Registration number: 11249161

Five Guys European Holdings Limited

Annual report and consolidated financial statements

for the year ended 31 December 2018

Five Guys European Holdings Limited

Contents

Five Guys European Holdings Limited

Company Information

Directors	S H Chamberlain R P K Clarkson Sir C W Dunstone J H Eckbert T D Murrell V J Murrell R W Taylor
Company secretary	T Morris
Registered office	Unit 2-3 1 Bard Road London England W10 6TP
Auditor	Deloitte LLP Statutory Auditor London United Kingdom

Five Guys European Holdings Limited

Strategic report for the year ended 31 December 2018

The directors present the strategic report for Five Guys European Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2018. In preparing this strategic report, the directors have complied with s414C of the Companies Act 2006.

The Company was incorporated on 11 March 2018. The Company legally acquired Five Guys JV Limited, together with its underlying subsidiaries on 20 June 2018. Prior to the transfer date, the Company and Five Guys JV Limited had the same ultimate owner and therefore were considered to be under common control prior to the transfer date. The acquisition has been accounted for using the merger accounting method, where the financial statements of the Group are presented as a continuation of an existing Group and include the results of Five Guys European Holdings Limited and its subsidiaries for the financial year 31 December 2018 in the current year results and the 53 week period ended 31 December 2017 as the comparative results.

Principal activity
Five Guys is a family owned chain of restaurants founded in Virginia by the Murrell family in 1986. The concept is a simple one:

- burgers & fries, made fresh daily from the finest ingredients
- spotlessly clean restaurants
- amazing customer service

In 2012, the Murrells formed the Company as a Joint Venture with Sir Charles Dunstone to launch Five Guys in the UK. The Group's first store opened in Covent Garden on 4 July 2013. Based on this successful launch, the Murrell family expanded the Group's territory to include France, Spain, Germany & Portugal.

At year end the Group operated 117 restaurants in the UK, France, Spain and Germany. The directors continue to believe that there are strong growth prospects in the premium burger market and intend to continue the rapid roll out of Five Guys in the UK and Europe. In 2018, 27 new restaurants were opened and 1 was returned to the landlord.

Business review and key performance indicators (KPIs)
The Group continued its rapid expansion in the UK, France, Spain and Germany. The Group delivered a strong 2018 and we are confident of our growth plans going forward in all territories. Excluding depreciation, amortisation and impairment, operating profit before pre-opening costs was £11.7m (2017: £9.8m).

The Group loss for the period (before taxation) amounted to £32,402k (2017: £19,028k).

In 2018, the Group secured a £100 million bank facility from Goldman Sachs to aid the UK and European expansion and to repay the UK shareholder debt. This has significantly reduced our blended cost of debt.
Following the positive roll out of delivery with our UK business, we have successfully launched it in France and Spain and aim to roll out in Germany once the market matures.

UK
For the third year the UK reported an operating profit, in 2018 of £5.8m (2017 £5.1m).

During the year 10 stores opened and 1 closed bringing the total number of stores at the year end to 88. In 2019 we have closed an additional 2 loss making stores and plan to open 10-15 new restaurants.

During the year the Group incurred expenses in relation to store closures of £1.5m, £398k onerous lease provisions and £1,138k property impairment.

Mainland Europe
The Group more than doubled the size of the estate, opening 17 new stores, taking our total stores number to 29. Stores continue to perform in line with expectations and we anticipate doubling our stores number again in 2019. As stores numbers expand overheads will be covered and we anticipate all countries to start covering overheads (excluding pre-opening costs) in the second half of 2019.

	2018	2017
Store numbers	117	91
	£ 000	**£ 000**
Revenue	207,196	150,978
Gross Profit	97,333	70,833
Operating profit before depreciation, amortisation, pre-opening costs, and impairment	**11,714**	**9,820**

Financial risk management objectives and policies

Cash flow risk
The Group had exposure to Euros during the period. The directors have not felt it necessary to maintain any hedge positions, but this position is reviewed on an annual basis. Shareholder loans to fund the expansion of Europe are in GBP. Since November 2017, funds have been invested into the operating companies as equity to reduce reported exposure to foreign exchange. The new bank financing gives us the option to borrow for Europe in Euros. As a result, exposure in the current year is minimal.

Currency risk
The Group has sourced a UK beef supplier to mitigate Euro risk from purchasing beef in Ireland. The Group has minor exposure to US Dollar exchange risk, but does not consider it significant enough to hedge.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties with customer transactions largely settled at the point of sale.

Interest rate risk
The Group borrows in Sterling, with both fixed and floating rates of interest. 50% of the floating interest is hedged.

Strategic report for the year ended 31 December 2018 (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses long-term debt finance.

The liquidity risk is limited because the Investor Loan Agreement counterparty is backed by a high net-worth individual, who has expressed their written consent to continue to fund the Group's budgeted expansion plans.

Further details regarding liquidity risk can be found in the financial instruments (note 24) in the financial statements.

Investment impairment risk

The directors' understanding of the risks associated with the investments held by the entity relates to the potential impairment of those investments. To identify any risk of impairment the Group reviews the financial performance of its investments on a regular basis. No investments were impaired in 2018.

Approved by the Board on 26/6/19 and signed on its behalf by:

J H Eckbert
Director

Directors' report for the year ended 31 December 2018 (continued)

The directors present their annual report on the affairs of Five Guys European Holdings Limited ('the Company') and its subsidiaries ('the Group'), together with the consolidated financial statements and the auditor's report for the year ended 31 December 2018.

