BKUK Devco Limited

Annual report and financial statements

For the year ended 31 December 2019

Registered number 10980858

Contents

Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2019 and comparatives for the 15 month period from 25 September 2017 to 31 December 2018.

Review of the business
The results of the Company for the year are set out on page 8 and show a loss before taxation of £5,892,000 (2018: £1,054,000). The net assets of the Company as at 31 December 2019 is £11,804,000 (2018: £17,696,000). The increase in sales is due to the opening of 15 new restaurants during the year and the decrease in gross profit is due to the associated new site pre-opening costs. The operating loss is a result of the development of new restaurants during the Company's initial operating period, and which are expected to generate profits in the future.

Key performance indicators
The key performance indicators used by the directors in monitoring the performance of the Company 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 Company, was £425,000 (2018: nil). This includes the investment in scalability incurred during the year 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:

	2019 £'000	2018 £'000
Operating loss	(3,847)	(794)
add: depreciation and impairment of tangible fixed assets	975	41
add: amortisation of intangible fixed assets	52	8
add: movement in property-related provisions	318	-
add: investment in scalability	1,145	-
add: new site pre-opening costs	1,782	745
Adjusted EBITDA	425	-

Like-for-like sales growth

The Company measures the year-on-year underlying performance of the existing estate. Company 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. There were no mature sites across both periods and therefore this will be monitored closely from the next financial period.

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 2019 despite a slowdown in growth from previous years. The restaurants operated by the Company performed well during the year and this performance has continued into the new financial year.

Strategic Report (continued)

Risks

The main risks to our business are:

- Prevailing economic conditions including COVID-19 and 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 and credit risk

Many of these risks are mitigated by Burger King's strong product range, and ongoing product development. The Company manages its exposure to liquidity risk by maintaining significant cash reserves and entering into long term loan note agreements which will not be settled until the agreed repayment date in 2027.

Credit risk arises as a result of the Company's intercompany debtors balance with BKUK Group Limited. Having reviewed budgets and forecasts for BKUK Group Limited, which is supported by the cashflows from its subsidiary undertakings, the directors are satisfied that the risk associated with this balance is appropriately managed.

The ongoing risk posed by COVID-19 has been mitigated by the Company's ability to trade effectively through various iterations of lockdown imposed by the government. The significant portion of the estate that can operate as a drive through as well as the increased demand for home delivery sales has ensured that this risk has been appropriately mitigated.

Section 172(1) statement

From the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the group board, the matters that it is responsible for considering under Section 172(1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group board has considered the matters set out in s172 is set in the group's annual report, which does not form part of this report.

On behalf of the board

AD Murdoch
Director
18 December 2020

Directors' report

The directors present their annual report and the audited financial statements of BKUK Devco Limited ("the Company") for the year ended 31 December 2019.

Principal activities and future developments
The principal activity of the Company is the franchise and operation of Burger King restaurants, completed through a combination of opening new restaurants and targeted acquisitions. The directors expect this to continue for the foreseeable future. The directors have considered the financial position of the Company and concluded that it is appropriate to prepare the financial statements on a going concern basis. See note 3.2 for further assessment.

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

See the Risks section of the Strategic Report for detail around how the Company has mitigated the impact of COVID-19.

Dividend
No dividends were paid during the year (2018: nil).

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

TJ Doubleday
AD Murdoch

Directors' indemnity
Royale Midco Limited, a group company, maintains liability insurance for directors and officers of BKUK Devco Limited. This is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006 and was in place during the financial year and as at the date of approval of the financial statements.

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 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 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;
- 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 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.

The directors 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.

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 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 Company's auditors are aware of that information.

Financial instruments
The directors consider that the Company's key financial instruments are shareholder loan notes and amounts due to 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 Company's operations change in size or nature.

The Company 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 Company does not use any other financial instruments as part of its risk management.

The Company'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.

Directors' report (continued)

Risk Management

The Company is conscious of the importance of providing a safe working environment for 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 Company did not make any political donations or incur any political expenditure during the year (2018: nil).

Post balance sheet events

The COVID-19 pandemic has developed rapidly in 2020. Measures taken by the government to contain the virus have affected economic activity and the Company's business in various ways:

- Temporary closures of all restaurants following the first lockdown in March 2020
- Restricted ability to trade after re-opening, including a limit on customers' ability to dine inside restaurants
- Delayed the new site roll-out initially planned during 2020

However, since re-opening in April, the Company has achieved strong results driven by operational efficiencies and a resilient drive through estate, whilst benefitting from various government support schemes including reduction in VAT rates, business rates relief and the job retention scheme.

