

Royale Topco Limited

Annual report and consolidated financial statements

Year ended 31 December 2022

Registered number 10950960



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Strategic Report

The directors present their strategic report on the Group for the year ended 31 December 2022 and comparatives for the year ended 31 December 2021.

Principal activities

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

Review of the business

The Group continued its rapid expansion in the UK, executing its strategy well and delivering growth in the year despite the economic headwinds. During 2022 the Group opened 32 new restaurants and took over the business of a franchisee through the acquisition of three legal entities, Karali Limited (subsequently "BKUK Crown Limited"), Karali Leisure Limited (subsequently "BKUK Crown Leisure Limited") and Teresina Limited (together "Karali"), on 30 September 2022, which operate 74 Burger King franchises around England. In addition, during the period the Group has continued to expand its home delivery offering, launched several new vegan products and introduced a loyalty scheme within the Burger King app.

The war in Ukraine has had a significant detrimental impact on the global macro-economic environment during the year. In particular, inflation in food and utility costs, as well as declining consumer sentiment, have impacted the hospitality sector. Despite this the Group has continued to trade resiliently, increasing revenue to £294.5m (2021: £211.7m) through new store openings and acquisitions, despite the withdrawal of VAT rate relief from April 2022. The operating loss for the Group for the year is £20.7m (2021: profit of £33.4m), which has fallen primarily due to impairment charges on goodwill and lease assets impacted by the cost impacts of the global events and project costs relating to financing and the acquisition of Karali. Underlying trading remains resilient, with Underlying EBITDA of £15.1m (2021: £33.0m).

The Group secured additional bank financing of £90m during the year to fund the acquisition of Karali as well as support the opening of new restaurants, and £35m post year-end from Bridgepoint Funds. See note 34 for further details. The Group finished the year with cash of £19.3m (2021: £36.2m) and continues to explore further opportunities for funding to support new restaurant openings and acquisitions. The Group has adequate liquidity to meet future liabilities for a period of at least 12 months from the date of approval of these financial statements.

At the year end, the Group has net liabilities of £54.2m (2021: £11.5m) primarily due to compounding shareholder loan notes, that have funded its acquisition and new restaurant opening programme.

Current trading and outlook

Despite the macro-economic environment, the Group continues to experience sales growth and believes it is well-positioned to continue its expansion as the benefits of recent restaurant openings and acquisitions are realised and with good visibility on the pipeline of future restaurant openings.

During 2023, the Group agreed an additional £35m of funding from its parent company, which will be used to support the opening of new restaurants and investment in the existing estate.

Key performance indicators

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

Adjusted EBITDA

Adjusted EBITDA is EBITDA adjusted to exclude the impact of impairment of PP&E, right-of-use ("ROU") and intangible assets and adjusting items. Adjusted EBITDA is a profit metric used by management to evaluate operating performance of the Group by eliminating factors (i.e. adjusting items which include acquisition costs and other one-off items) which distort year-on-year comparisons. This metric is used to explain year-on-year changes when the effects of certain items are significant to the understanding of the Group's accounts, including acquisition of subsidiary costs, refinancing costs and costs in relation to modifications of the Master Franchise Development Agreement ("MFDA"). Adjusted EBITDA was £34,658,000 (2021: £49,554,000). The directors continuously investigate ways to further 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 2022 financial year includes the acquisition of Karali Limited, Karali Leisure Limited and Teresina Limited which completed on 30th September 2022, and contributed £2.0m to Adjusted EBITDA during the year.

Strategic Report (continued)

Key performance indicators (continued)

Adjusted EBITDA (continued)

The reconciliation between the profit/loss before tax and Adjusted EBITDA is detailed below:

	2022	2021
	£000	£000
(Loss)/profit before tax	(43,016)	16,836
add: Finance cost	22,323	16,600
less: Finance income	-	(48)
add: Depreciation and amortisation of PP&E, ROU assets and intangible assets	20,776	17,926
add: Impairment / (Reversal of impairment) of PP&E, ROU assets and intangible assets	24,690	(7,155)
add: Adjusting items	9,885	5,395
Adjusted EBITDA	34,658	49,554

Underlying EBITDA

Underlying EBITDA is Adjusted EBITDA less the depreciation and interest expense on the Group's ROU assets and lease liabilities to reflect the fact that lease related costs are key underlying business operating expenses.

The reconciliation between the profit/loss before tax and Underlying EBITDA is detailed below:

	2022	2021
	£000	£000
(Loss)/profit before tax	(43,016)	16,836
add: Finance cost	22,323	16,600
less: Finance income	-	(48)
add: Depreciation and amortisation of PP&E, ROU assets and intangible assets	20,776	17,927
add: Impairment / (Reversal of impairment) of PP&E, ROU assets and intangible assets	24,690	(7,154)
add: Adjusting items	9,885	5,395
Adjusted EBITDA	34,658	49,554
Depreciation of ROU assets	(11,849)	(11,642)
Interest expense on lease liabilities	(7,717)	(4,863)
Underlying EBITDA	15,092	33,049

Like for like sales growth

The Group measures the year-on-year underlying performance of the existing estate. Group like-for-like sales growth is defined as comparing the performance of all mature sites (i.e. those that have traded for a full financial year) in the current period with the same sites in the comparable period in the previous year.

During the year, like-for-like sales grew 11% to £259.7m compared to £233.1m sales from the preceding 12 month period (2021: 46% increase). This number includes the acquired Karali business in both the current and preceding year and is adjusted to remove the impact of the VAT relief which was in place during 2021 and the first three months of 2022. The growth is driven primarily by the increased volume of transactions along with higher prices.

Future developments

See the Directors' report for further information.

Strategic Report (continued)

Key performance indicators (continued)

Risks

The main risks to our business are:

- Prevailing economic conditions including the impact of the war in Ukraine, inflation and foreign exchange
- The Group's business depends in part on the continued success and reputation of the Burger King brand, and consumer sentiment and willingness to spend in the Group's restaurants
- The recruitment and retention of employees
- The Group's exclusive rights (subject to certain limited exceptions) to build, operate and sub-franchise Burger King restaurants in the UK are dependent upon its continuing compliance with the MFDA with Burger King Europe GmbH
- The ability to provide quality food ingredients to its restaurants and in particular its sole distribution arrangement with Best Food Logistics
- Increases in food, energy and commodity costs or shortages or interruptions in the supply or delivery of food or packaging materials
- The Group may not be able to successfully identify suitable locations and open new restaurants pursuant to its growth strategy
- The ability to source sufficient funding to implement the growth strategy
- The growth and popularity of third-party online food delivery platforms and aggregators and the Group's partnerships with such aggregators
- Liquidity risk

Many of these risks are mitigated by the strength of the Burger King brand in the UK and its strong product range, ongoing product development and reputation with landlords and other key partners.

The Board receives reporting each month including forward forecasts that incorporate the impact on the Group of these main risks. In addition, the Risk Committee reports regularly to the Audit Committee of the Board updating on the status of the main risks, the actions to mitigate them and an impact assessment.

The risks posed by COVID-19 over the last few years have been mitigated by the Group's ability to trade effectively through various iterations of lockdowns imposed by the government. The significant portion of the estate that can operate as a Drive Thru as well as the increased demand for home delivery sales ensured that this risk was largely mitigated and reduces any remaining risk to a low level.

Liquidity risk exists as a result of bank loans and a loan made to the Group by another entity within the ultimate controlling party's Group. The Group manages this risk by maintaining significant cash reserves and entering into long term loan note agreements.

The Group continues to consider the sources of investment available to fund its ongoing growth through new restaurant openings and selected acquisitions. The successful implementation of these strategies attracted additional investment from Bridgepoint Funds during 2021 and an extension of the Group's banking facilities during 2022. Options for further funding continue to be considered including additional banking facilities, further equity funding and the potential for an Initial Public Offering.

Strategic Report (continued)

Responsible business

The Group knows that business can make a positive contribution to addressing social, environmental and ethical concerns by working in a responsible and sustainable way. This not only protects the planet and increases prosperity, but also makes good business sense; minimising risk, building customer loyalty and trust and driving employee retention. In 2015, the United Nations adopted a framework of Sustainable Development Goals (SDGs) to promote business growth as well as tackle climate change and environmental protection and address a range of societal needs including social protection, education, health and job creation. The Board believes that companies should play their part in driving towards these goals, and it is for this reason that sustainability is a fundamental part of the Group's business strategy.

The Group's 'Burger King for Good' responsible business strategy is based on a review of where the business is today, how the Group will support the UN Sustainable Development Goals on the issues most material to its business and how the Group will measure and report its progress. It is founded on the core principles of the Group and the Burger King brand; the belief that as well as being tasty, affordable and accessible, Burger King food should be good for the planet, for those involved in producing and making it, those who serve it and for guests and communities as a whole. Work in this area has been underway for several years, with a public strategy being rolled out in February 2021. The Group is committed to reporting on progress.

Good for Guests

The Group's approach is to enable its customers to enjoy high quality, tasty food that is part of a balanced diet and make informed choices through clear and straightforward nutrition and allergen labelling. The Group is focused on reducing levels of salt, sugar and saturated fat to deliver a real impact to the overall nutritional balance of its menus. This year, the Group has reduced the fat content of mayonnaise to 50%, giving a 6% reduction in kcals on the Whopper product and a 7% reduction in kcal for the Chicken Royale. The Group has already achieved good progress in food labelling and has provided full nutrition and allergen labelling both instore and, on its website, and displayed calorie labelling on menu boards since 2017, well ahead of the proposed Government legislation. Burger King has also long adopted a 'real food' policy where no artificial colours, flavours and preservatives are used in its food.

Good for our People

The Group is a group for everyone, and it values the contribution that people can make with their diversity, skills and expertise to all parts of its business including its supply chains. The Group will continue to champion diversity and inclusion across the business as this brings fresh ideas and perspectives to the constant challenges it faces. The Group has committed to the British Retail Consortium's Six Diversity Pledges, focused on CEO accountability, regular reporting, eliminating recruitment bias and creating a respectful and inclusive work environment. In 2022, the Group began working with an external Diversity and Inclusion consultancy who facilitated a series of focus groups across the business to identify priority areas of action. Workstreams initiated included; training for line managers and the Group talent team and launching more inclusive employee branding.

Good for Communities

The Group remains committed to supporting local communities. It is focused on boosting local economies through job creation and skills development, whilst also reducing litter, food waste and packaging waste. It believes that it is not just about offering great quality food and providing good customer service, but it is also about being a good neighbour and making a positive social, economic and environmental difference to the communities it serves.

In 2022, the Group formalised its charity partnership with UK Youth; a leading UK charity that aims to impact young lives by unlocking youth work as a catalyst for change. The Group created a group of charity ambassadors across our restaurants, to champion our work with UK Youth. The Ambassadors will be learning how to support local youth groups and workers and manage the partnerships between Burger King restaurants and these youth groups.

Animal Welfare

Whilst not involved in the farming of animals, as a major purchaser of meat products, the Group has a responsibility to ensure that good animal welfare practices are adopted throughout its supply chains. The Group has clear species-specific animal welfare policies, including requirements on responsible antibiotic management, that have been developed with its suppliers and animal welfare experts. These are regularly reviewed for compliance and updated to reflect any future legislation and changes in industry guidance. Progress for 2022 on animal welfare includes all whole eggs and eggs as an ingredient now being produced to free-range standard. All the Group's beef is British or Irish and is reared and produced to the British Quality Beef standard or Irish Beef Standard, respectively. The Group has signed up to the Better Chicken Commitment and is working with its suppliers and Compassion in World Farming to progress this journey.

Good for the Planet

Climate change, over-use of natural resources and unsustainable farming practices have the potential to impact the long-term sustainability of the Group's products. The Group aims to protect the social and economic resilience of its supply chains by ensuring these products are produced in the most sustainable way, from managing key commodities such as palm oil, soy and timber to minimising the use of natural resources. The Group aims to achieve 100% independently certified sustainable sourcing across all key commodities by 2030. The Group also recognises that tackling climate change involves managing direct and indirect environmental impacts starting with its own operational footprint and developing and progressing its strategy to minimise carbon emissions across its products, supply chain operations and Franchised restaurants.

Strategic Report (continued)

Good for the Planet (continued)

Progress for 2022 included adding further plant-based items to the Burger King menu, with options now including the Vegan Royale and Vegan nuggets. The Leicester Square flagship restaurant operated as 100% plant-based for 4-weeks in early 2022. Additionally, all plastic lids were removed for dine-in transactions from October 2022, saving over 30 tonnes of plastic a year.

Human Rights

It is the Group's policy to support and respect all internationally recognised human rights. This policy applies in respect of our relationships with our employees, suppliers and business partners. The Group seek to ensure it is not complicit in human rights abuses by any other person, organisation or government.

The Board has overall responsibility for ensuring the Group's commitment to respect human rights is put into practice and for the implementation of this policy.

The Group have robust measures in place to ensure appropriate levels of competence and compliance in relation to key policies are maintained, including training and communication where required.

All employees have access to elements of this policy via the employee handbook and other policies which are published on the employee portal.

In the event of any non-compliance, depending upon specific cases, coaching and support is provided to employees. However if there are repeated non-compliances with the provisions of this policy or related policies and procedures, disciplinary action will be taken with possible dismissal an outcome.