Going concern
In determining whether the Group and the Company's financial statements can be prepared on the going concern basis the directors have considered all the factors likely to affect their future development, performance and their financial position. The directors have approved the budgets for the Group and the Company for 2019. A new bank facility of £100 million has been secured at a rate of LIBOR + 6%. This has been used to aid the UK expansion, repay the existing bank debt of £35m, and reduce shareholder debt by £25 million. European entities continue to be funded by the existing shareholder loan facility. They can also draw on the new bank facility as each territory becomes profitable.

The shareholder has committed to make good any shortfall between bank facilities and operating cashflow to the extent required to fund all committed new stores in 2019. They have also committed not to request repayment of the existing lending or any new funding in 2019 to the extent this would prevent the Group being able to meet its liabilities as they fall due for at least the next 12 months. The Group is in a net current liability position due to the working capital profile of restaurants, especially those in expansion phase. After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group and the Company's financial statements.

Employment policy
The Group and the Company do not discriminate in their hiring or employment practices against qualified individuals with disabilities who can perform the essential job functions with or without reasonable adjustments as part of its commitment to a diverse workforce. The policy includes, where practicable:

- The application process is used solely to determine whether a candidate's qualifications and abilities reasonably match job requirements. Therefore, applicants are not queried about their physical condition(s) or medical history.
- Five Guys will make reasonable adjustments to enable a qualified disabled individual to perform essential job functions. Where appropriate, the employee will be consulted about potential adjustments.

The Group and the Company has continued their policy of employee involvement by regularly consulting with employees, or their representatives, for their views on matters affecting them. Employee involvement in the Group and the Company performance is encouraged through bonus schemes which make all employees aware of the financial and economic factors affecting the performance of the Group and the Company.

Results and dividends
The directors do not recommend the payment of a dividend (2017: £nil).

The Group made a loss before tax of £32,402k (2017: £19,028k).

Future developments
The Group continued in its expansion, opening 27 new resturants and returning 1 to the landlord, with 117 resturants trading at year end. The directors anticipate continuing the expansion in the UK in 2019. More details are included in the strategic report on page 2.

Brexit
Brexit has brought uncertainty into the market. While there was an initial sales impact due to uncertainty, stability appears to be returning. It is likely to have implications on the availability and cost of labour. To mitigate this the company pays above minimum wage and is not experiencing recruitment issues. We will continue to closely monitor the situation. Procurement strategies are in place to minimise any impact. Most of our product is sourced locally, reducing risk.

Directors of the Group
The directors of the Group during the period and up to the date of signing of the consolidated financial statements, were as follows:

S H Chamberlain (appointed 19 June 2018)

R P K Clarkson (appointed 19 June 2018)

Sir C W Dunstone (appointed 19 June 2018)

J H Eckbert (appointed 11 March 2018)

T D Murrell (appointed 19 June 2018)

V J Murrell (appointed 19 June 2018)

R W Taylor (appointed 19 June 2018)

Directors' indemnities
The Group and the Company have not made any qualifying third party indemnity provisions for the benefits of its directors in the period (2017: £nil).

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of auditor
Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 26/6/19 and signed on its behalf by:

John Eckbert

J H Eckbert
Director

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework" the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing the parent Company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether *Financial Reporting Standards 101/Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of Five Guys European Holdings Limited

Opinion

In our opinion the financial statements of Five Guys European Holdings Limited (the 'Company') and its subsidiaries (together the 'Group'):

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB) ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated and company balance sheet;
- the consolidated and company statements of changes in equity;
- the consolidated statement of cash flow; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 or 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Five Guys European Holdings Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

Independent auditor's report to the members of Five Guys European Holdings Limited (continued)

Tim Steel

....

Timothy Steel ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 26/06/19

Five Guys European Holdings Limited

Consolidated income statement for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
Revenue	5	207,196,036	150,978,370
Cost of sales		(109,863,407)	(80,145,354)
Gross profit		97,332,629	70,833,016
Other administrative expenses		(105,140,809)	(73,377,324)
Impairment and onerous lease charges	11	(1,535,328)	-
Total administrative expenses		(106,676,137)	(73,377,324)
Non-trading items		(5,224,144)	(5,929,008)
Operating loss	11	(14,567,652)	(8,473,316)
Finance income	6	-	1,432,611
Finance costs	7	(17,834,053)	(11,987,060)
Net finance costs		(17,834,053)	(10,554,449)
Loss before tax		(32,401,705)	(19,027,765)
Tax on loss	14	(1,196,415)	(899,391)
Loss for the year	11	(33,598,120)	(19,927,156)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		694,807	(491,875)
Total comprehensive loss for the year		(32,903,313)	(20,419,031)

The above results were derived from continuing operations.

