capital distribution (including on winding up) rights after any payments have been made to the holders of the priority shares, and do not confer any rights of redemption.
- B1 Ordinary shares have attached to them full dividend rights, full capital distribution (including on winding up) rights after any payments have been made to the holders of the priority shares, and do not confer any rights of redemption. The holders of the shares have four votes for each share held by them.
- B2 Ordinary shares have attached to them full dividend rights, full capital distribution (including on winding up) rights after any payments have been made to the holders of the priority shares, and do not confer any voting rights or rights of redemption.
- Priority shares have attached to them full capital distribution (including on winding up) rights after any payments have been made to the holders of other classes of other shares, do not have the right to participate in distributions made to other classes of shares and no automatic right to any other dividend or distribution in preference to any other class of share. However, the Board, with investor consent, may determine to distribute any available profits amongst the holders of the priority shares up to an amount equal to the aggregate of the priority amounts attributable to all priority shares as at the date of the distribution. They do not confer any voting rights or rights of redemption.

#### Share premium account

	Group 31 December 2018 £'000	Company 31 December 2018 £'000
Opening share premium account	-	-
Additions	<u>37,514</u>	<u>37,514</u>
Closing share premium account	<u>37,514</u>	<u>37,514</u>

## Notes to the financial statements

Period ended 31 December 2018

### 25 Share capital and other reserves (continued)

#### Dividends

No dividends were paid for the period ended 31 December 2018.

### 26 Notes to the cash flow statement

	31 December 2018 £'000
Loss for the financial period	(19,479)
<i>Adjustments for:</i>	
Tax on profit	(96)
Net interest expense	6,679
Depreciation, amortisation and impairment	9,451
(Increase) in trade and other debtors	(4,779)
(Increase) in inventories	(75)
Increase in trade and other creditors	9,527
Increase in provisions and employee benefits	(1,894)
Cash flow from operating activities	<u>(666)</u>

### 27 Contingent liabilities

There were no contingent liabilities at period-end.

### 28 Related party transactions

No separate disclosure has been made of transactions and balances between companies in the Group that have been eliminated in the preparation of these financial statements. All other transactions and balances with related parties of the Group have been detailed below.

#### Bridgepoint Loan Notes

On 16 November, the Group entered into a £100,000,000 11% unsecured redeemable series A loan note with Bridgepoint Funds. The amount drawn as at the balance sheet date is £49,795,000. In addition, interest has been capitalised into the principal of the loan notes at 31 December 2018 of £5,611,111.

#### Transactions with Bridgepoint

Monitoring fees of £168,750 due to Bridgepoint Advisers Limited were incurred during the financial period and £18,750 remains outstanding at the balance sheet date.

#### Transactions with Bridgepoint portfolio companies

Pepco Services LLP completed a cost reduction project on behalf of the Group for a fixed fee of £50,400. This amount was settled during the financial period and no amounts are outstanding as at the balance sheet date.

#### Transactions with Burger King Europe

Royalty and franchise opening fees of £4,000,796 due to Burger King Europe were incurred during the financial period and £87,674 remains outstanding at the balance sheet date.

#### Transactions with key management personnel

During the period, the Group incurred a £4,000 consultancy fee from The London Larder Company Limited, a company partly owned by Mr A Murdoch, a director of the Company. This amount was settled during the financial period and no amounts are outstanding as at the balance sheet date.

See note 8 for disclosure of the directors' remuneration and key management compensation.

## Notes to the financial statements

Period ended 31 December 2018

### 29 Controlling party

#### Group and Company

Royale Topco Limited is a limited company incorporated in England and Wales and the largest group for which consolidated financial statements are prepared. The smallest group for which consolidated financial statements are prepared is Royale JVC Limited. The financial statements of Royale Topco Limited are available from the Company Secretary, 5 New Street Square, London, United Kingdom, EC4A 3TW.

Shares in Royale Topco Limited are held in the name of a nominee company, BEV Nominees II Limited, which holds the shares as nominee for the 12 limited partnerships that comprise the Bridgepoint Europe V Fund being Bridgepoint Europe V 'A1' LP, Bridgepoint Europe V 'A2' LP, Bridgepoint Europe V 'A3' LP, Bridgepoint Europe V 'B1' LP, Bridgepoint Europe V 'B2' LP, Bridgepoint Europe V 'B3' LP, Bridgepoint Europe V 'B4' LP, Bridgepoint Europe V 'B5' LP, Bridgepoint Europe V 'C' LP, Bridgepoint Europe V 'D' LP, Bridgepoint Europe V 'E' LP and Wigmore Street Co-Investments No.1 LP (the "Partnerships"). The Partnerships each act by their FCA authorised fund manager, Bridgepoint Advisers Limited.