At the date of approval of these financial statements, the business has recovered significantly and the overall impact to date has not been significant, and the directors expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

As of the balance sheet date it was not known how severe the economic impact of COVID-19 would be as the vast majority of cases were then in Asia, where the Company currently has no operations. Based on this, in accordance with FRS 102 paragraph 32, the Directors concluded the pandemic is a non-adjusting post balance sheet event. As a result of this, no adjustments to amounts recognised in the financial statements have been made for the impact of COVID-19.

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
18 December 2020

Independent auditors' report to the members of BKUK Devco Limited

Report on the audit of the financial statements

Opinion

In our opinion, BKUK Devco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year 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 Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; profit and loss account and the statement of changes in equity for the year ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

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 company 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 or, 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.

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 year ended 31 December 2019 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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 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 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. 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.

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Simon Bailey

Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
18 December 2020

Profit and loss account

for the year ended 31 December 2019

	Note	For the year ended 31 December 2019 £'000	For the 15 month period ended 31 December 2018 £'000
Turnover	5	15,834	1,313
Cost of sales		(17,653)	(1,896)
Gross loss		(1,819)	(583)
Administrative expenses		(2,028)	(211)
Operating loss	6	(3,847)	(794)
Interest receivable and similar income	9	45	-
Interest payable and similar expenses	9	(2,090)	(260)
Loss before taxation		(5,892)	(1,054)
Tax on loss	10	-	-
Loss for the financial year/period		(5,892)	(1,054)

All results arise from continuing activities.

There was no other comprehensive income for the year ended 31 December 2019 (2018: nil).

The notes on pages 11 to 20 form part of the financial statements.

Balance sheet
as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Intangible assets	11	1,139	750
Tangible assets	12	20,702	6,038
		21,841	6,788
Current assets			
Inventories	13	232	102
Debtors	14	9,626	19,383
Cash and cash equivalents	15	6,379	19,754
		16,237	39,239
Creditors: amounts falling due within one year	16	(4,856)	(9,321)
Net current assets		11,381	29,918
Total assets less current liabilities		33,222	36,706
Creditors: amounts falling due after more than one year	17	(21,100)	(19,010)
Provisions for other liabilities	18	(318)	-
Net assets		11,804	17,696
Capital and reserves			
Called-up share capital	21	-	-
Share premium account	21	18,750	18,750
Accumulated losses		(6,946)	(1,054)
Total equity		11,804	17,696

The notes on pages 11 to 20 form part of the financial statements.

The financial statements were approved by the board of directors on 18 December 2020 and were signed on its behalf by:

TJ Doubleday
Director
18 December 2020

BKUK Devco Limited
Registered no. 10980858

Statement of changes in equity
for the year ended 31 December 2019

	Called-up share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
At 25 September 2017	-	-	-	-
Loss for the financial period	-	-	(1,054)	(1,054)
Total comprehensive expense for the period	**-**	**-**	**(1,054)**	**(1,054)**
Share issue	-	18,750	-	18,750
At 31 December 2018	**-**	**18,750**	**(1,054)**	**17,696**
At 1 January 2019	-	18,750	(1,054)	17,696
Loss for the financial year	-	-	(5,892)	(5,892)
Total comprehensive expense for the year	**-**	**-**	**(5,892)**	**(5,892)**
At 31 December 2019	**-**	**18,750**	**(6,946)**	**11,804**

The notes on pages 11 to 20 form part of the financial statements.

Notes to the financial statements

Year ended 31 December 2019

1 General information

BKUK Devco Limited (the "Company") operates 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 10980858 and the registered address is 5 New Street Square, London, EC4A 3TW.

2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been applied consistently in the year ended 31 December 2019.

3.1 Basis of preparation

These 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 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.

3.2 Going concern

The Company has cash reserves of £6,379,000 and is in a net asset position of £11,804,000, of which £21,100,000 included in creditors relate to shareholder loan notes. These loans do not mature until 2027. These financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements having assessed the business risks, financial position and resources of the Company.

3.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. The Company has taken advantage of the following exemptions in its financial statements:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The information is included in the consolidated financial statements of BKUK Group Limited as at 31 December 2019 and these financial statements may be obtained from UK Companies House.

3.4 Foreign currency

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

3.5 Revenue recognition

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

Revenue from food and drink sales is recognised at the point at which the goods are provided.

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

3.6 Employee 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.

Notes to the financial statements

Year ended 31 December 2019

3 Summary of significant accounting policies (continued)

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.

3.8 *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:

- Franchise fees — Over the life of the agreement
- Goodwill — 10 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.

3.9 *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 land and buildings — 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.

3.10 *Borrowing costs*

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.11 *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.

3.12 *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.

Notes to the financial statements

Year ended 31 December 2019

3 Summary of significant accounting policies (continued)

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash in transit.

3.14 Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of 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.