The Group review this policy at least annually. The Group provides information and/or training on any changes made.

Anti-corruption and anti-bribery matters

The Group is committed to the highest standards of ethics. It is the goal of the Group to ensure that:

- (i) all of our business is conducted in an honest and ethical manner;
- (ii) bribery or corruption does not take place in connection with any of our business; and
- (iii) all applicable anti-corruption laws are fully complied with.

Employees of the Group must conduct themselves and their business in an honest and ethical manner, and in compliance with all laws relevant to countering bribery and corruption (including the Act, the FCPA and all other applicable anti-corruption laws).

The Group has an anti-corruption and anti-bribery policy which sets out the Group's approach to these matters. The policy is set out to help the Group, and its employees and other persons within its scope, avoid becoming victims of bribery or corruption or violating applicable anti-bribery and anti-corruption laws.

Carbon Reduction

The Group has a science-based target to reduce absolute Scope 1 and 2 greenhouse gas emissions (GHGs) by 100% by 2030, and to reduce Scope 3 GHG emissions by 41% per restaurant by 2030, both from a 2019 baseline.

The Scope 1 and 2 target focuses on emissions from direct operations (including electricity and gas consumption at Group restaurants and head office). The reduction focus will be on improving energy efficiency and switching to renewable energy sources. This target is consistent with reductions required to keep global warming to 1.5°C, which is what climate science tells us is needed to prevent the most damaging effects of climate change.

The Scope 3 target relates to indirect emissions from purchased goods and services, capital goods, upstream transportation and distribution, waste and franchises. These areas cover over 95% of the Group's overall Scope 3 emissions. The Scope 3 target meets the Science Based Targets Initiative's ("SBTi") criteria for ambitious value chain goals, meaning it is in line with current best practice.

Strategic Report (continued)

2022 Annual Energy & Carbon Report

This statement has been prepared in accordance with the Group's regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

In 2022, the Group acquired the sub-franchisee, Karali, increasing our owned restaurants by 74 sites. Since the baseline year of 2019, the Group's average number of sites has increased by 133% and sales have increased by 164%. However, since that baseline year, the Group's scope 1 + 2 (market based) emissions decreased by 36%. Overall, the scope 3 emissions of the Group increased 10% between 2019 and 2022 due to a 5% growth in the number of Burger King restaurants across the UK and 25% growth in sales.

During the reporting period January to December 2022, the Group's measured Scope 1 and 2 emissions (market-based) totalled 5,723 tCO₂e.

This comprised:

	2022 tCO ₂ e	2021 tCO ₂ e	2020 tCO ₂ e
Scope 1 emissions:			
Natural gas	5,342	4,035	3,456
Company vehicles	14	12	4
Fugitive emissions	367	235	194
Total Scope 1	5,723	4,282	3,654
 Scope 2 – Location-based	 7,731	 5,213	 4,541
Total Scope 1 & 2 (Location-based)	13,454	9,495	8,195
 Scope 2 – Market-based	 -	 3,374	 4,540
Total Scope 1 & 2 (Market-based)	5,723	7,656	8,194
 Scope 1 & 2 intensity per £000 – market-based*	 0.02	 0.04	 0.07
 Scope 3	 540,161	 467,761	 281,817
Business travel – where fuel is directly purchased by reporting organisation	477	549	202

* Compares Scope 1 & 2 emissions against Group sales

Overall, Burger King's Scope 1 and 2 emissions (market-based) have decreased by 25% in the year. This was due to moving all sites to 100% renewable energy tariffs in August 2021. This led to a reduction of our market-based emissions for 2022. Location-based Scope 1 and 2 emissions increased by 42% in the year due to a 44% increase in the Group's average number of sites.

Strategic Report (continued)

2022 Annual Energy & Carbon Report (continued)

The Group also reports on Scope 3 emissions, as the nature of its business means that Scope 3 represents the greatest proportion of its carbon impact. Overall, Burger King's Scope 3 emissions increased by 15% compared with the previous year. This was due to an 18% increase in sales in 2022 vs. 2021 for Burger King restaurants across the UK and an increase in the average number of sites in BK control from 207 sites from 144 in the prior year.

During the year, BKUK's total fuel and electricity consumption totalled 69,303 MWh. The split between fuel and electricity consumption is displayed below.

Energy consumption (MWh)	2022	2021	2020
Electricity	39,980	24,552	19,477
Fuels*	29,323	22,079	18,813
Total	69,303	46,631	38,290
MWh per £000	0.26	0.23	0.32
MWh per Site	335	324	297

* Natural gas and transportation fuels (petrol and diesel)

Methodology

The Group quantifies and reports organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. The Group consolidates its organisational boundary according to the operational control approach, which includes all its franchises. The Group has adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted its operational boundary for the year are:

Scope 1:

- Natural Gas
- Refrigerants
- Company Cars

Scope 2:

- Electricity (location-based)
- Electricity (market-based)

Scope 3:

- Purchased Goods and Services
- Capital Goods
- Fuel-and-energy-related activity
- Upstream transportation and distribution
- Waste generated in operations
- Business travel
- Employee commuting
- Downstream transportation and distribution
- Processing of Sold Products
- End of life treatment of sold products
- Franchises

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

The Scope 2 Guidance requires that the Group quantifies and reports Scope 2 emissions according to two different methodologies ("dual reporting"):

- The location-based method, using average emissions factors for the country in which the reported operations take place; and
- The market-based method, which uses the actual emissions factors of the energy procured.

Strategic Report (continued)

Section 172 statement

This statement sets out how the directors have approached and met their responsibilities under section 172 of the Companies Act 2006. The Group's values are consistent with the requirements under section 172 of the Companies Act. The directors will consider all relevant factors when taking any decision. The examples below illustrate some of the key items under section 172 that were considered by the directors during the year.

Likely consequence of any decision in the long term

Outside of the acquisition of Karali, there have been no major changes in the Group in the financial year. However, the long-term impacts of any decision are discussed in detail by the directors, especially when considering the Group's strategy.

Interest of the Company's employees

The directors engage with their employees frequently. Although not able to do so in 2022, we usually conduct an annual conference where managers from each restaurant come together for a workshop to share their thoughts, feedback and feelings about working for Burger King. This is attended by members of the executive team. There are also individual quarterly reviews with all Regional Operations Directors and District Managers to talk through their restaurants and their people – this is facilitated and attended by members of the executive team. Furthermore, the leadership team regularly visit the restaurants across the estate to engage with all the teams.

The People function of the business is accountable for optimising everything we do for our employees and all members of the Group, managing policies and procedures, all with a view of promoting and maintaining fairness and consistency across the whole business. This is enhanced by having two People Business Partners who are affiliated to regions of restaurants, and the appointment of a People Director to ensure this receives the appropriate importance on the executive committee.

Following a review of its diversity and inclusion policies during 2021/22, the Group implemented a number of initiatives in 2022, including workshops and training with key stakeholders and a number of KPI's.

Foster business relationships with suppliers, customers and others

The Group has always been steadfast about the quality of the food we use in our restaurants. To make this possible we have developed strong supplier partnerships to ensure we can maintain these high standards and deliver a unique product experience. These partnerships help us better understand our product, as well as the challenges our suppliers face. Working collaboratively gives us stability both in terms of product consistency and our input costs.

Impact of the Group's operations on the community and environment

The Group is committed to addressing the wider social and environmental impacts of our business, recognising that this will generate business growth that is not only profitable but also responsible and aligned with our company values. The Group launched its 'BK for Good' strategy in February 2021, with work in this area having already been underway for several years.

In 2022, the Group made progress across several areas, including: reducing plastic consumption by removing cup lids from dine-in transactions, introducing further plant-based options to the menu, reducing calories on both the Whopper and Chicken Royale, and committing to a long-term charity partnership with UK Youth. Refer to the Responsible Business statement above.

The desirability of the Group maintaining a reputation for high standards of business conduct

As with fostering relationships with suppliers, customers and other stakeholders, the maintenance of high standards of ethical conduct are very important in order to run a sustainable business.

The need to act fairly between members of the Group

Communications with shareholders are given high priority. Advisory board meetings take place every month. These are attended by members of the executive team and the Bridgepoint representative. The monthly and year to date performance of the Group are presented and discussed, as well as the Group's strategy and long-term impact of any decision.

On behalf of the board



AD Murdoch

Director

12 October 2023

Directors' report

The directors present their annual report and the audited consolidated financial statements of Royale Topco Limited ("the Company"), and its subsidiary undertakings (together, the "Group") for the year ended 31 December 2022. There is information that is not included in the Directors' report because it is included in the Strategic report instead, such as disclosures concerning greenhouse gas emissions, energy consumption and energy efficiency action; and policy and practice on payment of creditors.

Future developments

The Group are continuing to look for opportunities for expansion through opening new restaurants, selective acquisition of Burger King franchisees and improving the performance of our existing business.

Dividend

No dividends were declared or paid during the year (2021: 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

AM Robinson

AD Murdoch

VML Gwilliam Resigned 26 July 2023

PAC Fox Appointed on 26 July 2023

Directors' indemnity

Royale Midco Limited, a subsidiary company, maintains liability insurance for directors and officers of the Royale Topco Limited Group and associated companies, which includes the Company. This is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006 and was in place during the financial year and as at the date of approval of the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Directors' report (continued)

Employees

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

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

Management has a policy of providing employees with information about the Group. Regular meetings are held between management and employees to allow a free flow of information and ideas. In particular, the Group recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Group.

Financial instruments

The directors consider that the Group's key financial instruments are shareholder loan notes, vendor loan notes and bank loans. Interest on shareholder loans is fixed at 11 per cent per annum and is therefore not exposed to movements in interest rates. Interest on bank loans is at a rate of SONIA +4.25%.

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

The Group's exposure to the price risk of financial instruments is therefore limited to its bank loans, vendor loan notes and RCF, and further information is included in note 30. 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.

Going concern

The financial statements include details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, the notes of the financial statements include the Group's objectives, policies, and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

At 31 December 2022, in determining whether the Group's financial statements can be prepared on a going concern basis, the directors have considered all the factors likely to affect its future development, performance and financial position for a period of at least 12 months from the date of approval of the financial statements.

The Group and Company is in a net current liability position due to the working capital profile of restaurants, especially those in the expansion phase. The Group had cash resources of £19.3m at 31 December 2022 (2021: £36.2m).

In 2022, an incremental bank facility of £90 million was secured at a rate of SONIA +4.25%. In 2023, the Group received £35 million funding from its ultimate parent company and updates were agreed to the Group's banking covenants and the Master Franchise and Development Agreement ("MFDA"). This additional funding will be used to continue the expansion of the Burger King brand in the UK, through new site growth and investment in the existing estate, and is repayable alongside the existing shareholder loan notes in 2027.

The banking covenants are tested quarterly and monitored on a regular basis. The Group remained compliant with its banking facility covenants throughout the year as well as up to the date of approval of the financial statements, and is forecast to be compliant throughout the forecast period of at least 12 months from the date of approval of the financial statements.

The directors have prepared detailed cash flow projections for the period of at least 12 months from the date of approval of these financial statements. The brand operates with a consistent, high quality product with excellent customer service, a track record of organic sales growth and successful acquisitions. The directors have considered the assumptions made and consider the forecasts reasonable and realistic considering market and economic uncertainty, including a severe but plausible downside scenario that takes into account volatility in energy and raw material costs caused by the war in Ukraine and extreme weather conditions, together with a general economic environment where inflationary pressures may impact on levels of consumer spending. Specifically, the directors have considered a scenario in which customer demand declines and food costs increase, impacting EBITDA by c. 20%. Within this severe but plausible scenario, taking into account mitigating actions available to management including a reduction and/or deferral of new site openings and management of operating costs within managements control, the Group is not forecast to breach any of its banking covenants or the requirements of the MFDA and has sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements.

After making appropriate enquiries and considering the above, the directors consider that it is appropriate to adopt the going concern basis in preparing the Group and company financial statements.

Directors' report (continued)

Risk Management

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

Donations

The Group did not make any political donations or incur any political expenditure during the year (2021: nil).

Post balance sheet events

In the period to 4 October 2023, the Group made two further drawdowns totalling £35,000,000 of 11% unsecured redeemable series A loan notes from its shareholder, Bridgepoint Funds. In addition, the Group signed an amendment to the Master Franchise and Development Agreement held between BKUK Group Limited and Burger King Europe GmbH, which in the opinion of the Directors is beneficial to the Group and the operation of the Burger King brand in the United Kingdom.

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

12 October 2023

Corporate Governance Report

The Group is committed to high standards of corporate governance appropriate for a large, private company and the Board is accountable to all of the Group's shareholders, including minority shareholdings held by management and employees, for good corporate governance.

The Board

The Board considers that it is of an appropriate size for the requirements of the business, and that it has the appropriate balance of skills, knowledge and experience.

The Board comprises a chairman, a Non-Executive Director who represents the shareholders' interests and two Executive Directors, who are responsible for the day-to-day running of the Company and Group.

The Board's role is to provide leadership to, and to set the strategic direction of, the Group. The Board monitors operational performance and is also responsible for establishing Group policies and internal controls to assess and manage risk.