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Consolidated balance sheet as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Non-current assets			
Property, plant and equipment	12	104,091,638	81,359,579
Intangible assets	13	485,851	461,455
Deferred tax assets	14	-	429,414
Derivative financial instruments	15	25,396	-
Other receivables	15	41,314,610	37,222,068
		145,917,495	119,472,516
Current assets			
Inventories	17	1,408,838	1,213,521
Trade and other receivables	18	25,507,492	9,810,854
Cash and cash equivalents		17,419,459	17,660,929
		44,335,789	28,685,304
Total assets		190,253,284	148,157,820
Current liabilities			
Trade and other payables	19	(54,164,609)	(44,304,261)
Onerous lease provision	20	(397,774)	-
		(54,562,383)	(44,304,261)
Net current liabilities		(10,226,594)	(15,618,957)
Non-current liabilities			
Loans		(219,608,272)	(157,059,404)
Other non-current liabilities		(1,700,000)	-
Deferred tax liabilities	14	(491,785)	-
	21	(221,800,057)	(157,059,404)
Total liabilities		(276,362,440)	(201,363,665)
Net liabilities		(86,109,156)	(53,205,845)
Equity			
Share capital	22	20,002	20,000
Retained losses	22	(86,129,158)	(53,225,845)
Total equity		(86,109,156)	(53,205,845)

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Consolidated balance sheet as at 31 December 2018 (continued)

The financial statements of Five Guys European Holdings Limited (registration number: 11249161) were approved by the Board of Directors and authorised for issue on ..26/6/19..

They were signed on its behalf by:

....

J H Eckbert

Director

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Company balance sheet as at 31 December 2018

	Note	31 December 2018 £
Non-current assets		
Investments in subsidiaries	16	20,101
Other receivables	15	149,587,740
		149,607,841
Current assets		
Cash and cash equivalents		962
Total assets		149,608,803
Current liabilities		
Trade and other payables	19	(1,214)
Net current liabilities		(252)
Non-current liabilities	21	(149,594,044)
Total liabilities		(149,595,258)
Net assets		13,545
Equity		
Share capital	22	20,002
Retained losses		(6,457)
Total equity		13,545

The financial statements of Five Guys European Holdings Limited (registration number: 11249161) were approved by the Board of Directors and authorised for issue on 26/6/19.

They were signed on its behalf by:

John Eckbert

J H Eckbert
Director

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital	Retained losses	Total
	£	£	£
At 26 December 2016	20,000	(32,806,814)	(32,786,814)
Loss for the period	-	(19,927,156)	(19,927,156)
Currency translation differences	-	(491,875)	(491,875)
Total comprehensive loss	-	(20,419,031)	(20,419,031)
At 31 December 2017	20,000	(53,225,845)	(53,205,845)

	Share capital	Retained losses	Total
	£	£	£
At 1 January 2018	20,000	(53,225,845)	(53,205,845)
Loss for the year	-	(33,598,120)	(33,598,120)
Currency translation differences	-	694,807	694,807
Total comprehensive loss	-	(32,903,313)	(32,903,313)
Issue of share capital	2	-	2
At 31 December 2018	20,002	(86,129,158)	(86,109,156)

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Company statement of changes in equity for the year ended 31 December 2018

	Share capital	Retained losses	Total
	£	£	£
At incorporation 11 March 2018	20,000	-	20,000
Loss for the period	-	(6,457)	(6,457)
Total comprehensive loss	-	(6,457)	(6,457)
Share Capital issued	2	-	2
At 31 December 2018	20,002	(6,457)	13,545

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Consolidated statement of cash flow for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	52 weeks ended 31 December 2017 £
Cash flows from operating activities			
Loss for the year		(33,598,122)	(19,927,156)
Adjustments to cash flows from non-cash items			
Depreciation of property. plant and equipment	11	13,368,435	9,364,084
Amortisation of intangible assets	11	291,521	214,143
Amortisation of lease premium		5,862,295	2,786,277
Impairment/onerous lease provision		1,535,327	-
Finance income	7	-	(1,432,611)
Finance costs	7	17,834,053	11,987,060
Non-cash management charge		1,000,000	500,000
Income tax expense	14	1,196,415	899,391
LTIP Provision		2,165,614	2,113,740
Loss on disposals		846,405	-
Operating cash flows before movements in working capital		10,501,943	6,504,928
Increase in inventories	17	(195,317)	(319,349)
Increase in trade and other receivables	18	(15,696,638)	(2,967,037)
Increase in trade and other payables	19	10,258,122	11,290,703
Income tax paid		(283,377)	-
Management fee paid		(1,200,000)	-
LTIP paid		(4,315,238)	-
		(11,432,448)	8,004,317
Net cash flow from operating activities		(930,505)	14,509,245
Cash flows from investing activities			
Purchase of property plant and equipment, operating lease premium and deposits	12	(47,456,512)	(48,413,656)
Purchase of intangible assets	13	(312,412)	(329,296)
Purchases of financial assets		(35,000)	-
Net cash flows from investing activities		(47,803,924)	(48,742,952)
Cash flows from financing activities			
Interest paid		(3,237,280)	(843,968)
Proceeds from investor loan		48,500,000	27,500,000
Proceeds from bank loan		73,000,000	21,500,000
Repayment of investor loan		(32,000,000)	(5,500,000)
Repayment of bank loan		(35,000,000)	-
Facility arrangement fee		(3,277,323)	(43,750)
Share capital issued		2	-
Net cash flows from financing activities		47,985,399	42,612,282

The notes on pages 19 to 44 form an integral part of these financial statements.

Five Guys European Holdings Limited

Consolidated statement of cash flow for the year ended 31 December 2018 (continued)

	Note	Year ended 31 December 2018 £	52 weeks ended 31 December 2017 £
Net (decrease)/increase in cash and cash equivalents		(749,030)	8,378,575
Cash and cash equivalents at beginning of the year		17,660,929	9,546,351
Effect of exchange rate fluctuations on cash held		507,560	(263,997)
Cash and cash equivalents at end of the year		17,419,459	17,660,929

The notes on pages 19 to 44 form an integral part of these financial statements.