4 Key accounting estimates and assumptions

The Company 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 the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Recoverability of intercompany debtors

The directors have considered the financial position and three year forecast for BKUK Group Limited, which include the cashflows of its trading subsidiaries BKUK Devco Limited, Caspian Food Retailers Limited, Caspian Food Services Limited, BKUK Bristol Limited and BKUK Flame Limited. Based upon the forecast profitability and high cashflows generated, the directors are satisfied that the intercompany debtors are recoverable.

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 Company 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. Impairment of goodwill

The Company considers whether the goodwill arising on the acquisition of restaurants is impaired by considering the profitability of the individual restaurants. The directors have concluded that no impairment is required as at the balance date and will reassess the goodwill impairment model periodically.

5 Turnover

Turnover is derived from the operation of Burger King restaurants and is carried out wholly within the UK. The directors regard the operation of the restaurants as a single activity and therefore no further segmental analysis is required.

Notes to the financial statements

Year ended 31 December 2019

6 Operating loss

Operating loss is stated after charging the following:

	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Depreciation and impairment of tangible fixed assets	953	41
Amortisation of intangible fixed assets	52	8
Operating lease charges	2,327	164
Fees payable to the Company's auditors:		
- Audit of these financial statements	15	15
- Tax compliance services	11	8
	26	23

7 Employees and directors

	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Wages and salaries	4,619	337
Social security costs	313	33
	4,932	370

The average number of employees during the year, all employed in Store Operations, amounted to nil (2018: 61). All employees are employed by the parent company, BKUK Group Limited, and their costs are recharged to the Company.

8 Directors' remuneration

The directors' remuneration is borne by Royale Midco Limited and details are disclosed in the financial statements of that company. The directors consider that it is not possible to accurately apportion these costs to the Company, and therefore no recharge has been incurred by the Company. No retirement benefits are accruing for any of the directors.

9 Net interest expense

	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Interest on short term deposits	45	-
Interest payable on shareholder loans	(2,090)	(260)
	(2,045)	(260)

Notes to the financial statements

Year ended 31 December 2019

10 Tax on loss

	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Total tax expense recognised in the profit and loss account		
Current tax:		
Current tax on loss for the year/period	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Effect of changes in tax rate	-	-
Total deferred tax	-	-
Tax credit loss	-	-

Reconciliation of effective tax rate

The charge for the year/period can be reconciled to the profit and loss account as follows:

	Year ended 31 December 2019 £'000	15 month period ended 31 December 2018 £'000
Loss before taxation	(5,892)	(1,054)
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	(1,119)	(200)
Expenses not deductible for tax purposes	178	28
Effects of group relief	164	172
Movement in unprovided deferred tax	777	-
Total tax credit included in profit or loss	-	-

The Company does not recognise the deferred tax asset arising on losses due to uncertainty associated with the recoverability of the balance. The total amount of unprovided deferred tax asset as at the year ended 31 December 2019 is £777,000 (2018: nil).

Factors affecting future tax changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. Moreover, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would have no significant impact on the deferred tax asset value.

Notes to the financial statements

Year ended 31 December 2019

11 Intangible assets

	Goodwill £'000	Franchise fees £'000	Total £'000
Cost			
At 1 January 2019	735	23	758
Additions	-	463	463
At 31 December 2019	**735**	**486**	**1,221**
Accumulated amortisation			
At 1 January 2019	(7)	(1)	(8)
Charge for the year	(37)	(15)	(52)
Impairment	-	(22)	(22)
At 31 December 2019	**(44)**	**(38)**	**(82)**
Net book value			
At 31 December 2019	**691**	**448**	**1,139**
At 1 January 2019	728	22	750

12 Tangible assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	1,751	4,328	6,079
Additions	939	14,678	15,617
At 31 December 2019	**2,690**	**19,006**	**21,696**
Accumulated depreciation			
At 1 January 2019	(7)	(34)	(41)
Charge for the year	(83)	(611)	(694)
Impairment	(104)	(155)	(259)
At 31 December 2019	**(194)**	**(800)**	**(994)**
Net book value			
At 31 December 2019	**2,496**	**18,206**	**20,702**
At 1 January 2019	1,744	4,294	6,038

All assets are stated at cost.

Notes to the financial statements
Year ended 31 December 2019

13 Inventories

	31 December 2019 £'000	31 December 2018 £'000
Raw materials and consumables	232	102

Raw materials and consumables recognised as cost of sales in the Company in the year amounted to £4,544,000 (2018: £387,000).

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

14 Debtors

	31 December 2019 £'000	31 December 2018 £'000
Trade debtors	123	-
Amounts owed by group undertakings	9,294	18,746
Other debtors	44	381
Prepayments and accrued income	165	256
	9,626	19,383

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.

All debtors are due within one year.