The Board meets regularly throughout the year. There is a schedule of matters reserved for the Board and certain matters are delegated to the Board's committees and the Executive Directors. The schedule of reserved matters includes approval of annual budgets, strategic plans, senior management appointments, dividend policy and capital structure, major contracts and major capital expenditure. Items delegated to the Executive Directors include the approval of capital or other expenditure below the limits required for Board sign off, disposal of low value assets and approval of minor contracts or less senior appointments.

The Board met eleven times during 2022.

The executive responsibility for overseeing the day-to-day management of the Group is delegated to AD Murdoch, the Chief Executive, together with his executive team.

There is a clear division of responsibility between the Non-Executive Chairman and the Executive Directors. The Chairman is responsible for:

- The leadership of the Board, ensuring its effectiveness and setting its agenda; and
- Facilitation of the effective contribution of Non-Executive Directors, and ensuring constructive relations between them and the Executive Directors.

The Executive Directors are responsible for:

- Setting the strategic direction of the Group;
- Preparing annual budgets and medium-term projections for the Group and monitoring performance against plans and budgets;
- Overseeing the day-to-day management of the Group;
- Managing the Group's relationship and agreements with Burger King Europe GmbH;
- Effective communication with shareholders; and
- Preparing the annual financial statements.

The Company Secretary acts as secretary to the Board and its committees. He is responsible for ensuring that the Directors receive appropriate information prior to meetings, and for ensuring that governance requirements are considered and implemented.

Relations with Shareholders

The Group is committed to maintaining effective communication with all of its shareholders in order to maintain a clear understanding of its objectives and its performance against those objectives.

The Non-Executive Director is appointed by the largest shareholders of the Group, the Bridgepoint Funds. The remaining shareholders of the Group include senior management and employees of the Group. Burger King Europe GmbH have a non-controlling interest in a subsidiary, Royale JVC Limited. Employees receive regular communication about the performance of the Group.

Audit Committee

One of the Company's subsidiaries, Royale JVC Limited, has an Audit Committee which was chaired by Sarah Vawda up to her date of resignation, and subsequently chaired by Patrick Fox, Directors of the subsidiary. Directors of the Company attend the Audit Committee meetings and consider its recommendations in relation to Royale Topco Limited and the Group. Relevant senior management are invited to attend Audit Committee meetings as required.

The Audit Committee is responsible for all matters relating to the regulatory and accounting requirements that may affect the Group, together with the financial reporting and internal control procedures adopted by the Group. In addition, the Committee is responsible for ensuring that an objective and professional relationship is maintained with the external auditors.

Key areas for which the Committee is responsible include:

- Reviewing the Group's financial statements prior to approval on behalf of the Board and reviewing the external auditors' reports thereon;
- Establishing procedures to ensure that the Group monitors and evaluates risks appropriately;
- Reviewing internal controls and establishing an internal audit plan to monitor the effectiveness of those controls;

Corporate Governance Report (continued)

Audit Committee (continued)

- Considering the consistency of accounting policies across the Group and the accounting for any significant or unusual transactions where different approaches are possible; and
- Assessing the effectiveness, independence and objectivity of the external auditors.

During the year, the key items discussed by the Audit Committee included the preparation and audit of the 2021 financial statements, including the IFRS conversion relating to the Karali Acquisition, going concern, impairment and acquisition accounting, as well as planning for the 2022 audit.

Taxation Policy

In line with its overall approach to corporate governance, the Group is committed to suitably strong governance in relation to all of its tax affairs. The Group has published its tax strategy on the BKUK website. It seeks to:

- Structure its affairs in a tax efficient way, as would be expected in order to ensure commercial effectiveness, but using a straightforward and transparent approach without use of any aggressive tax planning strategies;
- Ensure that it pays all taxes which are due (and to do so promptly);
- Maintain adequate systems, processes and adequately experienced staff in order to achieve the above; and
- Maintain a transparent and constructive relationship with HMRC.

The Group's tax affairs are relatively straightforward, given that it is UK domiciled and that it operates in a sector which does not have inherent complexity – i.e. consumer-facing, with limited long-term or complicated sales streams and relatively predictable cost structures.

In managing its affairs, the Group's aim is to limit tax related uncertainty. Our approach is to discuss significant transactions openly with the tax authorities in 'real time', as far as is commercially practicable. Where there is uncertainty in relation to a material tax issue, we will seek to obtain tax authority agreement or clearance in advance where practicable.

During the year ended 31 December 2022, the Group paid £30.6m (2021: £18.5m) of various taxes including, without limitation, PAYE, VAT and business rates.

Independent auditors' report to the members of Royale Topco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Royale Topco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the consolidated statement of financial position and company statement of financial position as at 31 December 2022; the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, the company statement of changes in equity and the consolidated statement of cash flows for the year then ended; 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Independent auditors' report (to the members of Royale Topco Limited)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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 in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws, health and safety legislation, food safety and hygiene legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry with management and those charged with governance regarding any litigation or claims arising from non-compliance with laws and regulations and whether there was any alleged or suspected fraud;
- Review of minutes of management and board meetings during the year and up to the date of approval of the annual report and consolidated financial statements;
- Auditing the risk of management override of controls, through testing journal entries that might indicate a higher risk of fraud for appropriateness and challenging the assumptions used in management's accounting estimates.

Independent auditors' report (to the members of Royale Topco Limited)

- Review of the disclosures in the Annual report and financial statements against specific legal requirements and assessing the compliance of disclosures against relevant legislation;
- Review of corporate tax calculations and VAT and PAYE filings for compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

We have no exceptions to report arising from this responsibility.



Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 October 2023

Consolidated Income Statement

for the year ended 31 December 2022

		2022	2021
	Note	£000	£000
Revenue	6	294,482	211,712
Cost of sales		(290,686)	(159,721)
Gross profit		3,796	51,991
Other operating income	8	-	1,555
Administration expenses		(24,489)	(20,158)
Operating (loss)/profit	9	(20,693)	33,388
Finance income	12	-	48
Finance costs	12	(22,323)	(16,600)
(Loss)/profit before tax		(43,016)	16,836
Taxation credit/(charge)	13	2	(94)
(Loss)/profit for the year		(43,014)	16,742
(Loss)/profit for the year attributable to:			
Equity of the parent		(37,544)	14,583
Non-controlling interest	33	(5,470)	2,159
(Loss)/profit for the year		(43,014)	16,742

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

		2022	2021
	Note	£000	£000
(Loss)/profit for the year		(43,014)	16,742
Other comprehensive income:			
Items that will not be reclassified subsequently to income statement			
Remeasurements of defined benefit pension schemes	24	385	1,660
Income tax on other comprehensive income	13	(96)	(402)
Total comprehensive (loss)/income for the year		(42,725)	18,000
Total comprehensive (loss)/income for the year attributable to:			
Owners of the parent		(37,304)	15,629
Non-controlling interest	33	(5,421)	2,371
Total comprehensive (loss)/income for the year		(42,725)	18,000

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Intangible assets	15	152,922	87,195
Property, plant and equipment	16	95,453	49,700
Right-of-Use assets	17	143,574	96,612
Deferred tax assets	13	-	315
Trade and other assets	21	1,139	-
Total non-current assets		393,088	233,822
Current assets			
Inventories	20	2,680	1,417
Trade and other assets	21	7,559	8,817
Prepayments and accrued income	21	4,322	2,107
Corporation tax assets	13	305	-
Cash and cash equivalents	14	19,314	36,171
Total current assets		34,180	48,512
Total assets		427,268	282,334
LIABILITIES			
Non-current liabilities			
Post-employment benefits	24	(981)	(1,895)
Lease liabilities	17	(174,857)	(114,350)
Loans and borrowings	23	(234,048)	(124,594)
Provisions	25	(2,094)	(2,017)
Trade and other payables	22	(1,916)	-
Total non-current liabilities		(413,896)	(242,856)
Current liabilities			
Trade and other payables	22	(52,372)	(41,478)
Corporation tax liability	13	-	(144)
Loans and borrowings	23	(603)	-
Lease liabilities	17	(14,610)	(9,344)
Total current liabilities		(67,585)	(50,966)
Total liabilities		(481,481)	(293,822)
Net liabilities		(54,213)	(11,488)
EQUITY			
Equity			
Share capital	27	1	1
Share premium	27	37,516	37,516
Share based payments	26	32	32
Accumulated losses	27	(86,932)	(49,628)
Equity attributable to owners of the parent		(49,383)	(12,079)
Non-controlling interest	33	(4,830)	591
Total equity		(54,213)	(11,488)

The notes on pages 25 to 59 form part of the financial statements.

The financial statements on pages 18 to 59 were approved by the board of directors on 12 October 2023 and were signed on its behalf by:

TJ Doubleday

Director

12 October 2023

Royaletopco Limited. Registered no. 10950960



Company Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Investments	19	37,500	37,500
Total non-current assets		37,500	37,500
Total assets		37,500	37,500
LIABILITIES			
Current liabilities			
Trade and other payables	22	(77)	(55)
Total current liabilities		(77)	(55)
Total liabilities		(77)	(55)
Net assets		37,423	37,445
EQUITY			
Equity			
Share capital	27	1	1
Share premium	27	37,516	37,516
Accumulated losses	27	(94)	(72)
Total equity		37,423	37,445

The notes on pages 25 to 59 form part of the financial statements.

As permitted by Section 408 of the Companies Act 2006, a profit and loss account for Royale Topco Limited has not been presented in these financial statements. For the year ended 31 December 2022, the Company generated a loss of £22,000 (2021: £19,000).

The financial statements on pages 18 to 59 were approved by the board of directors on 12 October 2023 and were signed on its behalf by:



TJ Doubleday

Director

12 October 2023

Royale Topco Limited

Registered no. 10950960

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Note	Share capital	Share premium	Share based payments	Accumulated losses	Total attributable to equity holders of the parent	Non-controlling interest	Total Equity
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2021		1	37,516	-	(65,025)	(27,508)	(2,012)	(29,520)
Comprehensive income								
Profit for the year		-	-	-	14,583	14,583	2,159	16,742
Other comprehensive income for the year		-	-	-	1,046	1,046	212	1,258
Total comprehensive income for the year		-	-	-	15,629	15,629	2,371	18,000
Transactions with owners								
Adjustment to non-controlling interest arising on business acquisition		-	-	-	(232)	(232)	232	-
Share based payments	27	-	-	32	-	32	-	32
Balance at 31 December 2021		1	37,516	32	(49,628)	(12,079)	591	(11,488)
Balance at 1 January 2022		1	37,516	32	(49,628)	(12,079)	591	(11,488)
Comprehensive loss								
Loss for the year		-	-	-	(37,544)	(37,544)	(5,470)	(43,014)
Other comprehensive income for the year		-	-	-	240	240	49	289
Total comprehensive loss for the year		-	-	-	(37,304)	(37,304)	(5,421)	(42,725)
Transactions with owners								
Share based payments		-	-	-	-	-	-	-
Balance at 31 December 2022		1	37,516	32	(86,932)	(49,383)	(4,830)	(54,213)

The notes on pages 25 to 59 form part of the financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2022

	Called-up Share capital £000	Share premium £000	Accumulated losses £000	Total equity £000
At 1 January 2021	1	37,516	(53)	37,464
Loss for the financial year	-	-	(19)	(19)
Total comprehensive loss for the year	-	-	(19)	(19)
At 31 December 2021	1	37,516	(72)	37,445
At 1 January 2022	1	37,516	(72)	37,445
Loss for the financial year	-	-	(22)	(22)
Total comprehensive loss for the year	-	-	(22)	(22)
At 31 December 2022	1	37,516	(94)	37,423

The notes on pages 25 to 59 form part of the financial statement

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

		2022	2021
	Note(s)	£000	£000
Cash flows from operating activities:			
(Loss)/profit before tax		(43,016)	16,836
Adjusted for:			
Tax on (loss)/profit	13	(2)	94
Net interest expense	12	22,323	16,552
Depreciation, amortisation, and impairment	15, 16, 17	45,467	11,033
Share-based payment expense	26	-	32
Decrease/(increase) in trade and other assets	21	132	(5,790)
Increase in inventories	20	(689)	(324)
Increase in trade and other payables	22	1,462	8,509
Decrease in provisions and employee benefits	24	(1,379)	(4,022)
Cash generated by operations		24,298	42,920
Income taxes paid		(163)	-
Net cash generated from operating activities		24,135	42,920
Cash flows from investing activities:			
Purchase of subsidiaries, net of cash received	29	(41,865)	(3,842)
Acquisition of trade and assets	29	(7,483)	-
Purchase of intangible assets	15	(1,743)	(1,564)
Purchase of tangible assets	16	(47,180)	(21,060)
Interest received	12	-	48
Net cash used in investing activities		(98,271)	(26,418)
Cash flows from financing activities:			
Drawdown of revolving credit facility	23	90,000	-
Drawdown of shareholder loan notes	23	-	25,000
Loan repaid	23	(9,318)	-
Debt issue costs paid	23	(2,600)	-
Interest paid	12	(3,498)	(1,920)
Interest paid on lease liabilities	12	(7,717)	(4,863)
Repayment of lease liabilities	17	(9,588)	(11,429)
Net cash generated from financing activities		57,279	6,788
Net (decrease)/increase in cash, cash equivalents, and restricted cash		(16,857)	23,290
Cash, cash equivalents, and restricted cash at beginning of the period		36,171	12,881
Cash, cash equivalents, and restricted cash at end of the period		19,314	36,171

The notes on pages 25 to 59 form part of the financial statements.

