Company Registration No. 08542440

Underdog Group (B) Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Underdog Group (B) Limited

Annual report and financial statements 2019

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Annual report and financial statements 2019

Officers and professional advisers

Directors

W Beckett
H Gott
A McLauchlan
K Jones
P Campbell

Registered Office

Jack's Place, Unit B,
6 Corbet Place,
London
E1N 6NN

Auditor

Deloitte LLP
Statutory Auditor
London

Underdog Group (B) Limited

Strategic report

The directors, in preparing the strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the company in the year under review was to hold an investment in the Hawksmoor restaurant group.

Business review and future developments

The directors do not consider there to be any particular key performance indicators for the company as it is a holding company for group investments and expect the company to continue in its operations as in the current period.

The directors continue to monitor the performance and prospects of the company's underlying investments, in particular in the context of the impact of Covid-19. Refer to the Directors' Report for a consideration of the impact of the post balance sheet Covid-19 pandemic on the company and its wider group.

Principal risks and uncertainties

The company acts as a holding company and has no trading activities. The only financial risk that the directors consider relevant to this company is that the net asset value of its investments (including debt due from those companies) may fall below the investment held in respect of that entity within the company's balance sheet, requiring a revaluation of the investment for possible impairment. The directors monitor the performance of the underlying investments closely to mitigate this risk.

Covid-19

Following the year end, the Covid-19 pandemic led to the UK government implementing a number of measures to reduce the spread of the virus. These included especially severe restrictions on the hospitality sector, including an enforced closure over a number of months. The company's underlying investments remain closed at the date of this report. The directors continue to closely monitor the situation and where available avail the company's underlying investments of applicable mitigations – such as the job retention scheme. As the restrictions abate, the directors will ensure that the company's underlying investments are well-placed to reopen and to return to profitability. For further detail, including the impact on the company's going concern assessment, refer to page 4.

Brexit

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

Climate change

The company does not consider there to any immediate risk to its operations, or that of the wider Underdog group, from climate change; however, the directors will continue to monitor the position.

Section 172 Statement

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

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

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

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

The directors recognise that our employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on developing an engaged, high-performing team that embodies company values and positions us for the future. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

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

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

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

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

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

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

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

The company is a 100% owned subsidiary of Underdog Group Limited. The directors ensure that delivery of the strategy is aligned with that of its member and there are regular meetings with the management of the holding company to formalise this.

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

A McLauchlan
Director

18 February 2021

Underdog Group (B) Limited

Directors' report

The directors present their annual report on the affairs of the company together with the audited financial statements for the year ended 31 December 2019 which show a loss for the year after tax of £1,126k (2018: loss of £1,127k).

Going concern

The company has prepared the FY19 financial satements on a going concern basis. The company is non-trading and has net liabilities of £9,177k (2018: £8,051k), which has increased as the debt balance interest accrues. The company's continued operation is dependent on the wider Underdog corporate group of which it is a part, and the ability of the underlying trading entity to generate cash.

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

The Company has taken significant measures to safeguard the business during the periods of lockdown in the interests of all key stakeholders, including working with their banking partner to resolve potential covenant issues and engaging in the UK government's furlough scheme. More details of the measures taken can be found in Note 11.

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

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

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

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

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

Dividends

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

Directors

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

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

Directors' report

- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

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

A McLauchlan

18 February 2021

Underdog Group (B) Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

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

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF UNDERDOG GROUP (B) LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Underdog Group (B) Limited (the ‘company’):

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

We have audited the financial statements which comprise:

- the profit and loss account
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 11.

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

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty relating to going concern

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

The directors state in note 1 on pages 16 and 17 of the financial statements that, having considered and approved a base case forecast (which assumes a reopening of sites following Easter 2021) covering the next twelve months following the date of this report, they believe that the company will be able to meet all of the company’s day to day liquidity needs for that period. The directors have also modelled downside scenarios that show that the company will remain liquid even if the prevailing restrictions continue into up to June 2021. However, the company’s subsidiary has bank debt of £7.3m, which has a maturity of 31 December 2021. The directors have commenced discussions with their banking partner and are confident that the company’ subsidiary will be able to successfully extend the maturity of this amount, but no such agreement has been confirmed at the date of this report.