1 General information

Five Guys European Holdings Limited ("the Company") is a private company limited by share capital incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The address of its registered office is:
Unit 2-3
1 Bard Road
London
England
W10 6TP

The principal activities of the Company and its subsidiaries ("the Group") and the nature of the Group operations are set out in the Strategic Report on page 2.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group and Company operate.

2 Adoption of new and revised standards

Application of new and revised International Financial Reporting Standards

The following adopted IFRSs have been issued and applied by the Group and the Company in these financial statements. However, their adoption does not have a material effect on these financial statements:

(i) *IFRS 9 Financial Instruments (effective date 1 January 2018 other than hedge accounting provisions, effective 1 January 2019)*

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. It introduces new requirements for classifying and measuring financial instruments and a new impairment model for financial assets.

The details of the new significant accounting policies are set out below. As noted above, the application of these new accounting policies has had no effect on the measurement of amounts recognised within these financial statements.

Classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the following IAS 39 categories for financial assets: held to maturity, loans and receivables and available for sale. Under IFRS 9, a financial asset is measured on initial recognition at amortised cost or fair value through the income statement.

The following accounting policies apply to the application of subsequent measurements of financial assets:

Financial assets in the case of fair value via the income statement

These assets are valued at their fair value. Net profits and losses, including any interest or dividend income, are recognised in the income statement.

2 Adoption of new and revised standards (continued)

Financial assets at amortised cost

These assets are valued at amortised cost using the effective interest method. Impairment losses are deducted from the amortised cost. Interest income, exchange rate gains and losses, and impairments are recognised in the income statement. Any profit or loss as a result of the removal from the balance sheet is recognised in the income statement.

Impairment of financial assets

IFRS 9 replaces the incurred credit loss model in IAS 39 with an expected credit loss model. The new impairment model applies to financial assets valued at amortised cost, contract assets, and investments in debt investments when the fair value is recognised via the comprehensive income, but not to investments in equity instruments. Credit losses are recognised at an earlier stage in IFRS 9 than in IAS 39. This change has not led to an adjustment to the amounts recognised in the Group and the Company's financial statements.

The Group and the Company apply the IFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) *IFRS 15 'Revenue from Contracts with Customers'*

The core principle of IFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Group and the Company expects to be entitled in exchange for those goods or services. IFRS 15 has been effective for annual periods starting on or after 1 January 2018.

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the 52 weeks ended 31 December 2018, have had no material impact on the Company and Group's financial statements.

New and revised IFRSs in issue but not yet effective

The following new standards and amendments of standards were issued by the IASB but are not effective for the financial year 2018.

IFRS 16 'Leases'

IFRS 16 replaces existing leases guidance IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. Five Guys, as a lessee, will have to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The Group also plans to apply exemptions allowed by IFRS 16.5 to not recognise short term leases (less than 12 months) and leases for which the underlying asset is of a low value.

2 Adoption of new and revised standards (continued)

IFRS 16 'leases' (continued)

When assessing the residual lease commitments duration for properties, the Group has made an analysis of its current locations. The Group used incremental borrowing rates to calculate its lease liability as of 1 January 2019. The Group has assessed the impact that initial application of IFRS 16 will have on its consolidated financial statements. As of 1 January 2019, the Group will recognise a right-of-use for properties and the underlying lease liability. The lease liability to be recognised as of 1 January 2019 will be in a range from £210 million to £230 million. This includes all leases held in the UK and European trading subsidiaries. Bank facility covenants are based on accounting policy at arrangement so IFRS 16 will not impact covenant compliance.

The nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge of right-of-use assets and interest expense on lease liabilities. The final impacts of adopting the standard on 1 January 2019 will be disclosed in the 2019 financial statements.

IFRS 17	Insurance Contracts	Effective 1 January 2021
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Effective 1 January 2021
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Effective 1 January 2021
Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowings Costs	Effective 1 January 2021
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement	Effective 1 January 2021
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective 1 January 2021
IFRIC 23	Uncertainty over Income Tax Treatments	Effective 1 January 2021

3 Significant accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Significant accounting policies (continued)

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Companies Act 2006 applicable to Companies reporting under IFRS.

The Group financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC and, therefore, the Company's financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated accounts.

Basis of consolidation

The Company was incorporated on 11 March 2018. The Company legally acquired Five Guys JV Limited, together with its underlying subsidiaries on 20 June 2018. Prior to the transfer date, the Company and Five Guys JV Limited had the same ultimate owner and therefore were considered to be under common control prior to the transfer date. The acquisition has been accounted for using the merger accounting method, where the financial statements of the Group are presented as a continuation of an existing Group and include the results of Five Guys European Holdings Limited and its subsidiaries for the financial year 31 December 2018 in the current year results and the 53 week period ended 31 December 2017 as the comparative results.

The consolidated financial statements of the Group incorporate the financial statements of the Company and those entities controlled by the Company. The accounting reference date for the Group is 31 December. Prior to 2018, accounts were prepared for 53 weeks to the last Sunday of the calendar year. We have changed the accounts reporting period to calendar year from 2018 accounts.

Going concern

The directors assessment of the Group's ability to continue as a going concern is set out in the Directors Report.

Revenue recognition

Revenue relates solely to activities carried out in the United Kingdom, France, Spain and Germany and is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

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

Pre-opening costs

Pre-opening costs, which comprise site operating costs, are expensed as incurred.