Notes to the financial statements

1. General information

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

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

2. Basis of preparation

These Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group financial statements of Royale Topco Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). As permitted by section 408 of the Companies Act 2006, the income statement and the statement of comprehensive income of the parent company have not been separately presented in these financial statements.

The financial statements are presented in Pounds Sterling which is the Group's presentation currency. All amounts are rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis except where IFRS requires an alternative treatment. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique in accordance with IFRS 13 *Fair Value Measurement* ("IFRS 13"). In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* ("IAS 2") or value in use in IAS 36 *Impairment of Assets* ("IAS 36").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In the company financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'; and
- The requirements in IAS 24 Related Party Disclosures.

3. Summary of significant accounting policies

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

3.1. Basis of consolidation

The financial statements consolidate the separate financial information of the Group for the two years ending 31 December 2022.

A subsidiary is an entity controlled by the Group. The Group controls an investee if all of the following three elements are present: power over the investee, exposure or rights to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year are included in the financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the individual financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

De-facto control exists when the size of the Group's own voting rights relative to the size and dispersion of other vote holders, give the Group the practical ability unilaterally to direct the relevant activities of the acquired business.

Inter-company transactions and balances held between members of the Group are eliminated in full.

3. Summary of significant accounting policies (continued)

3.1. Basis of consolidation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

3.2. Business combinations

The financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* ("IAS 12") and IAS 19 *Employee Benefits* ("IAS 19") respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payments* ("IFRS 2") at the acquisition date (see below); and
- Assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5") are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.3. Going concern

The financial statements include details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, the notes of the financial statements include the Group's objectives, policies, and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

At 31 December 2022, in determining whether the Group's financial statements can be prepared on a going concern basis, the directors have considered all the factors likely to affect its future development, performance and financial position for a period of at least 12 months from the date of approval of the financial statements.

The Group and Company is in a net current liability position due to the working capital profile of restaurants, especially those in the expansion phase. The Group had cash resources of £19.3m at 31 December 2022 (2021: £36.2m).

In 2022, an incremental bank facility of £90 million was secured at a rate of SONIA +4.25%. In 2023, the Group received £35 million funding from its ultimate parent company and updates were agreed to the Group's banking covenants and the Master Franchise and Development Agreement ("MFDA"). This additional funding will be used to continue the expansion of the Burger King brand in the UK, through new site growth and investment in the existing estate, and is repayable alongside the existing shareholder loan notes in 2027.

The banking covenants are tested quarterly and monitored on a regular basis. The Group remained compliant with its banking facility covenants throughout the year as well as up to the date of approval of the financial statements, and is forecast to be compliant throughout the forecast period of at least 12 months from the date of approval of the financial statements.

The directors have prepared detailed cash flow projections for the period of at least 12 months from the date of approval of these financial statements. The brand operates with a consistent, high quality product with excellent customer service, a track record of organic sales growth and successful acquisitions. The directors have considered the assumptions made and consider the forecasts reasonable and realistic considering market and economic uncertainty, including a severe but plausible downside scenario that takes into account volatility in energy and raw material costs caused by the war in Ukraine and extreme weather conditions, together with a general economic environment where

3. Summary of significant accounting policies (continued)

3.3. *Going concern (continued)*

inflationary pressures may impact on levels of consumer spending. Specifically, the directors have considered a scenario in which customer demand declines and food costs increase, impacting EBITDA by c. 20%. Within this severe but plausible scenario, taking into account mitigating actions available to management including a reduction and/or deferral of new site openings and management of operating costs within managements control, the Group is not forecast to breach any of its banking covenants or the requirements of the MFDA and has sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements.

After making appropriate enquiries and considering the above, the directors consider that it is appropriate to adopt the going concern basis in preparing the Group and company financial statements.

3.4. *Segment reporting*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker ("CODM"), the Group's Chief Executive Officer ("CEO"). The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

3.5. *Revenue recognition*

Retail sales

Revenue from the sale of goods is recognised as income on receipt of cash or card payment. Revenue from delivery services is included in the sale of goods revenue and is recognised on delivery. Revenue is measured net of discounts, promotions and value-added taxation. This includes the loyalty scheme which was introduced in the year. A portion of the revenue from each loyalty scheme sale is deferred until the points are redeemed or forfeited.

Franchise fees and royalties

Franchise fees comprise revenue for services associated with the consent by the Group to the opening of a new site or renewal of a franchise agreement and grant the franchisee permission to operate a site for a set period of time. These balances are deferred and recognised over the duration of the Franchise Agreement and released to the income statement.

Additional franchise royalty fee income, calculated as a percentage of gross sales income (net of VAT), is recognised on an accruals basis in accordance with the relevant agreement.

The Group provides franchise services to UK based franchises, who still hold their franchise relationship with Burger King Europe GmbH. Revenue from these franchise services (referred to as service fee income) is recognised on an accrual basis in accordance with the relevant agreement.

National Advertising Fund

In addition to royalties and franchise fees, franchisees contribute a percentage of their sales to the National Advertising Fund ("AdFund") managed by the Group. The purpose of the AdFund is to build restaurant sales through increased public recognition of the Burger King brand. In assessing the nature of these contributions received by the Group, the performance obligations stated under franchise agreements with franchisees have been considered. For the AdFund contributions received, the Group is obliged to provide national advertising and marketing services. These performance obligations are considered to constitute a revenue stream, and the contributions received by the Group are therefore recognised as revenue. Revenue recognition is measured on an input basis as the costs of providing the obliged services are incurred.

The Group acts as a principal in the relationship and is obliged to provide the services on a break-even basis, such that the Funds do not retain a long-term surplus or deficit. As such, the level of revenue and costs recognised in respect of fulfilling AdFund performance obligations are equal. As the Group is required to spend the funds on advertising and marketing activities, any timing differences between contributions received and costs incurred are held as an asset or liability on the balance sheet. The Group is liable for making good any shortfall in the obligations of the AdFund.

3.6. *Other operating income*

Other operating income comprises of income from government grants as a result of the COVID-19 pandemic. Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.7. *Interest Income*

Interest income is recognised using the effective interest method and is included in finance income in the Consolidated Income Statement.

3.8. *Taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

3. Summary of significant accounting policies (continued)

3.8. *Taxation (continued)*

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom, where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is also recognised on unused tax losses or tax credits in the Group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary differences can be utilised.

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;
- Determines, if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company, or
- Different Group entities which intend either to settle the current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.9. *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. See note 3.2 of the financial statements for further details. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Income Statement in the expense category that is consistent with the function of the intangible assets.

3. Summary of significant accounting policies (continued)

3.9. Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement.

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. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Note that estimated lives may be less if Franchise Agreement is issued for a shorter period.

- Franchise fees 20 years
- Master Franchise and Development Agreement 20 years
- Software 3 - 5 years

3.10. Goodwill

Goodwill is initially recognised and measured as set out in 3.2 above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units (being each individual restaurant) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. See note 18 of the financial statements for further details.

Impairment charges are included in profit or loss.

3.11. Property, plant, and equipment

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. In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. Land is not depreciated.

The estimated useful lives are as follows:

- Right-of-use asset Shorter of comparable owned assets or the lease term
- Short leasehold land and buildings Shorter of the lease term or 20 years
- 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.

3.12. Impairment of property, plant and equipment, intangible assets, and right-of-use assets, excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets, and right-of-use 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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.

Where impairments are reversed, 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 years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

3.13. Leases

The Group assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. Summary of significant accounting policies (continued)

3.13. Leases (continued)

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a lease-by-lease basis, and is adjusted for credit risk of each lessee, lease value, and lease term.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred in obtaining the lease, less any lease incentives received.

At inception of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Group has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet for leases where the underlying asset is of low value. Lease expenses relating to low value assets will be recognised in the income statement on a straight-line basis.

In relation to vehicle leases, the Group has also elected to apply the exemption for short-term leases and therefore will not recognise right-of-use assets and lease liabilities on the balance sheet for vehicle leases of less than 12 months in duration.

3.14. Inventories

Raw materials and consumables are valued at the lower of cost and net realisable value. Cost is based on the purchase cost on a first-in, first-out (FIFO) basis.

Inventories are assessed for impairment at each reporting date. The carrying amount of each item of inventory, or Group of similar items, is compared with its selling price less costs to complete and sell. If an item is found to be impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss recognised immediately in profit or loss.

3.15. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash in transit. For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, and deposits held at call with financial institutions.

3.16. Employee benefits

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

i. Short term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, defined pension contributions, as well as annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

ii. Defined benefit pension plan

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the consolidated statement of comprehensive income, actuarial gains and losses. The pension scheme was closed to new entrants from 14 August 2002.

iii. Annual bonus plan

The Group operates several annual bonus plans for employees. An expense is recognised in the profit and loss account over the period the related service is rendered based on the amounts expected to be paid out.

3.17. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of

3. Summary of significant accounting policies (continued)

3.17. *Share-based payments (continued)*

the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3.18. *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

The Group provides for property dilapidations, where appropriate, based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made. The amount provided is added to the right-of-use asset for the relevant lease and depreciated over the remaining lease term.

3.19. *Financial instruments*

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 *Financial Instruments* ("IFRS 9"). All financial instruments are initially recognised at fair value and subsequently classified as either amortised cost, fair value through profit and loss or fair value through other comprehensive income. The Group currently classifies all financial assets and liabilities as amortised cost.

Financial assets

These assets arise principally from the provision of goods and services to customers (e.g. trade and other assets). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the amortised cost of a financial instrument.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses ("ECL"). Trade receivables are Grouped by those that share similar credit risk characteristics. During this process the probability of the non-payment of the trade receivables is assessed based on the number of days that they have been past due and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account, with the loss being recognised within administrative expenses in the Consolidated Income Statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default that was expected to occur at the reporting date as estimated at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group's financial assets measured at amortised cost comprise trade and other assets and cash and cash equivalents in the Consolidated Statement of Financial Position.

3. Summary of significant accounting policies (continued)

3.19 Financial Instruments (continued)

Financial liabilities

Financial liabilities includes loans and borrowings which are initially recognised at fair value net of any transaction cost directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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. When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

3.20 Capital Management

The Group's objectives when managing capital, which is deemed to be total equity plus loans and borrowings, are to safeguard the Group's ability to continue as a going concern to support its business and further growth in order to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong credit rating and headroom on financial covenants.

To meet these objectives the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cashflow. The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings, including shareholder loan notes, vendor loan notes and revolving credit facility, as set out in note 30 Financial Instruments.

No changes were made in the objectives, policies or processes relating to capital management during the periods ended 31 December 2022 and 2021. The banking covenants are tested quarterly and monitored on a regular basis. The Group remained compliant with its banking facility covenants throughout the year and up to the date of approval of the financial statements.

The Group and Company is in a net current liability position due to the working capital profile of restaurants, especially those in the expansion phase. The Group had cash resources of £19.3m at 31 December 2022 (2021: £36.2m).

4. Changes in accounting policy

New standards, interpretation and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the International Accounting Standards Board ("IASB") that are effective in future accounting periods that the Group has decided not to adopt early.

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of accounting estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2021 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

The primary critical judgements that the directors have made in the process of applying the Group's accounting policies are:

i. Impairment

Judgement is required in the assessment of whether or not a CGU is impaired. This has been disclosed in more detail under key sources of estimation uncertainty below given the reliance of this judgement on key assumptions and estimates.

ii. Deferred Tax Asset recognition

The Group holds significant unrecognised Deferred Tax Assets. The total amount of unprovided deferred tax asset as at the year ended 31 December 2022 is £15,253,000 (2021: £9,003,000), as detailed in note 13.

The Group have prepared taxable profits projections for the periods to 31 December 2026. Based on the current financing structure, the Group is not expected to have significant taxable profits for the years 2023 or 2024. While the projected taxable profits for the years 2025 and 2026 increase, the uncertainty over the forecasts further into the future also increases. The Group does not currently recognise the deferred tax asset arising on losses due to the uncertainty associated with the availability of future taxable profits to utilise against these losses, as supported by the historical tax loss position.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i. Retirement benefit obligations

Certain assumptions, including discount rates, RPI inflation and pension increases in payment, have been adopted for factors that determine the valuation of the Group's liability for pension obligations at period end and future returns on pension scheme assets and charges to the profit and loss account. The factors have been determined in consultation with the Company's actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. Further details, including sensitivities in respect of key assumptions are available in note 24.

ii. Impairment of Tangible, Intangible and Right of Use assets

Goodwill is reviewed for impairment annually. Property, plant and equipment, intangible assets, and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, restaurant fittings and right-of-use assets may be impaired if sales in that restaurant fall. When the cash generating unit is considered impaired, impairment is allocated to goodwill in the first instance, before allocation of impairment to other assets. When a review for impairment is conducted the recoverable amount is estimated based on the higher of the value-in-use calculations or fair value less costs of disposal. Both value-in-use and fair value less costs of disposal calculations require management to estimate future cash flows generated by the assets and an appropriate pre-tax discount rate and long term growth rates. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded, unless the impairment was allocated to goodwill.