In response to this, we:

- Obtained an understanding of the relevant controls over the preparation of cash flow forecasts;

- Considered the financing available to the company, including the nature of facilities, repayment terms, maturity of debt and covenants;
- Obtained confirmation of the extension of the investor loan notes;
- Assessed the reasonableness of the cash flow forecasts and their underlying assumptions, including benchmarking against our experience of the industry;
- Considered the appropriateness of sensitivities applied by management in arriving at their conclusions on going concern;
- Tested the clerical accuracy of the model used to prepare the forecasts;
- Assessed the historical accuracy of forecasts prepared by management;
- Applied our own sensitivities to management's cash flow forecasts; and
- Assessed the disclosures over going concern included within the financial statements.

As stated in note 1, these events or conditions, along with the other matters as set forth in 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty relating to going concern section) • Recoverability of debtors from group undertakings. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £0.62m which was determined on the basis of 2% of total assets. The materiality and method of determination were unchanged from the previous financial year.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, as in the previous financial year.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Recoverability of debtors from group undertakings

Key audit matter description	Debtors from group undertakings are stated in the balance sheet at £30.8m (2018 30.8m). There is a degree of judgement involved in determining the recoverability of these debtors from group undertakings based on the financial position and future prospects of the group undertakings. This takes into consideration a range of factors such as the trading performance of the group undertakings and the expected revenue growth. We therefore identified recoverability of debtors from group undertakings as a key audit matter. This estimation uncertainty has been disclosed in note 1 to the financial statements. Debtors are presented in note 6 to the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls related to the valuation and recoverability of debtors from group undertakings. We challenged the directors' judgements regarding the appropriateness of the carrying value through: • assessing the individual group undertakings' financial position; • evaluating the appropriateness of the forecast trading performance of the group undertakings; and • testing the historical accuracy of management's forecasts by comparing the actual results to forecasts.
Key observations	Based on the work performed we concluded that debtors from group undertakings are appropriately stated.

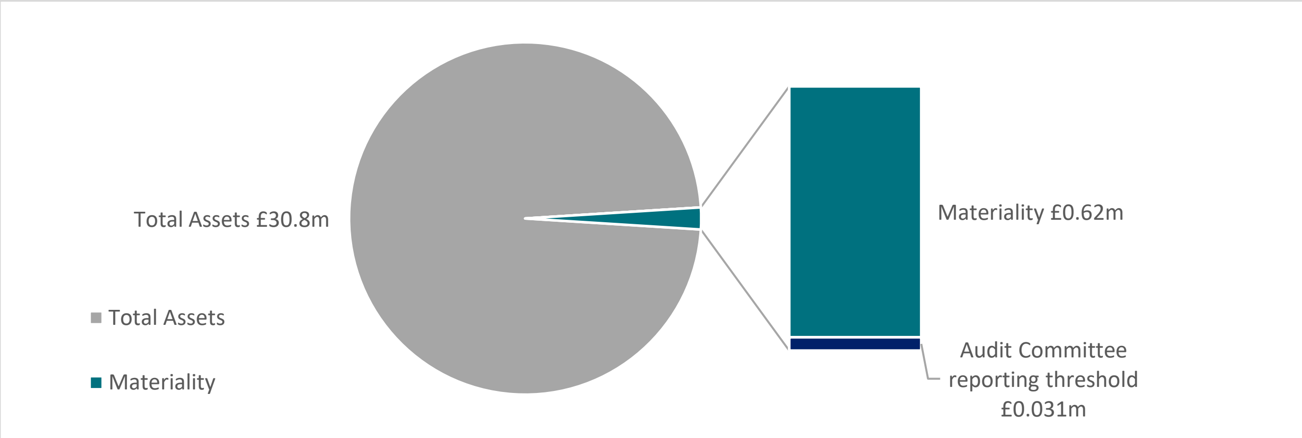
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£0.62m (2018: £0.62m)
Basis for determining materiality	2% of total assets (2018: 2% of total assets)
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and whether we were able to rely on controls;
b. control deficiencies that were identified in the previous period's audit and management's responses to these; and
c. the nature, volume and size of misstatements (corrected or uncorrected) in the previous audit.

6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of £31,000 (2018: £31,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report consider including the strategic report and the directors' report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Perry (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

18 February 2021

Underdog Group (B) Limited

Profit and loss account
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Administration expenses		(1)	(2)
Operating loss		(1)	(2)
Interest payable and similar charges		(1,125)	(1,125)
Loss before taxation		(1,126)	(1,127)
Tax on loss	4	-	-
Loss for the financial year		(1,126)	(1,127)

All amounts reported in the profit and loss account relate to continuing operations.