BEV Nominees II Limited's and Bridgepoint Advisers Limited's ultimate parent company is Bridgepoint Group Limited. Accordingly, at 31 December 2018, the directors consider the Company's ultimate controlling party to be Bridgepoint Group Limited.

### 30 Events after the reporting period

#### Group and Company

There were no significant events which occurred after the reporting period.

### 31 Business combinations

#### Group

On 16 November 2017, the Group acquired control of Caspian Food Retailers Limited through the purchase of 100% of the share capital for total consideration of £42,807,762. Caspian Food Retailers Limited and its subsidiaries ('CFR Group') operate a number of Burger King franchises across England and Scotland.

Prior to the acquisition, the Group had no presence in the quick service restaurant market. The goodwill of £52,907,036 arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations in the Group and its expansion plans.

Management have estimated the useful life of the goodwill to be 10 years.

The following table summarises the consideration paid by the Group, and the fair value of assets acquired and liabilities assumed.

Consideration at 16 November 2017	£'000
Cash	26,960
Deferred consideration	3,653
Vendor loan note	9,227
Directly attributable costs	2,968
Total consideration	42,808

The deferred consideration was held in an escrow account and was contingent upon the closure of a number of loss-making sites in the acquired portfolio. This amount was finalised and paid on 21 December 2018.

For cash flow purposes, the amounts are disclosed as follows:

	£'000
Consideration	42,808
Less: cash and cash equivalents acquired	(1,413)
Net cash outflow	41,395

## Notes to the financial statements

Period ended 31 December 2018

### 31 Business combinations (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	£'000 Book value	£'000 Adjustments	£'000 Fair value
Tangible assets	(a)	12,728	(2,984)	9,744
Intangible assets	(b)	1,959	(1,727)	232
Cash		1,413	-	1,413
Inventories		489	-	489
Trade and other receivables		2,265	-	2,265
Trade and other payables	(c)	(9,969)	(1,996)	(11,965)
Provisions	(d)	(203)	(6,963)	(7,166)
Pension liability	(e)	(6,060)	(130)	(6,190)
Deferred tax liabilities	(f)	(316)	(81)	(397)
Total identifiable net liabilities		2,306	(13,881)	(11,575)
Non-controlling interest				1,476
Goodwill				52,907
Total				42,808

The adjustments arising on acquisition were in respect of the following:

- An impairment charge in respect of leasehold and plant across the acquired estate.
- An assessment of the market value of the existing franchise fee agreements for acquired sites. The adjustments include an impairment analysis of the acquired goodwill and franchise fees, an assessment of the market value of the existing franchise fee agreements for acquired sites, and a write-off of the Burger King Development fees asset within the CFR Group.
- An assessment of the market value of the acquired leases.
- A provision for onerous leases and dilapidations relating to the acquired portfolio.
- An adjustment to the pension scheme liability as at the acquisition date.
- Deferred tax adjustment arising as a result of the acquisition adjustments.

### 32 Non-controlling interests

The movement in non-controlling interests was as follows:

	31 December 2018 £'000
At 7 September 2017	-
Acquisition of Caspian Food Retailers Limited	1,476
Total comprehensive income attributable to non-controlling interests	2,394
At 31 December 2018	3,870

## Notes to the financial statements

Period ended 31 December 2018

### 33 Subsidiaries and related undertakings

The list of subsidiaries is as follows:

Name	Address of the registered office	Nature of business	Interest
Royale Midco Limited*	5 New Street Square, London, EC4A 3TW	Holding company	100% ordinary shares
Royale JVC Limited	5 New Street Square, London, EC4A 3TW	Holding company	87.25% ordinary shares
Royale Interco Limited	5 New Street Square, London, EC4A 3TW	Holding company	87.25% ordinary shares
BKUK Group Limited	5 New Street Square, London, EC4A 3TW	Holding company	87.25% ordinary shares
BKUK Devco Limited	5 New Street Square, London, EC4A 3TW	Retailer	87.25% ordinary shares
Royale Bidco Limited	5 New Street Square, London, EC4A 3TW	Holding company	87.25% ordinary shares
Caspian Food Retailers Limited	5 New Street Square, London, EC4A 3TW	Retailer	87.25% ordinary shares
Caspian Food Services Limited	5 New Street Square, London, EC4A 3TW	Retailer	87.25% ordinary shares
Westside Express Limited	5 New Street Square, London, EC4A 3TW	Retailer	87.25% ordinary shares
Gowrings Pension Trustee Company Limited	5 New Street Square, London, EC4A 3TW	Dormant company	87.25% ordinary shares

\* This entity is owned directly by Royale Topco Limited.