3 Significant accounting policies (continued)

Leases
All leases are classified as operating leases.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs
The Company operates a defined contribution pension scheme in which each individual has their own fund. The amounts charged against profit represents the contributions paid and payable to the scheme in respect of the accounting period.

Foreign currency transactions and balances
The Group and Company's functional currency is Pound Sterling (GBP) and its European subsidiaries' functional currency is Euro. Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies held at the balance sheet date are translated at the closing rate. The resulting exchange gain or loss is dealt with in the income statement. The results of foreign subsidiaries are translated at the average rate. The balance sheets of foreign subsidiaries are translated at the closing rate. The resulting exchange differences are dealt with through reserves and are reported in the consolidated statement of comprehensive income.

Finance income and costs policy
Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Tax
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3 Significant accounting policies (continued)

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities..

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment
Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation
Depreciation is provided on all property, plant and equipment and at rates calculated to write off the cost, less estimated residual value, using the straight-line method, on the following basis:

Asset class	Depreciation rate
Leasehold improvements	Leasehold period
Fixture and fittings	20% over 5 years

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3 Significant accounting policies (continued)

Lease premiums
Payments to enter into operating lease agreement are carried out at cost less accumulated amortisation and are classified as other receivables within non-current assets.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software	Straight line - 3 years
Lease premium	Straight line - leasehold period

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in subsidiaries
Investments in subsidiaries are measured at cost less where appropriate, allowances for impairment. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intra-group transactions, balances, and unrealized gains and losses on transactions between group companies are eliminated on consolidation.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 Significant accounting policies (continued)

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials and delivery costs. Cost is calculated using the FIFO (first-in first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade receivables
Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

3 Significant accounting policies (continued)

Financial instruments

Derivative financial instruments and hedging activities
The Group has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss.

Financial assets
Classification
The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents' and 'other receivables' in the balance sheet.

Recognition and measurement
Financial assets are recognised when the Group becomes party to the contractual provisions of the instrument and are subsequently carried at amortised cost using the effective interest rate method, less provisions for impairment. Impairment of financial assets is based on management's estimate of future cash inflows.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Financial liabilities
Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions

Impairment of intangible fixed assets and plant, property and equipment
The Group reviews its assets to assess for impairment losses at each reporting date. In determining whether impairment losses should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows on a case by case basis. Accordingly, an allowance for impairment is made whether there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The total value of intangible assets and plant, property and equipment in 2018 for the Group is £104,577,489 (2017: £81,821,035) and for the Company is £nil (2017: £nil). An impairment charge of £1,137,553 (2017: £nil) was recorded in the year.

Certain restaurants with a total book value of £2.6m have been identified as having a risk of future impairment which is dependent on the results of turnaround plans in place for these sites.

5 Revenue

The Group's revenue for the year from continuing operations is as follows:

	Year ended 31 December 2018	53 weeks ended 31 December 2017
	£	£
Sale of goods	207,196,036	150,978,370

5 Revenue (continued)

Revenue is wholly derived from the Group's principal activity conducted in the UK, France, Spain and Germany. The analysis of revenue by geographical location during the period is as follows:

	Year ended 31 December 2018 £	52 weeks ended 25 December 2017 £
UK	149,546,712	121,964,514
France	33,324,776	22,170,445
Germany	8,255,404	728,083
Spain	16,069,144	6,115,328
	207,196,036	150,978,370

6 Finance income

	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
Foreign exchange gains	-	(1,432,611)

7 Finance costs

	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
Interest on investor loan	13,457,479	10,630,137
Interest on bank overdraft and loans	3,524,780	1,033,833
Loan arrangement fee amortisation	851,794	323,090
	17,834,053	11,987,060

8 Staff costs

The aggregate remuneration (including directors' remuneration but excluding the LTIP provision) were as follows:

	Group	
	Year ended 31 December 2018	53 weeks ended 31 December 2017
	£	£
Wages and salaries	64,593,330	49,694,376
Social security costs	7,847,206	4,826,254
Pension costs	1,126,274	991,637
	73,566,810	55,512,267

There were no employees in the Company during the year/period.

LTIP of £2,165,614 (2017: £2,113,740) are not included in staff costs.

Pension contributions outstanding at period end were in total of £45,342 (2017: £46,432).

The average number of employees (including executive directors) during the year analysed by category was as follows:

	Group	
	Year ended 31 December 2018	53 weeks ended 31 December 2017
	No.	No.
Store	3,164	2,365
Management	448	314
	3,612	2,679

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 December 2018	53 weeks ended 31 December 2017
	£	£
Remuneration	1,634,105	424,175

In the financial period to 31 December 2018, directors' remuneration was paid in respect of one director for their services to the Group. In the financial period, all key decisions were made by the directors of Five Guys European Holdings Limited. The remaining directors were employed and remunerated by the respective Five Guys European Holdings partners' parent companies. It is not possible to make an accurate apportionment of their emoluments in respect of Five Guys European Holdings Limited.

Included in the remuneration, there is £703 (2017: £258) from money purchase pension schemes.