15 Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash at bank and in hand	6,062	19,117
Cash in transit	317	637
	6,379	19,754

16 Creditors: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed to group undertakings	-	8,221
Other taxation and social security	1,022	270
Other creditors	7	-
Accruals and deferred income	3,827	830
	4,856	9,321

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.

Notes to the financial statements

Year ended 31 December 2019

17 Creditors: amounts falling due after more than one year

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed to group undertakings	21,100	19,010
	21,100	19,010

On 16 November 2018, the Company entered into a £18,750,000 unsecured redeemable series A loan note with its shareholder, BKUK Group Limited. The maturity date of the loan note is 30 September 2027, at which point it will be repaid in full. The loan note accrues interest at a compound rate of 11% per annum. Cumulative interest capitalised into the principal of the loan notes at 31 December 2019 was £2,350,000 (2018: £260,000).

18 Provisions for other liabilities

	Onerous leases £'000	Dilapidations £'000	Total £'000
At 1 January 2019	-	-	-
Additions via profit and loss account	246	72	318
At 31 December 2019	246	72	318

Onerous leases

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.

19 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	31 December 2019 £'000	31 December 2018 £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	6,379	19,754
Trade debtors	123	-
Amounts owed by group undertakings	9,294	18,746
Other debtors	44	381
Total financial assets	15,840	38,881
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings	-	(8,221)
Shareholder loan notes	(21,100)	(19,010)
Other creditors	(7)	-
Accruals	(3,827)	(830)
Total financial liabilities	(24,934)	(28,061)
Net financial assets	(9,094)	10,820

Notes to the financial statements

Year ended 31 December 2019

20 Operating leases

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

	31 December 2019 £'000	31 December 2018 £'000
Less than one year	2,188	1,011
Between one and five years	8,751	4,046
More than five years	28,989	13,561
	39,928	18,618

During the year, £2,327,000 (2018: £164,000) was recognised as an expense in the Company profit and loss account in respect of operating leases.

21 Share capital

	Number 31 December 2019	£ 31 December 2019	Number 31 December 2018	£ 31 December 2018
Allotted, called up and fully paid:				
Ordinary shares of £1.00 each	3	3	3	3
	3	3	3	3

On 26 July 2017, the Company was incorporated by BKUK Group Limited and held an initial shareholding of 2 Ordinary shares for a nominal value of £1.00 each.

On 16 November 2018, the Company issued 1 Ordinary share for a subscription price of £1.00 per share for a premium of £18,749,999.

Share premium account

	31 December 2019 £'000	31 December 2018 £'000
Opening share premium account	18,750	-
Movements	-	18,750
Closing share premium account	18,750	18,750

Dividends

No dividends were paid for the year ended 31 December 2019 (2018: nil).

22 Contingent liabilities

There were no contingent liabilities at year-end (2018: nil).

23 Related party transactions

Transactions and balances between companies wholly owned by BKUK Group Limited have not been disclosed as is permitted by FRS 102 Section 33.1A *Related Party Disclosures*. There are no additional related party transactions outside of the group which require disclosure.

Notes to the financial statements

Year ended 31 December 2019

24 Controlling party

The immediate parent company of BKUK Devco Limited is BKUK Group Limited. BKUK Group Limited is a limited company incorporated in England and Wales and the smallest group for which consolidated financial statements are prepared. Royale Topco Limited is a limited company incorporated in England and Wales and the largest group for which consolidated financial statements are prepared. The financial statements of BKUK Group Limited and 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 2019, the Directors consider the Company's ultimate controlling party to be Bridgepoint Group Limited.

25 Events after the reporting period

The COVID-19 pandemic has developed rapidly in 2020. Measures taken by the government to contain the virus have affected economic activity and the Company's business in various ways:

- Temporary closures of all restaurants following the first lockdown in March 2020
- Restricted ability to trade after re-opening, including a limit on customers' ability to dine inside restaurants
- Delayed the new site roll-out initially planned during 2020

However, since re-opening in April, the Company has achieved strong results driven by operational efficiencies and a resilient drive through estate, whilst benefitting from various government support schemes including reduction in VAT rates, business rates relief and the job retention scheme.

At the date of approval of these financial statements, the business has recovered significantly and the overall impact to date has not been significant, and the directors expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

As of the balance sheet date it was not known how severe the economic impact of COVID-19 would be as the vast majority of cases were then in Asia, where the Company currently has no operations. Based on this, in accordance with FRS 102 paragraph 32, the Directors concluded the pandemic is a non-adjusting post balance sheet event. As a result of this, no adjustments to amounts recognised in the financial statements have been made for the impact of COVID-19.

On 4 May 2020, Natwest PLC created a fixed and floating charge against the Company in respect of the revolving credit facility held by its parent, BKUK Group Limited, which require the Company to comply with financial covenants.