Earnings before interest, tax, depreciation, and amortisation ("EBITDA") adjusted for overheads allocation is used as a proxy for net cash flow in determining the future cash flows generated by the assets. Turn-around sites and site-specific items are also taken into account in the net cash flow and is a key source of estimation uncertainty in the impairment assessment. Growth in the forecasted EBITDA is considered to be a key sensitivity.

Key estimates and sensitivities for impairment of property, plant and equipment, goodwill, other intangible assets, and right-of-use assets are disclosed in detail in notes 15 and 18.

iii. Determining the rate used to discount lease payments

At the commencement date of property leases the lease liability is calculated by discounting the future lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As the Group had no suitable external borrowings from which to determine that rate, estimation is required to determine the incremental borrowing rate to be used. At the commencement of a new lease a risk-free rate is obtained, linked to the length of the lease and an adjustment is then made to reflect credit risk. Further details, including sensitivities in respect of the discount rate, are included in note 17.

iv. Fair values on acquisition of Karali Limited, Karali Leisure Limited and Teresina Limited (note 29)

As part of acquisition accounting an adjustment was made to account for the fair value of assets acquired and liabilities assumed on the acquisition of Karali Limited and Teresina Limited. Fair value of the assets is a key source of estimation uncertainty. Further detail is included in note 29.

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6. Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date. Further information on the types of revenue is included in the accounting policy note 3.5.

	2022	2021
	£000	£000
Food and drink sales – recognised at a point in time	262,584	193,829
Franchise and related service income – recognised over time	5,288	4,862
AdFund Contributions - measured on an input basis	26,610	13,021
	<u>294,482</u>	<u>211,712</u>

The Group sells a consistent range of food and drink goods in its restaurants and through franchise partners. All revenue was generated in the UK and no single customers contributed 10 per cent or more to the Group's revenue in either 2022 or 2021.

7. Segmental Information

The Group's Chief Executive is the Chief Operating Decision Maker (CODM) of the Group in the context of IFRS 8. In addition to its retail activities, the Group generates revenues from franchises and related service income. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is provided at the retail business level as one segment.

Accordingly, no segmental analysis is presented for the 31 December 2022 and 31 December 2021 results.

8. Other operating income

Income from government grants because of the COVID-19 pandemic, which consists of furlough income, has been recognised in Other operating income.

	2022	2021
	£000	£000
Government grant	-	1,555

9. Operating (loss)/profit

	2022	2021
	£000	£000
Operating (loss)/profit has been arrived at after charging/(crediting):		
Depreciation and amortisation of tangible and intangible assets	8,927	6,284
Depreciation of Right-of-Use assets	11,849	11,642
Impairment of tangible and intangible assets	15,869	1,712
Impairment/(reversal of impairment) of Right-of-Use assets	8,821	(8,867)
Loss on disposal of tangible assets	1	262
Loss on disposal of Right-of-Use assets	646	166
Foreign exchange losses	34	19
Share-based payment expense	-	32
Fees payable to the Company's auditors:		
Audit of the financial statements	22	20
Audit of the Company's subsidiaries	562	312
Total audit fees	<u>584</u>	<u>332</u>
Audit-related assurance services	11	10
Other assurance services	944	675
Total audit and non-audit fees	<u>1,539</u>	<u>1,017</u>

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10. Staff Costs

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

	2022 Number	2021 Number
Store operations	4,696	3,276
Head office administration (including directors)	120	108
	<u>4,816</u>	<u>3,384</u>

	2022 £000	2021 £000
The aggregate payroll costs of these persons are as follows:		
Wages and salaries	69,810	46,950
Social security costs	4,522	3,207
Other pensions costs	964	817
Total staff costs	<u>75,296</u>	<u>50,974</u>
Amounts capitalised	(1,851)	(1,131)
Staff costs charged to Consolidated Income Statement	<u>73,445</u>	<u>49,843</u>

Company

The company had no employees during the year ended 31 December 2022 (2021: nil).

11. Directors' remuneration

The directors', who are the key management personnel of the Group, emoluments were as follows:

	2022 £000	2021 £000
Directors' emoluments	1,617	1,294
Other pension costs	31	30

No amounts were paid to third parties for directors' services, and no retirement benefits are accruing for any of the directors (2021: nil).

No amounts were paid for other benefits such as termination or other short term and long term benefits (2021: nil).

The aggregate emoluments of the highest paid director were £706,000 (2021: £593,000).

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

No directors exercised share options in the year.

12. Finance income and costs

	2022 £000	2021 £000
Finance income		
Interest on short term deposits	-	48
Total finance income	<u>-</u>	<u>48</u>
Finance expense		
Interest on lease liabilities	(7,717)	(4,863)
Interest expense on bank loans and revolving facility	(3,468)	(2,259)
Interest payable on shareholder loan notes	(10,585)	(8,665)
Net interest expense on the defined benefit liabilities	(30)	(75)
Interest payable on other loan notes	(33)	-
Interest payable on vendor loan notes	(490)	(738)
Total finance expense	<u>(22,323)</u>	<u>(16,600)</u>

13. Taxation

	2022	2021
	£000	£000
Current Tax		
Current tax on loss for the year	(723)	35
Adjustment in respect of prior years	(144)	-
Total current tax	(867)	35
Deferred tax		
Origination and reversal of temporary differences	469	317
Adjustment in respect of prior years	248	-
Effect of changes in tax rates	148	(258)
Deferred tax on pension scheme liability	96	402
Total deferred tax	961	461
Tax expense recognised on total comprehensive income/expense	94	496

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

	2022	2021
	£000	£000
(Loss)/profit before taxation	(43,016)	16,836
Tax (credit)/charge using the UK corporation tax rate of 19% (2021: 19%)	(8,173)	3,199
Adjustments in respect of prior years	104	40
Expenses not deductible for tax purposes	6,051	3,070
Movement in unprovided deferred tax	2,515	(2,974)
Income not taxable	(889)	(2,983)
Effects of losses carried back	242	-
Tax rate changes	148	(258)
Total tax (credit)/charge included in profit or loss	(2)	94

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income/expense:

	2022	2021
	£000	£000
Deferred Tax		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	96	402
Total tax charge recognised in other comprehensive income	96	402

The following amounts are included in the Consolidated Statement of Financial Position relating to current and deferred tax:

	31 December	31 December
	2022	2021
	£000	£000
Non-current assets		
Deferred tax assets	-	315
Current assets		
Corporation tax asset	305	-
Current liabilities		
Corporation tax liability	-	(144)

The total amount of unprovided deferred tax asset as at the year ended 31 December 2022 is £15,253,000 (2021: £9,003,000).

The Group does not recognise the deferred tax asset arising on losses due to uncertainty associated with the availability of future taxable profits to utilise against these losses.

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13. Taxation (continued)

Factors affecting future tax changes

As announced in the Spring Budget 2021, legislation introduced in the Finance Bill 2021 to change the Corporation Tax main rate to 25% for the financial year beginning 1 April 2023 and became substantively enacted on 24 May 2021 and therefore its effects are included in these financial statements.

14. Cash and cash equivalents

	31 December 2022 £000	31 December 2021 £000
Cash at bank and in hand	15,591	35,059
Cash in transit	3,723	1,112
	<u>19,314</u>	<u>36,171</u>

The cash balance includes £3,623,000 (2021: £7,227,000) to be spent on marketing activity on behalf of the franchisees, as well as a cash in transit balance which relates to credit card clearing accounts. There are no significant amounts of cash and cash equivalents that are held by the Group that are not available for use by the Group.

Company

The Company had no cash and cash equivalents at 31 December 2022 (2021: nil)

15. Intangible Assets

	Goodwill £000	Franchise fees £000	Master Franchise and Development Agreement £000	Software £000	Total £000
Cost					
At 1 January 2021	72,296	3,448	2,198	2,752	80,694
Arising on acquisition	16,121	501	-	-	16,622
Additions	171	531	-	184	886
Disposals	(553)	(453)	-	-	(1,006)
At 31 December 2021	88,035	4,027	2,198	2,936	97,196
Arising on acquisition	77,246	1,327	-	-	78,573
Additions	-	1,231	-	513	1,744
Disposals	(978)	-	-	-	(978)
At 31 December 2022	164,303	6,585	2,198	3,449	176,535
Accumulated amortisation					
At 1 January 2021	6,862	837	345	1,772	9,816
Charge for the year	-	214	34	826	1,074
Impairment (arising on acquisition)	-	50	-	-	50
Impairment	-	66	-	-	66
Disposals	(553)	(452)	-	-	(1,005)
At 31 December 2021	6,309	715	379	2,598	10,001
Charge for the year	-	286	114	590	990
Impairment	12,423	199	-	-	12,622
At 31 December 2022	18,732	1,200	493	3,188	23,613
Net book value					
At 31 December 2020	65,434	2,611	1,853	980	70,878
At 31 December 2021	81,726	3,312	1,819	338	87,195
At 31 December 2022	145,571	5,385	1,705	261	152,922

15. Intangible Assets (continued)

Goodwill that is allocated to restaurants has been assessed for impairment at a restaurant CGU level, see note 18 for further details. For goodwill that cannot be allocated to a restaurant CGU (2022: £154,756,000, 2021: £81,022,000), for example on acquisition of a subsidiary, this has been assessed for impairment by comparing the carrying value of assets to their recoverable amount, determined as the higher of fair value less cost of disposal (FVLCD) and value in use (VIU). The FVLCD has been determined through a valuation based on the profitability of the subsidiary and an estimated price/earnings multiple. In order to perform this valuation, Management have used forecast EBITDA for the year ended 2023. This has been informed by current trends in operating performance, and adjusted as appropriate for expected run rate changes, such as labour and utilities costs. Assets have been measured at level 2 of the fair value hierarchy, assets and liabilities that do not have regular market pricing but whose fair value can be determined based on other data values or market prices.

At 31 December 2022, impairments have been recognised against two of the Group's acquisitions, comprising a number of restaurants, and each considered an individual CGU for the purposes of the goodwill assessment. These impairments have arisen primarily due to the difficult trading conditions experienced by the Group during the year and the impact of inflation driven cost pressures on the industry as a whole.

An impairment charge of £2,000,000 has been recognised against the first of these acquisitions, where the estimated valuation was lower than the previous carrying value of £21,300,000 (of which £16,121,000 related to goodwill), resulting in a carrying value at 31 December 2022 of £19,300,000 (of which £14,121,000 relates to goodwill).

An impairment charge of £10,000,000 has been recognised against the second of these acquisitions where the estimated valuation was lower than the previous carrying value of £82,497,000 (of which £73,668,000 related to goodwill), resulting in a carrying value at 31 December 2022 of £72,497,000 (of which £63,668,000 related to goodwill). The remaining goodwill not allocated to a restaurant CGU and not discussed above of £64,986,000 relates to three previous acquisitions made by the group. No impairment has been recognized against the goodwill arising from these acquisitions due to significant headroom through the impairment assessment.

Sensitivity analysis

The key judgements in the goodwill impairment assessment are the forecasted EBITDA, and the EBITDA multiple used on the forecasted EBITDA. The sensitivities of this assumption on the impairment calculation have been tested. The gross impact would be such that a 10% reduction in forecasted EBITDA or a reduction of 1x in the multiple would result in an increase in the impairment charge of £9,200,000 (2021: nil).

Company

The Company had no intangible assets at 31 December 2022 (2021: nil).

16. Property, plant, and equipment

	Short leasehold land and buildings	Plant and Equipment	Tangible assets under construction	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2021	4,547	44,285	3,213	52,045
Arising on Acquisition	367	574	-	941
Transfers	-	2,833	(2,833)	-
Additions	3,365	15,571	2,124	21,060
Disposals	(635)	(5,656)	-	(6,291)
At 31 December 2021	7,644	57,607	2,504	67,755
Arising on acquisition	6,289	3,469	-	9,758
Transfers	-	1,670	(1,670)	-
Additions	1,910	43,366	1,904	47,180
Disposals	(101)	(310)	-	(411)
At 31 December 2022	15,742	105,802	2,738	124,282
Accumulated depreciation and impairment:				
At 1 January 2021	1,364	15,814	-	17,178
Depreciation charge for the year	439	4,772	-	5,211
Impairment (arising on acquisition)	6	42	-	48
Impairment	207	1,440	-	1,647
Disposals	(628)	(5,401)	-	(6,029)
At 31 December 2021	1,388	16,667	-	18,055
Depreciation charge for the year	794	7,143	-	7,937
Impairment	3,247	-	-	3,247
Disposals	(101)	(309)	-	(410)
At 31 December 2022	5,328	23,501	-	28,829
Net book value				
At 31 December 2020	3,183	28,471	3,213	34,867
At 31 December 2021	6,256	40,940	2,504	49,700
At 31 December 2022	10,414	82,301	2,738	95,453

Tangible assets under construction are the assets in relation to restaurants currently under construction before the restaurant opening date. No depreciation is applied to assets under construction. Upon opening, the assets are transferred into Plant and Equipment and start being depreciated according to the useful life of the assets.