10 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
For audit of Company	81,706	59,740
For audit of subsidiaries	131,013	114,532
Fees payable to the Group's auditor and their associates for the audit of the Group's annual accounts	212,719	174,272
- Taxation compliance services	39,428	39,000
- All other non-audit services	42,847	28,500
Total non-audit fees	82,275	67,500

11 Loss for the year

Loss for the year/period has been arrived at after charging/(crediting):

	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
Staff costs (note 8)	73,566,810	55,512,267
Amortisation expense (note 13)	291,521	214,143
Depreciation expense (note 12)	13,368,435	9,364,084
Impairment & onerous lease provisions	1,535,328	-
Amortisation of lease premiums (note 15)	5,862,295	2,786,277
Foreign exchange (gains)/losses	142,600	(1,432,611)
Operating lease expense	26,531,051	19,856,673
LTIP Provision	2,165,614	2,113,740
Pre-opening costs	5,224,144	5,929,008

12 Property, plant and equipment

Group

	Leasehold improvements £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2018	101,440,572	5,828,569	107,269,141
Additions	35,295,698	2,141,260	37,436,958
Disposals	(807,780)	(38,625)	(846,405)
Foreign exchange movements	603,850	32,387	636,237
At 31 December 2018	136,532,340	7,963,591	144,495,931
Depreciation			
At 1 January 2018	24,038,543	1,871,019	25,909,562
Charge for the period	12,071,519	1,296,916	13,368,435
Disposals	(84,297)	(11,554)	(95,851)
Impairment	1,137,553	-	1,137,553
Foreign exchange movements	78,673	5,921	84,594
At 31 December 2018	37,241,991	3,162,302	40,404,293
Carrying amount			
At 31 December 2018	99,290,349	4,801,289	104,091,638
At 31 December 2017	77,402,029	3,957,550	81,359,579

The analysis of property, plant and equipment by geographical location is as follows:

	2018 £	2017 £
UK	59,359,301	59,009,283
France	19,162,659	14,476,380
Spain	17,467,129	4,871,584
Germany	8,102,549	3,002,332
	104,091,638	81,359,579

The Company had no property, plant and equipment during the period.

13 Intangible assets

Group

	Software £
Cost or valuation	
At 1 January 2018	1,050,659
Additions	312,412
Foreign exchange differences	6,010
At 31 December 2018	1,369,081
Amortisation	
At 1 January 2018	589,204
Charge for the year	291,521
Foreign exchange movements	2,505
At 31 December 2018	883,230
Carrying amount	
At 31 December 2018	485,851
At 31 December 2017	461,455

The Company had no intangible assets during the period.

14 Tax on loss

Tax charged in the income statement

	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
Current taxation		
UK corporation tax	275,216	196,601
Deferred taxation		
Arising from origination and reversal of temporary differences	921,199	702,790
Tax charge in the income statement	1,196,415	899,391

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 19.25%).

14 Tax on loss (continued)

Tax is reconciled below:

	Year ended 31 December 2018 £	53 weeks ended 31 December 2017 £
Loss before tax	(32,401,705)	(19,027,765)
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	(6,156,324)	(3,662,193)
Tax from effect of expenses not deductible in determining taxable loss	5,304,640	3,060,833
Tax effect of income not taxable in determining taxable loss	(1,017,346)	(1,459,825)
Change in unrecognised deferred tax assets	5,003,685	5,052,454
Tax effect on deferred tax balances due to the change in tax rate	47,070	27,315
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,234,655)	(2,068,080)
Increase (decrease) in current tax from adjustment for prior periods	249,345	(51,113)
Tax expense for the year/period	1,196,415	899,391

Deferred tax

The movement on the deferred income tax account is as follows:

	2018 £	2017 £
At beginning of the period	429,414	1,132,204
Charge to profit and loss	(921,199)	(702,790)
At end of the period	(491,785)	429,414

This deferred tax liability is attributable to temporary differences arising in respect of the following items:

	2018 £	2017 £
Accelerated capital allowances	(526,856)	(441,642)
Share based payments	11,328	847,314
Other timing differences	23,743	23,742
Net deferred tax asset	(491,785)	429,414

A potential deferred tax asset of £12,068,799 (2017: £7,065,114) has not been recognised in respect of tax losses in the European subsidiaries as it is not yet considered sufficiently probable that there will be future taxable profits available.

15 Other receivables:
Amounts falling due after one year

	31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £
Financial assets at fair value through profit and loss held for trade	25,396	-	-
Lease premium and rent deposit	41,314,610	37,222,068	-
Loans to subsidiaries	-	-	149,587,740
	41,340,006	37,222,068	149,587,740

Lease premiums have a carrying value of £40,363,194 (2017: £32,208,796) and are amortised over the lives of the leases. The Group amortisation charge is £5,862,295 (2017: £2,786,277) and the Company amortisation charge for the year is £nil (2017: £nil).

Loans to subsidiaries carry interest at 9% and are repayable by January 2022.

16 Investments

Company

	31 December 2018 £
Investments in subsidiaries	20,101

The subsidiaries of Five Guys European Holdings Limited, all of which have been included in these consolidated financial statements, are as follows:

Subsidiaries	£
Cost or valuation	
At 11 March 2018	-
Additions	20,101
At 31 December 2018	20,101
Provision	
At 11 March 2018	-
Provision	-
At 31 December 2018	-
Carrying amount	
At 31 December 2018	20,101