Company

The Company had no property, plant and equipment at 31 December 2022 (2021: nil).

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17. Leases

Lease liabilities

	Land and buildings leasehold £000
At 1 January 2021	(100,679)
Additions	(27,918)
Remeasurement	(6,526)
Interest expense	(4,863)
Lease payments	16,292
At 31 December 2021	(123,694)
Additions	(70,394)
Remeasurement	(4,967)
Interest expense	(7,717)
Lease payments	17,305
At 31 December 2022	(189,467)

Amounts not included in the measurement of lease liabilities are as follows:

	31 December 2022 £000	31 December 2021 £000
Short-term property lease expense	289	-
Short term car-hire	45	51
Aggregate undiscounted commitments for short-term leases	334	51

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk.

Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

At 31 December 2022 and 31 December 2021, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on all dates it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

17. Leases (continued)

The maturity of lease liabilities are as follows:

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 December 2021	(9,344)	(9,151)	(26,071)	(79,128)	(123,694)
At 31 December 2022	(14,610)	(15,127)	(42,846)	(116,884)	(189,467)

The total undiscounted commitments for leases are as follows:

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 December 2021	(14,926)	(14,264)	(38,811)	(96,787)	(164,788)
At 31 December 2022	(24,995)	(24,599)	(65,969)	(155,673)	(271,236)

Sensitivity analysis

Assuming the lease liabilities held as at each reporting date were outstanding for the whole year, a 0.5 percentage point increase/decrease in the IBRs used across the lease portfolio would (decrease)/increase the lease liabilities by the following amounts:

	31 December 2022 £000	31 December 2021 £000
Increasing IBR by 0.5%	(5,014)	(3,314)
Decreasing IBR by 0.5%	5,273	3,493

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17. Leases (continued)

Right-of-use assets

	Land and buildings leasehold
Cost	£000
At 1 January 2021	93,738
Arising on acquisition	4,985
Additions	25,460
Disposals	(11,565)
At 31 December 2021	112,618
Arising on acquisition	20,171
Additions	37,042
Remeasurement	23,613
Disposals	(3,106)
At 31 December 2022	190,338
Accumulated depreciation and impairment:	
At 31 December 2020	24,630
Depreciation charge for the year	11,642
Impairment reversal	(8,867)
Disposals	(11,399)
At 31 December 2021	16,006
Depreciation charge for the year	11,849
Impairment	8,821
Remeasurement	12,548
Disposals	(2,460)
At 31 December 2022	46,764
Net book value	
At 31 December 2020	69,108
At 31 December 2021	96,612
At 31 December 2022	143,574

Any impairment arising on acquisition has been included in the cost arising on acquisition line for presentation in the current year.

Company

The Company had no leases as at 31 December 2022 (2021: nil).

18. Impairment

Impairment Reviews

The Group is required to test each CGU to which goodwill has been allocated on an annual basis or more frequently if there are indications that a CGU might be impaired. When testing goodwill for impairment, the goodwill is allocated to the CGU or Group of CGUs that were expected to benefit from the synergies of the business combination from which it first arose.

The Group's other intangible assets and property, plant and equipment each belong to one of the Group's CGUs. In performing these impairment tests, management is required to compare the carrying value of the assets of a CGU, including goodwill with their estimated recoverable amount.

The recoverable value of the CGUs was determined by assessing the value in use. The key estimate in determining the value in use requires the estimation of future cash flows, long-term growth rates and determination of discount rates in order to calculate the present value of the cash flows.

We have considered the impact of climate risks on the business through performing this assessment and do not consider there to be any material impact.

Restaurants

An impairment review has been performed over the goodwill and intangible assets, and property, plant, right-of-use assets and equipment attributable to each of the Group's restaurants. The impairment review has been based on the value in use of each of the Group's restaurants, which are each a cash generating unit. The cash flows have been forecasted over the remaining length of the lease associated with each restaurant.

18. Impairment (continued)

The impairment review was carried out using the following assumptions:

- EBITDA after allocation of overheads is used as a proxy for net cash flow.
- The pre-tax discount rate is based on the Group's weighted average cost of capital ("WACC") with an update for risk in the current environment and at 31 December 2022 was 14% (2021: 10%).
- All assets allocated to restaurants are subject to be impaired where the total carrying value of the assets exceeds the recoverable amount, except those which can be transferred to another site.
- Impairment is allocated to goodwill in the first instance, where there is goodwill allocated to the store.
- The average sales growth for stores which were deemed to be triggered for impairment assessment was 0% within the newly-acquired Karali group and 2% growth for pre-existing stores within the Group portfolio.

In 2022 a total of 33 restaurants (2021: 15 restaurants) were impaired due to the impairment assessment performed. An impairment of right-of-use assets of £8.8m was recognised in 2022 (impairment reversal of right-of-use assets of 31 December 2021: £8.9m). In addition, impairments of £0.6m (2021: nil) and £3.2m (2021: 1.6m) were recognised on intangible assets and tangible fixed assets respectively in 2022. These impairments have arisen primarily due to the difficult trading conditions experienced by the Group during the year and the impact of inflation driven cost pressures on the industry as a whole.

In addition, a provision of £2,094,000 was made for dilapidations (2021: £2,017,000) which is expected to be utilised over the remaining term of these restaurant leases. The assumptions regarding the lease term in respect of these restaurants were reviewed and where required the lease liability was remeasured before assessing the restaurant for impairment.

The sensitivities of these assumptions on the impairment calculation have been tested. The gross impact would be such that:

A 1 per cent per annum increase in the WACC assumption would result in an increase in the impairment charge of £1.2m. A 1 per cent decrease in the WACC assumption would result in a decrease in the impairment charge £1.2m; and

A 1 per cent increase in the sales growth rate would result in a decrease of impairment charge of £1.5m. A 1 per cent decrease in the growth rate would result in an increase of impairment charge of £1.7m.

19. Investments

Company

Shares in Group
undertakings
£000

Cost and net book value

At 31 December 2021, 1 January 2022 and 31 December 2022

37,500

The directors are satisfied that the carrying value of the investment is supported by the underlying trading of its subsidiary companies. A list of the subsidiary companies is provided in note 35.

20. Inventories

	31 December 2022	31 December 2021
	£000	£000
Raw materials and consumables	2,680	1,417

Raw materials and consumables recognised as cost of sales in the Group in the year amounted to £72,615,000 (2021: £43,760,000). No write offs or write-backs were recognised in the Statement of Comprehensive Income in 2022 (2021: £499,000).

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

Company

The Company had no inventories at 31 December 2022 (2021: nil).

21. Trade and other assets

	31 December 2022	31 December 2021
	£000	£000
Current assets		
Trade receivables at amortised cost	5,612	6,056
Less: provision	(80)	-
Trade receivables at amortised cost - net	5,532	6,056
Other receivables	3,166	2,761
Prepayments and accrued income	4,322	2,107
Total trade and other assets	13,020	10,924
Of which:		
Current	11,881	10,924
Non-current	1,139	-

Exposure to credit risk

The approach to calculating ECLs is detailed in the accounting policies section starting on page 25. In the year, there has been a specific provision in respect of one balance owed from one customer. The Group believes that all other amounts that are past due by more than 30 days that have an immaterial allowance for ECLs are still collectable in full based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Group's monitoring of customer credit risk, the Group believes that no significant allowance for ECLs is necessary to be recognised in respect of trade receivables not past due.

Company

The Company had no trade and other assets as at 31 December 2022 (2021: nil).

22. Trade and other payables

Trade and other payables of the Group are principally comprised of amounts outstanding for trade and other purchases incurred in the normal course of business.

	31 December 2022	31 December 2021
	£000	£000
Liabilities		
Trade payables	13,110	9,381
Other taxation and social security	9,801	3,702
Other payables	2,695	9,145
Accruals and contract liabilities	28,682	19,250
Total trade and other payables	54,288	41,478
Of which:		
Current	52,372	41,478
Non-current	1,916	-

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

All current trade and other payables are repayable within one year.

Company

Trade and other payables of the Company are comprised of amounts owed to Group undertakings incurred in the normal course of business.

	31 December 2022	31 December 2021
	£000	£000
Current		
Amounts owed to Group undertakings	77	55
Total current trade and other payables	77	55

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

All current trade and other payables are repayable within one year.

23. Loans and borrowings

	31 December 2022	31 December 2021
	£000	£000
Vendor loan notes payable	19,865	9,318
Revolving credit facility	107,593	20,000
Other loans	1,332	-
Shareholder loan notes payable	105,861	95,276
Total loans and borrowings	234,651	124,594
Of which:		
Current	603	-
Non-current	234,048	124,594

Vendor loan note

On 1st October 2022, the Group entered into a £19,420,000 vendor loan note payable to the previous owner of the acquired Karali Limited, Karali Leisure Ltd and Teresina Limited entities. This is a non-cash loan, issued as part-consideration for the acquisition of these entities; see note 29 for more details. Interest is charged at 9% and is repayable each year on the anniversary of the initial loan agreement. The amount of accrued interest as at 31 December 2022 is £445,000 (2021: £93,000). The loan is repayable on 1st October 2026.

Revolving credit facility

The Group holds a £30,000,000 revolving credit facility with Natwest PLC, £40,000,000 with Coöperatieve Rabobank U.A., £28,985,507 with American General Life Insurance Company, £6,014,493 with National Union Fire Insurance Company of Pittsburgh, and £5,000,000 with American International Group UK Limited. All loans are secured at a rate of SONIA +4.25%. As at 31 December 2022, £110,000,000 has been drawn (2021: £20,000,000). The companies have a fixed and floating charge against the Group's real and intellectual property to support this and require the Group to comply with financial covenants.

The Group has complied with the financial covenants for the year ended 31 December 2022 and forecasts continuing to do so for a period of at least 12 months from the date of approval of these financial statements.

The initial issue costs of the revolving credit facility totalled £2,600,000 which is being amortised over the period from drawdown of the loan to the expected maturity date. At 31 December 2022, the unamortised cost was £2,407,000 (2021: nil). As part of the refinancing, the interest rate was transitioned from LIBOR to a SONIA interest rate. No additional risks have resulted as a result of the transition that would impact the Group's risk management strategy.

Shareholder loan notes

On 16 November 2017, the Group entered into a £100,000,000 11% unsecured redeemable series A loan note agreement with its shareholder, Bridgepoint Funds. The amount drawn as at the balance sheet date is £69,750,000 (2021: £69,750,000). The maturity date of the loan notes is 30 September 2027, on which date they will be repaid in full. The loan notes accrue interest at a compound rate of 11% per annum. Cumulative interest capitalised into the principal of the loan notes at 31 December 2022 was £36,422,000 (2021: £25,900,000).

The initial issue costs of the shareholder loan notes totalled £638,000, which is being amortised over the period from drawdown of the loan to the expected maturity date. At 31 December 2022, the unamortised cost was £311,000 (2021: £375,000).

Other loan facilities

On 31 October 2022 and 29 December 2022, the Group entered into financing arrangements with Novuna Limited to borrow funds amounting to £79,000 and £1,283,000. This is a non-cash loan, secured on fixed assets for use in the business. Interest is charged at 9.53% and 9.38% respectively. The amount of accrued interest as at 31 December 2022 is £20,206. The loans are repayable on 31 October 2025 and 30 April 2025.

Subsequent to the year end, the Group entered into an additional financing arrangement with Novuna Limited to borrow funds amounting to £1,322,000. Interest is charged at 9.39%.

Summary

Movement in the year relates to the £90,000,000 drawdown of the bank facility, net of the £2,407,000 debt issue costs (£3,468,000 of interest was accrued and repaid in the year); the vendor loan note repayment of £9,318,000; the vendor loan note payable of £19,420,000 with the corresponding accrued and unpaid interest of £445,000; and other loans of £1,362,000 (of which £30,000 has been repaid).

Company

The Company had no loans and borrowings as at 31 December 2022 (2021: nil).

24. Post-employment benefits

The Group operates a pension scheme (Gowrings 1975 Pension Scheme) which provides benefits based on final pensionable pay. The Scheme was closed to new entrants with effect from 14 August 2002 and was closed to the future accrual of benefits from 31 October 2010. The employer's contributions to the Scheme during the year amounted to £771,000 (2021: £982,000). The Parent Company did not participate in the pension scheme.

The Scheme is Trust-based, operating on a funded basis within the UK legislative and regulatory framework with assets held in external funds overseen by a Trustee. Benefits are provided to members upon retirement or death as determined by UK legislation and the Scheme's Trust Deed & Rules.

The Trustee is required to act on behalf of the Scheme's membership and invest the Scheme's assets with an aim of ensuring that all members' current and future benefits can be paid. The Trustee conducts regular reviews of the funding level of the Scheme in accordance with UK legislation and monitors the long-term investment and funding strategies of the Scheme. The appointment of the Trustee is determined by the Scheme's Trust Deed & Rules and UK legislation. Currently, the Trustee is an independent, professional Trustee appointed by the Group.

The estimate is based on the data and results of the full actuarial valuation as at 31 December 2022 by a qualified independent actuary.