16 Investments (continued)

Five Guys European Holdings Limited legally acquired Five Guys JV Limited, together with its underlying subsidiaries on 20 June 2018. Prior to the transfer date, Five Guys JV was the parent Company.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2018	2017
Five Guys Europe Holdings Limited*	Investment holding company	United Kingdom Unit 2-3, 1 Bard Road, London, W10 6TP	100%	100%
Five Guys Europe Limited *	Quick service restaurant	United Kingdom Unit 2-3, 1 Bard Road, London, W10 6TP	100%	100%
Five Guys France SAS	Quick service restaurant	France 1 Bis Avenue de la République, 75011, Paris	100%	100%
Five Guys Spain SLU*	Quick service restaurant	Spain Gran Via, 44, 28013, Madrid	100%	100%
Elysees Consult SAS	Quick service restaurant	France 49/51 Avenue des Champs Elysees, 75008, Paris	0%	100%
Five Guys Germany GmbH	Quick service restaurant	Germany Neumannstraße 10, 40235 Düsseldorf	100%	100%
Five Guys JV Limited	Quick service restaurant	United Kingdom Unit 2-3, 1 Bard Road, London, W10 6TP	100%	100%

* indicates direct investment of the Company.

17 Inventories

	Group 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £
Raw materials and consumables	1,408,838	1,213,521	-

There is no material difference between the balance sheet value of inventory and their replacement cost.

18 Trade and other receivables

		Group	Company
	31 December 2018	31 December 2017	31 December 2018
	£	£	£
Prepayments and other receivables	25,507,492	9,810,854	-

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in "Financial instruments", note 25.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the "Financial risk management and impairment of financial assets", note 26.

19 Trade and other payables

		Group	Company
	31 December 2018	31 December 2017	31 December 2018
	£	£	£
Trade payables	13,122,834	12,702,326	-
Accrued expenses	16,339,175	14,019,022	-
Social security and other taxes	5,630,505	5,533,734	-
Other payables	18,926,023	11,704,260	1,214
Bank interest	146,072	344,919	-
	54,164,609	44,304,261	1,214

Included within Group other payables is an LTIP provision at the end of the year of £2,827,323 (2017: £4,976,948).

The fair value of those trade and other payables classified as financial instrument loans and receivables are disclosed in "Financial instruments", note 25.

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in "Financial risk management and impairment of financial assets", note 25.

20 Onerous lease provision

	2018
	£
B/fwd	-
Charge for the period	397,774
At the end of the period	397,774

21 Non-current liabilities

		Group	Company
	31 December 2018	31 December 2017	31 December 2018
	£	£	£
Amounts falling due after one year:			
Management charge due to related parties	1,700,000	1,900,000	-
LTIP provision	-	1,063,584	-
	1,700,000	2,963,584	-
Amounts falling due between two and five years:			
Investor loans (Freston Ventures Investments LLP)	149,594,044	119,637,710	149,594,044
Bank loan	70,014,228	34,458,110	-
	219,608,272	154,095,820	149,594,044
Deferred tax	491,785	-	-
	221,800,057	157,059,404	149,594,044

Bank loan of £70,014,228 (2017: £34,458,110) is from the £100m bank facility. Interest is accrued at a rate of LIBOR + 6%, and is paid quarterly in arrears. The loan is due for repayment at maturity in June 2024.

Amounts repayable to Freston Ventures Investments LLP are drawn under a loan facility, carrying an interest rate of 12% per annum for the UK loans and 9% per annum for non-UK loans. The lender has confirmed that the UK loan will not be repayable for at least 12 months to the extent that it would stop the Group from being a going concern and the non-UK loan is repayable in January 2022. Amounts repayable to other related parties bear no interest and are only due once the investor loan with accrued interest has been repaid in full.

22 Share capital

Authorised, allotted, called up and fully paid shares

	31 December 2018		31 December 2017	
	No.	£	No.	£
Ordinary shares of £1 each	20,002	20,002	20,000	20,000

The Company has one class of ordinary shares which carry no right to fixed income.

The Group's other reserves are as follows:

Retained losses
The retained losses reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

23 Obligations under leases and hire purchase contracts

Group
Lease arrangements
Operating leases relate to leases of stores under non-cancellable operating lease agreements. These leases have various lease terms, escalation clauses and renewal rights.

Operating leases

The total future value of minimum lease payments under non-cancellable operating leases is as follows:

	31 December 2018 £	31 December 2017 £
Within one year	28,569,234	21,453,023
In two to five years	109,707,911	82,616,003
In over five years	151,529,345	122,642,200
	289,806,490	226,711,226

24 Pension and other schemes

Defined contribution pension scheme
The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £1,126,274 (2017: £991,637).

25 Financial instruments

Capital risk management

Capital components

The capital structure of the Group consists of net debt, which includes the investor loans and bank loans less cash and cash equivalents, and equity attributable to equity holders, comprising issued capital and retained earnings.

The Group is not subject to any externally imposed capital requirements.

The management monitors the Group's capital structure through a combination of investment appraisal and disposal processes, management of finance costs, monitoring risks, controlling solvency and reviewing key financial ratios. The key financial measures include cash flow projections, monitoring of interest cover, debt service ratio cover and loan to value covenants and ensuring contracted commitments are adequately funded.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Group

Financial assets

Financial assets at fair value through profit or loss	**2018** £	**2017** £
Derivative financial instruments	25,396	-

Financial assets at amortised cost	**2018** £	**2017** £
Cash and cash equivalents	17,419,459	17,660,929
Trade and other receivables	25,507,493	9,810,854
	42,926,952	27,471,783

Financial liabilities

Financial liabilities at amortised cost

	2018 £	**2017** £
Trade and other payables	(54,562,383)	(44,304,261)
Borrowings	(219,608,272)	(157,059,404)
	(274,170,655)	(201,363,665)

Derivative financial instruments

The Group employs an interest rate cap agreement in order to hedge against LIBOR fluctuations, maturing on 31 August 2020. The Group designated its interest rate cap agreement against its bank loan and recognises interest movement as adjustment to interest expense as the movement occurs.