Amounts recognised in the Consolidated statement of financial position*:	31 December 2022 £000	31 December 2021 £000
Defined benefit obligation	(10,037)	(17,108)
Fair value of scheme assets	9,056	15,213
Net defined benefit liability	(981)	(1,895)

*Note: before deferred tax considerations

Changes in the present value of scheme liabilities are as follows:	2022 £000	2021 £000
Opening defined benefit obligation	(17,108)	(19,652)
Past service credit	-	1,692
Interest cost	(313)	(262)
Actuarial loss arising from changes in demographic assumptions	(324)	(339)
Actuarial gain arising from changes in financial assumptions	7,407	703
Actuarial gain arising from experience adjustments	(132)	292
Benefits paid	433	458
Closing defined benefit obligation	(10,037)	(17,108)

Changes in the fair value of scheme assets are as follows:	2022 £000	2021 £000
Opening fair value of scheme assets	15,213	13,735
Interest income on scheme assets	283	187
Return on scheme assets excluding interest income	(6,566)	1,004
Contributions by employer	771	982
Benefits paid	(433)	(458)
Scheme administration expenses	(212)	(237)
Closing fair value of scheme assets	9,056	15,213

Amounts recognised in the Consolidated income statement:	2022 £000	2021 £000
Past service credit	-	1,692
Scheme administration expenses	(212)	(237)
Net interest on the defined benefit liability	(30)	(75)
Total (expense)/credit recognised in the Consolidated income statement	(242)	1,380

24. Post-employment benefits (continued)

Amounts recognised in the Consolidated statement of comprehensive income:	2022 £000	2021 £000
Actuarial loss arising from changes in demographic assumptions	(324)	(339)
Actuarial gain arising from changes in financial assumptions	7,407	703
Actuarial (loss)/gain arising from experience adjustments	(132)	292
Total Actuarial gains	6,951	656
Return on scheme assets excluding interest income	(6,566)	1,004
Total gains recognised in other comprehensive income	385	1,660

A summary of the main risks that the Scheme exposes the Group to can be found below, including current mitigation put in place by both the Trustee and Group:

Risk	Description	Mitigation
Investment	The Scheme's IAS 19 liabilities are calculated using a discount rate set with reference to corporate bond yields. If the return on the Scheme's assets underperforms this rate, the accounting deficit will increase. In addition, there is the risk of volatility of the future IAS 19 and funding positions due to the proportion of Scheme assets invested in return generating assets, whereas the IAS 19 and funding liabilities are assessed by reference to yields on corporate bonds and gilts, respectively. Any increase to the funding level as a result could increase the future cash requirements of the Group.	The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme's investment strategy. The Trustee and Group conduct regular monitoring of the funding position of the Scheme and have implemented a well-diversified investment strategy that utilises liability driven investment ('LDI') to hedge material risks such as movements in interest rates and inflation. The assets of the Scheme consist predominantly of investments which are traded on regulated markets. The Trustee invests in a number of different funds with different investment managers to ensure there is limited concentration risk with regards to the Scheme's assets. Additionally, the Trustee has a policy in place to ensure that <i>no more than 5% of the Scheme's assets are exposed to Group-related investments.</i>
Interest rate	The Scheme's funding liabilities are linked to gilt yields. As such, a decrease in interest rates (and subsequently gilt yields) will increase the Scheme's funding liabilities which may require additional cash contributions to be made by the Group in future.	The Trustee and Group aim to mitigate the risk of low interest rates through the LDI strategy and other bond assets. The LDI strategy invests in assets which increase in value as interest rates decrease to mitigate the impact of any future adverse movements in interest rates. As the aim of the LDI strategy is used to mitigate the risk to the funding position, there can be divergence in the effectiveness to hedge the IAS 19 liabilities due to spreads between corporate bond and gilt yields. Approximately 80% of the Scheme's liabilities are hedged by the LDI strategy for changes in interest rates.
Inflation	A significant proportion of the Scheme's liabilities are linked to inflation. If inflation is higher than expected, then this will lead to higher IAS 19 and funding liabilities in future. Any increase to the funding level as a result could increase the future cash requirements of the Group.	The Trustee and Group aim to mitigate the risk of higher-than-expected inflation through the LDI strategy and other real assets. The LDI strategy invests in assets which increase in value as inflation increases to mitigate the impact of any future adverse movements in inflation expectations. Approximately 80% of the Scheme's inflation-linked liabilities are hedged by the LDI strategy for changes in inflation rates.
Life expectancy	The Scheme provides benefits to members for the remainder of their (and their spouse's) lives. As such, any increase to life expectancies will lead to higher liabilities for the Scheme.	The Trustee and Group regularly monitor the impact of longevity on the Scheme and conducted a medically underwritten mortality study of the Scheme population as part of the 31 December 2022 actuarial valuation to determine life expectancies that are as accurate as possible.

24. Post-employment benefits (continued)

	31 December 2022	31 December 2021
	£000	£000
Breakdown of value of assets at end of the year:		
Diversified growth funds	419	1,867
Diversified alternatives	1,340	1,417
Equity linked LDI	2,247	2,997
LDI	1,935	2,817
Cash	860	1,955
ESG focused physical equity	944	2,781
Semi-liquid credit	1,311	1,379
Total value of assets at end of the year	9,056	15,213

The Trustee of the Scheme has implemented an LDI (Liability Driven Investment) strategy, which aims to hedge approximately 80% of the interest rate and inflation exposure of the Scheme's liabilities. The Scheme will invest in assets such as gilts and swaps (often using leverage) and will create a liability benchmark which aims to "mimic" the sensitivity of the liabilities to movements in interest rate and inflation expectations, thereby reducing the volatility of the Scheme's funding position.

All of the amounts above are quoted, besides cash of £274,000 which is unquoted (2021: £426,000).

Principal actuarial assumptions at the balance sheet date:

	2022	2021
	%	%
Discount rate	4.80	1.85
RPI inflation	3.10	3.25
Pension increases in payment:		
- RPI max 5%	2.85	3.15
- RPI max 2.5%	1.85	2.25
Mortality	Base table: 124% S3PxA Future improvements: CMI 2021 projections with a long term improvement rate of 1.25% p.a., smoothing factor of 7.0, initial addition parameter of 0.0 and w2020 and w2021 parameter of 10%	Base table: 124% S3PXA Future improvements: CMI 2020 projections and a long-term improvement rate of 1.25% p.a. with smoothing factor of 7.0 and initial addition parameter of 0.0 and w2020 parameter of 10%

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

	2022	2021
Male (current age 45)	21.1 years	21.4 years
Male (current age 65)	19.9 years	20.1 years
Female (current age 45)	23.9 years	24.0 years
Female (current age 65)	22.5 years	22.6 years
Cash commutation	90% of members take maximum tax free cash using current commutation factors	90% of members take maximum tax free cash using current commutation factors

24. Post-employment benefits (continued)

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumption	Impact on scheme liabilities Increase in DBO (£000)
As at 31 December 2022:		
Discount rate	+0.25%	(331)
Inflation rate	+0.25%	144
Life expectancy	+1 year	256
As at 31 December 2021:		
Discount rate	+0.25%	(774)
Inflation rate	+0.25%	450
Life expectancy	+1 year	635

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

The sensitivity analysis to changes in key assumptions has been derived by re-running the balance sheet liability calculation with an isolated change to the assumption being analysed. For the RPI inflation sensitivity, all other inflation related assumptions have been updated. For example, in order to demonstrate the sensitivity of the results to changes in the discount rate, the actuary has recalculated the DBO of the Scheme using a discount rate that is 0.25% higher than that used for calculating the disclosed DBO. A similar approach has been taken to demonstrate the sensitivity of the results to other key assumptions.

The method used in preparing the sensitivity analysis is unchanged compared to the previous year-end. Please note the sensitivity analysis provided may not be representative of the actual change but has been determined as a reasonable approximation.

Assets are marked to market at 31 December 2022 and liabilities are calculated using the projected unit method. The actuary estimates the Scheme deficit at 31 December 2022 to be approximately £981,000 (2021: £1,895,000), which is the deficit for the multi-short term scheme as a whole, as discussed above, and does not arise in respect of the Company alone.

Relationship between the Company and the trustees of the Scheme

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

Estimated contributions

The employer's best estimate of contributions to be paid to the Scheme by the company next year is £750,000 (2021: £771,000). The Scheme was closed to future accruals for existing members in 2010; as a result, there will be no further contributions to be paid to the Scheme by employees. The Scheme's adopted and agreed funding target is 100% of its liabilities on the current funding basis. This was agreed between the Trustee and Company as part of the 2021 triennial valuation. As the Scheme was in a deficit at the previous triennial valuation in 2018, a Recovery Plan was agreed between the Company and Trustee to eliminate the funding shortfall disclosed. Under this plan, the Company has agreed to pay deficit reduction contributions ('DRCs') to the Scheme of £608,000 p.a. until 30 June 2030, payable monthly. The estimated duration of the Scheme's benefit obligations is an indicator of the weighted average term of benefit payments after discounting. For this Scheme, the estimate duration is around 16 years.

Effect on Cash flows

Group cashflow in respect of the Scheme comprises of contributions paid to the Scheme to rectify any funding shortfall identified at the most recently completed triennial valuation as well as contributions to meet the ongoing running costs of the Scheme. The contributions payable to the Scheme are agreed between the Group and the Trustee and are set out in an agreed Schedule of Contributions as required under UK legislation. An updated Schedule of Contributions will be required between the Group and the Trustee by 25 September 2023 following the completion of the triennial valuation of the Scheme as at 31 December 2021.

The contributions payable to the Scheme to rectify any funding shortfall in future will depend on a number of factors, including market conditions at the time of the next triennial valuation, the regulatory framework in place at the time and the funding assumptions agreed between the Group and Trustee.

Company

The Company had no post-employment benefits at 31 December 2022 (2021: nil).

25. Provisions

The Group had the following provisions during the year:

	Dilapidations £000	Total £000
At 1 January 2021	2,545	2,545
Amounts utilised	(528)	(528)
At 31 December 2021	2,017	2,017
Additions	393	393
Amounts arising on acquisition	542	542
Amounts utilised	(166)	(166)
Amounts released	(692)	(692)
At 31 December 2022	2,094	2,094

Dilapidations

The dilapidations provision represents the directors' estimated cost of returning leased sites to their original condition on exit of that site. Dilapidation provisions are recognised against sites that are expected to be exited within 5 years due to uncertainty around the timing of exit of the lease involved in periods longer than 5 years. Dilapidations costs have been capitalised against ROU assets.

Company

The Company had no provisions at 31 December 2022 (2021: nil).

26. Share based payments

The Group maintains the following, equity-settled share-based payment schemes for employees:

- Management Incentive Plans (2021)

Each of these plans is considered substantially similar, and as such, disclosures below are aggregated. Employees participating in the schemes purchase B2 ordinary shares at a price determined at the grant date. Shares held under the schemes will vest if certain conditions are met, including an IPO or other exit event, and participants must be employed until the end of the vesting period. Shares are forfeited if the employee leaves the Group before the vesting conditions are met.

The purchased B2 ordinary shares are held in the BKUK Employee Benefit Trust, which is controlled by the Group.

The fair value of the B2 shares purchased in 2021 was deemed to be £181 per share.

Details of the shares held under the scheme are as follows:

	31 December 2022 Number of shares	31 December 2021 Number of shares
Outstanding at beginning of year	1,720	1,585
Granted during the year	-	135
Sold during the year	(138)	-
Outstanding at the end of the year	1,582	1,720

The Group recognised nil expenses (2021: £32,000) related to equity-settled share-based payment transactions.

Company

The Company had no share based payments at 31 December 2022 (2021: nil).

Royale Topco Limited

27. Share capital and other reserves

	Number 31 December 2022	£ 31 December 2022	Number 31 December 2021	£ 31 December 2021
Allotted, called up and fully paid:				
Ordinary A1 shares of £0.01 each	82,808	829	82,808	829
Ordinary B1 shares of £0.04 each	6,000	240	6,000	240
Ordinary B2 shares of £0.001 each	11,192	11	11,192	11
Priority shares of £0.000001 each	37,417,192	37	37,417,192	37
	<u>37,517,192</u>	<u>1,117</u>	<u>37,517,192</u>	<u>1,117</u>

There are four classes of shares:

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

	31 December 2022 £000	31 December 2021 £000
Share premium account		
Opening and closing share premium account	<u>37,516</u>	<u>37,516</u>

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

Dividends

No dividends were declared or paid for the year ended 31 December 2022 (2021: nil).

Accumulated Losses

The accumulated losses represent cumulative profits or losses, net of dividends paid.

28. Contingent liabilities

There were no contingent liabilities at year-end (2021: nil).

Royale Topco Limited

29. Business combinations

Acquisition of Karali Limited ("BKUK Crown Limited"), Karali Leisure Limited ("BKUK Crown Leisure Limited") and Teresina Limited

On 30 September 2022, the Group acquired control of Karali Limited, Karali Leisure Limited and Teresina Limited through the purchase of 100% of the share capital for total consideration of £72,111,000. The three entities operate a number of Burger King franchises across England. This is considered one acquisition due to the companies being purchased via one transaction, from one previous owner and comprising a group of stores all operating under the same management.