25 Financial instruments (continued)

The balance sheet value of derivative asset at year end is £25,396 (2017: £nil).

The Group does not hold financial instruments for trading purposes.

The Group's financial instruments are all measured at amortised cost. The fair value of these financial instruments is not considered to be materially different from their amortised cost value.

Fair value estimation
The different levels of fair value have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Interest rate sensitivity analysis
Financial instruments affected by market risks from change in interest rates include borrowings from bank facilities. Borrowings from investors are at a fixed rate (refer to note 21 for breakdown).

The following analysis, required by IFRS 7, "Financial Instruments: Disclosures", is intended to illustrate the sensitivity to changes in market variables, being GBP interest rates.

The sensitivity analysis assumes reasonable movements in interest rates before the effect of tax. The Group considers a reasonable interest rate movement in LIBOR to be 1%, based on interest rate history.

Using the above assumptions, the following table shows the illustrative effect on the consolidated income statement and equity.

	2018	
	Interest rate risk (IR)	
	+1% of IR	-1% of IR
	£	£
Bank loan	371,918	(371,918)

Foreign currency sensitivity analysis
The Group is mainly exposed to the currency of Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against Euro. For a 10% weakening of Sterling against Euro, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

25 Financial instruments (continued)

	2018 Euro/Sterling +10% £	2018 Euro/Sterling -10% £
Profit or loss	146,627	(146,627)

The foreign currency sensitivity to foreign exchange movements is calculated on a symmetric basis. The symmetric basis assumes that an increase or a decrease in foreign exchange movement would result in the same amount. The method assumes the currency in question is used as a stable denominator.

Maturity of financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Borrowings £	2018 Trade and other payables £	Total £
In less than one year	6,003,964	54,414,455	60,418,419
In more than one year but not more than five years	232,912,929	-	232,912,929
In more than five years	75,656,125	-	75,656,125
	314,573,018	54,414,455	368,987,473

26 Financial risk management and impairment of financial assets

The Group's activities expose it to a variety of financial instrument risks. The risk management policies employed by the Group to manage these risks are discussed below. The primary objectives of the financial instrument risk management function are to establish risk limits, and then ensure that exposure to risks stay within these limits.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counter parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Interest rate risk

The Company is exposed to interest rate risk on the bank facility which is at LIBOR+6%. The Company regularly reviews forecast debt and interest rates to monitor this risk.

At 31 December 2018, the Company had a £73m bank loan drawn from the £100m bank facility, which had an interest rate of 6.93%.

26 Financial risk management and impairment of financial assets (continued)

Foreign exchange risk

The Company's functional currency is Pound Sterling (GBP) and its European subsidiaries' functional currency is Euro. During the period the Group had exposure to Euros (EUR). Currency exposures are reviewed regularly and are not currently hedged. The Group intends to replace existing GBP shareholder debt with Euro bank debt in due course.

Liquidity risk

Liquidity risk is defined as the risk that the Group does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost. The Group closely monitors cash flow and anticipates that there are sufficient funds available to meet the operational needs.

27 Related party transactions

Key management personnel

	2018	2017
	£	£
Short-term employee benefits	700,188	424,175
Post-employment benefits	7,953	-
Other long-term benefits	1,200,000	-
	1,908,141	424,175

The remuneration of the directors, who are the key management personnel of the Group, is set out in aggregate for each of the categories specified above.

The following transactions were carried out with related parties in the period:

	Nature of transactions	2018	2017
		£	£
Freston Ventures Investments LLP	Borrowings	29,956,334	32,662,305
FGBF UK Ltd	Management charges & services	1,496,794	955,023
Freston Ventures Management Ltd	Management charges & services	559,408	473,915
Five Guys Foods UK Ltd	Supplier	4,336,032	3,604,746
		36,348,568	37,695,989

27 Related party transactions (continued)

The following liabilities were outstanding at the balance sheet date:

	2018	2017
	£	£
Freston Ventures Investments LLP	149,594,044	119,637,710
FGBF UK Ltd	1,097,791	1,202,004
Freston Ventures Management Ltd	861,290	958,064
Five Guys Foods UK Ltd	501,685	462,810
Five Guys France SAS	717,601	358,873
Five Guys Spain SLU	599,247	352,900
Five Guys Germany GmbH	467,454	395,981
	153,839,112	123,368,342

Transactions with Freston Ventures Investments LLP relate to an investor loan, which is secured by debenture setting a floating charge over the Group's assets. All remaining related party transactions are unsecured and no guarantees have been given or received.

The ultimate controlling party of Freston Ventures Management Ltd exerts a significant influence over Freston Ventures Investments LLP and 5GFR LLP, which is a 50% shareholder in the Group. FGBF UK Ltd is the other 50% shareholder in the Group and Five Guys Foods UK Ltd is a company in the same group as FGBF UK Ltd.

28 Parent and ultimate parent controlling party

The Company's immediate parents are FGBF UK Ltd and 5GFR LLP, neither of which are considered a controlling party. These financial statements are available upon request from 10 John Street, London, WC1N 2EB.

29 Events after the reporting period

There are no events subsequent to the balance sheet date which require disclosure.