The goodwill of £73,668,000 arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations in the Group and its expansion plans. Synergies result in increased sales, lower costs of sales and higher expected EBITDA growth rates.

In the year of acquisition Karali Limited, Karali Leisure Limited and Teresina Limited contributed £14,659,000, £5,851,000 and £636,000 to the Group's revenue as well as £63,000, £126,000 and £140,000 of profit before tax to the Group's loss before tax for the year in 2022, respectively. Due to the consolidated nature of IFRS transitional adjustments it is impracticable to disclose the revenue and profit or loss of the combined entity as though the acquisition date for all combinations that occurred during the period had been as of the beginning of the annual reporting period.

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

Directly attributable costs are legal costs incurred in the process of acquisition, which are expensed to the income statement and amounted to £1,161,000 in the year. The non-cash consideration relates to vendor loan notes.

Consideration for acquisition at 30 September 2022	£000
Cash	52,691
Non-cash consideration	19,420
Total	72,111

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

	£000
Consideration	52,691
Less: cash and cash equivalents acquired	(10,826)
Net cash outflow	41,865

Recognised amounts of identifiable assets acquired and liabilities assumed	Note	Book value £000	Adjustments £000	Fair value £000
Tangible assets	(a)	6,741	(1,234)	5,507
Intangible assets	(b)	2,566	(525)	2,041
Right-of-Use assets	(c)	32,418	(12,247)	20,171
Cash		10,826	-	10,826
Investments		250	-	250
Inventories		574	-	574
Trade and other assets*		2,218	-	2,218
Provisions		(542)	-	(542)
Trade and other payables		(9,170)	-	(9,170)
Lease liabilities		(33,352)	-	(33,352)
Deferred tax liabilities		(80)	-	(80)
Total identifiable net assets		12,449	(14,006)	(1,557)
Goodwill				73,668
Total consideration				72,111

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

- An impairment charge in respect of leasehold and plant across the acquired estate.
- An assessment of the market value of the existing franchise fee agreements for acquired sites. The adjustments include an impairment analysis of the acquired franchise fees and an assessment of the market value of the existing franchise fee agreements for acquired sites.
- Recognition of Right-of-Use assets and liabilities onto the Balance sheet and a corresponding impairment charge in respect of Right-of-Use assets across the acquired estate. This entails derecognition of rent accruals and rent prepayments at acquisition date.

29. Business combinations (continued)

* There is no difference between the fair value and gross contractual amount of trade receivables given these are short term and expect them all to be repaid.

Other business combinations – trade and assets of acquired stores

In the year ended December 2022, the Group acquired control of a number of existing Burger King sites, through purchases of the trade and assets from Saxby Limited and Tandoori Catering Consultants Limited for total consideration of £7,483,000. The two entities operated a number of Burger King franchises across England.

In the year of acquisition these newly acquired sites contributed £14,550,000 to the Group's revenue as well as £1,676,000 of profit before tax to the Group's loss before tax for the year in 2022. Due to the consolidated nature of IFRS transitional adjustments it is impracticable to disclose the revenue and profit or loss of the combined entity as though the acquisition date for all combinations that occurred during the period had been as of the beginning of the annual reporting period.

The goodwill of £2,924,000, arises from the acquisition of multiple stores, each individually immaterial, and is attributable to the acquired customer base and economies of scale expected from combining the operations in the Group and its expansion plans. Synergies result in increased sales, lower costs of sales and higher expected EBITDA growth rates.

Consideration for acquisitions during the year	£000
Cash	7,483
Total	7,483
 Recognised amounts of identifiable assets acquired	
Tangible assets	4,250
Intangible assets	309
Total identifiable assets	4,559
 Goodwill	 2,924

30. Financial Instruments

Capital risk management

The Group's objectives when managing capital, which is deemed to be total equity plus loans and borrowings, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong credit rating and headroom on financial covenants. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group.

Categories of financial instruments

Carrying amount

	31 December 2022 £000	31 December 2021 £000
Financial assets - amortised cost		
Cash and cash equivalents	19,314	36,171
Trade receivables	5,532	6,056
Other receivables	3,166	2,761
Total financial assets held at amortised cost	28,012	44,988
Financial liabilities - amortised cost		
Trade payables	(13,110)	(9,381)
Other payables	(2,695)	(9,145)
Accruals	(28,682)	(19,250)
Lease liabilities	(189,467)	(123,694)
Shareholder loan notes	(105,861)	(95,276)
Vendor loan notes	(19,865)	(9,318)
Other loans	(1,332)	-
Revolving credit facility	(107,593)	(20,000)
Total financial liabilities held at amortised cost	(468,605)	(286,064)

Fair values of financial instruments

At 31 December 2022 and 2021 the carrying amounts of cash at bank, receivables, payables, accrued expenses, lease liabilities as well as vendor loan notes and revolving credit facility reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The following table provides the fair value disclosures of the Group's remaining long-term borrowings for which the carrying amount does not approximate fair value:

	31 December 2022 £'000	31 December 2021 £'000
Shareholder loan notes	(104,425)	(97,087)

30. Financial Instruments (continued)

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December 2022 and 31 December 2021 based on their contractual undiscounted payments. The maturity profile of lease liabilities is disclosed in note 17.

	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
At 31 December 2022	£000	£000	£000	£000	£000	£000
Floating rate borrowings						
Revolving credit facility	-	8,445	126,890	-	135,335	107,593
Fixed rate borrowings						
Shareholder loan notes	-	-	175,856	-	175,856	105,861
Vendor loan notes	-	1,753	22,906	-	24,659	19,865
Other loan facilities	148	443	901	-	1,492	1,332
Non-interest bearing						
Trade and other payables	15,805	-	-	-	15,805	15,805
Accruals	28,682	-	-	-	28,682	28,682
	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
At 31 December 2021	£000	£000	£000	£000	£000	£000
Floating rate borrowings						
Revolving credit facility	238	713	21,900	-	22,851	20,000
Fixed rate borrowings						
Shareholder loan notes	-	-	-	175,856	175,856	95,276
Vendor loan notes	-	738	10,703	-	11,441	9,318
Non-interest bearing						
Trade and other payables	18,526	-	-	-	18,526	18,526
Accruals	19,250	-	-	-	19,250	19,250

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Market risk (interest rate risk and currency risk) and;
- Liquidity risk.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, ensuring mitigation is in place to address them while monitoring adherence to appropriate limits and controls set by the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

Risk management in respect of financial risks is carried out by the Finance function under policies approved by the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board provides written principles through its Finance Policy for overall risk management.

There has been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and process for managing those risks or the methods used to measure them from previous periods.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk on loans receivable, trade and other assets and cash and cash equivalents.

The Group ensures that the banks used for financing hold an acceptable risk rating by independent parties. Trade receivables and other receivables consist of a large number of customers. The Group does not have any significant credit risk exposure to any single counterparty.

30. Financial Instruments (continued)

Under the general approach there is to be assessment of whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period.

Thus the basis of the loss allowance for a specific financial asset could change year on year. For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For financial assets other than trade receivables the general approach under IFRS 9 is followed.

When assessing credit risk, the Group consider past due information and external credit rating as issued by external credit rating agencies when these are available. This also includes consideration of existing changes in business, financial and economic conditions of counterparty associated with the financial asset.

The Group's maximum exposure to credit risk, being the carrying amount of financial assets, is summarised as follows:

	31 December 2022 £000	31 December 2021 £000
Cash and cash equivalents	19,314	36,171
Trade receivables	5,532	6,056
Other receivables	3,166	2,761

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

(i) Interest rate risk

Interest rate risk is the risk that movement in the interbank offered rates increase causing finance costs to increase. A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of GBP LIBOR with alternative risk-free rates, and all GBP LIBOR settings ceased after 31 December 2021. The Group had exposure to Sterling LIBOR on its revolving credit facility secured at a rate of LIBOR +4.25% but this facility was fully repaid in January 2022.

The Group's interest rate risk arises predominately from its revolving credit facility secured at a rate of SONIA +4.25%. The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The Group undertakes sensitivity analysis prepared on a basis of constant net debt as part of the Group's risk assessment process.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would have increased/decreased by £1.1m (2021: £0.1m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. There would be no impact on other comprehensive income.

The Group's other key financial instruments are shareholder loan notes and vendor loan notes. Interest on the loans is fixed at 11% and 9% per annum, respectively, and is therefore not exposed to movements in interest rates.

(ii) Currency Risk

The Group has no regular material transactions in foreign currency although there are some insignificant purchases, denominated in Euros. Although the Group is not directly impacted by foreign currency fluctuations, it is indirectly impacted as a result in increase and decrease in prices of inventory purchases from suppliers that would pass on the foreign exchange fluctuation to their customers. The Group historically acquired futures to mitigate this risk however these were released to P&L in financial year 2021 and no futures are currently held by the Group. All other transactions are denominated in Pounds Sterling.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group operates with net current liabilities and is therefore reliant on the continued strong performance of the retail portfolio to meet its short-term liabilities. Short and medium-term cash forecasting is used to manage liquidity risk. These forecasts are used to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

In 2022, new bank facilities of £110 million were secured at a rate of SONIA +4.25%. These have been used to continue the expansion of the UK estate, through the acquisition of Karali Ltd, Karali Leisure Ltd and Teresina Ltd. The Group remained compliant with its banking facility covenants throughout the year and up to the date of approval of these financial statements.

Company

The Company had no financial instruments at 31 December 2022 (2021: nil).

31. Related party transactions

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

Bridgepoint Loan Notes

On 16 November 2017, the Group entered into a £100,000,000 11% unsecured redeemable series A loan note with Bridgepoint Funds. The amount drawn as at the balance sheet date is £69,750,000 (2021: £69,750,000). In addition, interest has been capitalised into the principal of the loan notes at 31 December 2022 of £36,422,000 (2021: £25,900,000).

Transactions with Bridgepoint

Monitoring fees of £150,000 (2021: £150,000) due to Bridgepoint Advisers Limited were incurred during the financial year and £75,000 (2021: nil) remains outstanding at the balance sheet date.

Transactions with Bridgepoint portfolio companies

Pepco Services LLP completed no cost reduction projects on behalf of the Group in 2022 (2021: £151,000).

Transactions with Burger King Europe GmbH

Royalty and franchise opening fees of £17,929,000 (2021: £13,689,000) due to Burger King Europe GmbH were incurred during the financial year and £112,000 (2021: £1,048,000) remains outstanding at the balance sheet date.

Transactions with Parkdean Resorts UK Limited

One of the company Non-Executive Directors is also a director of Richmond UK Holdco Limited, a parent company to Parkdean Resorts UK Limited, one of the Group's franchisees. Royalty, franchise opening fees and AdFund contributions of £83,000 (2021: £67,000) were received during the financial year and £10,000 (2021: £12,000) remains outstanding at the balance sheet date. These transactions occurred during the normal course of the business.

Transactions with key management personnel

See note 11 for disclosure of the directors' remuneration and key management compensation.

32. Controlling party

Royale Topco Limited is a limited company incorporated in England and Wales and the largest Group for which consolidated financial statements are prepared.

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-Investment 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 Plc. Accordingly, at 31 December 2022, the directors consider the Company's ultimate controlling party to be Bridgepoint Group Plc.

Royale Topco Limited

33. Non-controlling interest (NCI)

12.75% of interest in Royale JVC Limited is held by non-controlling interest.

Set out below is summarised consolidated financial information for Royale JVC Limited. The amounts disclosed are before inter-company eliminations.

Summarised Statement of Financial Position	31 December 2022 £000	31 December 2021 £000
Current assets	34,121	52,111
Current liabilities	(68,012)	(54,187)
Current net liabilities	(33,891)	(2,076)
Non-current assets	393,088	233,506
Non-current liabilities	(412,626)	(241,807)
Non-current net liabilities	(19,538)	(8,301)
Net liabilities	(53,429)	(10,377)
Accumulated NCI	(4,830)	591

Summarised Statement of Comprehensive Income	2022 £000	2021 £000
Revenue	294,482	198,691
(Loss)/profit for the period	(42,902)	16,937
Other comprehensive income	385	1,660
Total comprehensive (loss)/income	(42,517)	18,597
Total comprehensive (loss)/income allocated to NCI	(5,421)	2,371

There were no dividends paid to non-controlling interest in 2022 (2021: none).

Summarised Statement of Cash Flows	2022 £000	2021 £000
Cash flows from operating activities	21,414	42,906
Cash flows from investing activities	(98,271)	(26,418)
Cash flows from financing activities	59,880	6,788
Net (decrease)/increase in cash, cash equivalents, and restricted cash	(16,977)	23,276

There were no transactions with non-controlling interest in 2022 (2021: none).

34. Events after the reporting period

In the period to 4 October 2023, the Group made two further drawdowns totalling £35,000,000 of 11% unsecured redeemable series A loan notes from its shareholder, Bridgepoint Funds. In addition, the Group signed an amendment to the Master Franchise and Development Agreement held between BKUK Group Limited and Burger King Europe GmbH, which in the opinion of the Directors is beneficial to the Group and the operation of the Burger King brand in the United Kingdom.

Royale Topco Limited

35. Subsidiaries and related undertakings

The list of subsidiaries is as follows:

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

* This entity is owned directly by Royale Topco Limited.

** New subsidiaries in the year.