There were no comprehensive income or expenses during the current or prior year other than the loss for that financial year. Accordingly, no separate statement of comprehensive income has been presented.

Underdog Group (B) Limited

Balance sheet
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors: amounts due after more than one year	6	30,761	30,763
Creditors: amounts falling due within one year	7	(27,908)	(26,784)
Net current assets		2,853	3,979
Total assets less current liabilities		2,853	3,979
Creditors: amounts falling due after one year	8	(12,030)	(12,030)
Net liabilities		(9,177)	(8,051)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	9	(9,177)	(8,051)
Shareholder's deficit		(9,177)	(8,051)

The financial statements of Underdog Group (B) Limited (company number 08542440) were approved by the board of directors and authorised for issue on 18 February 2021. They were signed on its behalf by:

A McLauchlan
Director

Underdog Group (B) Limited

Statement of changes in equity
Year ended 31 December 2019

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	-	(6,924)	(6,924)
Loss for the financial year	-	(1,127)	(1,127)
At 31 December 2018	-	(8,051)	(8,051)
Loss for the financial year	-	(1,126)	(1,126)
At 31 December 2019	-	(9,177)	(9,177)

Underdog Group (B) Limited

Notes to the financial statements
Year ended 31 December 2019

1. Accounting policies

General Information

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

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

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

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

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The accounting policies adopted by the Company are set out below and have been applied consistently throughout the year and are consistent with the preceding year.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements.

Exemptions have been taken in relation to the presentation of a cash flow statement, financial instruments and remuneration of key management personnel.

The Company is exempt from preparing consolidated accounts under s400 of the Companies Act 2006.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements. The debtors balance represents a significant estimate dependent on the value in use of the underlying group which is based on a number of inputs including expected future cash flows and an appropriate discount rate based on companies the weighted average cost of capital.

The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to the changes on the estimates or assumptions.

Going concern

The company has prepared the FY19 financial satements on a going concern basis. The company is non-trading and has net liabilities of £9,177k (2018: £8,051k), which has increased as the debt balance interest accrues. The company's continued operation is dependent on the wider Underdog corporate group of which it is a part, and the ability of the underlying trading entity to generate cash.

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

Notes to the financial statements
Year ended 31 December 2019

1. Accounting policies (continued)

Going concern (continued)

The Company has taken significant measures to safeguard the business during the periods of lockdown in the interests of all key stakeholders, including working with their banking partner to resolve potential covenant issues and engaging in the UK government's furlough scheme. More details of the measures taken can be found in Note 11.

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

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

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

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

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

Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the relevant tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Underdog Group (B) Limited

Notes to the financial statements
Year ended 31 December 2019

2. Auditor's remuneration

The audit fee of £15,000 (2018: £15,000) for the audit of the company's statutory accounts for the year was borne by another Group company.

3. Staff costs

The company did not employ any staff in the year. The directors received no remuneration for services to the company.

4. Taxation

(a) Analysis of the tax charge

The tax charge on the loss for the year was as follows:

	2019	**2018**
	£'000	**£'000**
Current tax:		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax	-	-
Tax on loss	-	-

(b) Factors affecting current tax charge

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

	2019	**2018**
	£'000	**£'000**
Loss before tax	(1,126)	(1,127)
Loss multiplied by the effective rate of corporation tax in the UK at 19% (2018: 19%)	(214)	(214)
Expenditure not deductible for tax purposes	214	214
Total current tax (note 4 (a))	-	-

Notes to the financial statements
Year ended 31 December 2019

5. Investments

	Shares in subsidiary undertakings	
	2019	2018
	£	£
Shares at cost at 1 January 2019 and at 31 December 2019	1	1

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

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

* Held directly

** Placed into Company Voluntary Liquidation on 26 September 2019

The registered office of all subsidiary company's is Jack's Place, Unit B, 6 Corbet Place, London, E1 6NN.

The following companies are exempt from the requirement relating to the audit of individual accounts for the year ended 31 December 2019 by virtue of Section 479A of the Companies Act 2006: Underdog Restaurants Limited (05786163) and Underdog Group (C) Limited (8542498).

6. Debtors

	2019	2018
	£'000	£'000
Amounts falling due after more than one year:		
Amounts due by Group undertakings	30,761	30,763

7. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	-	2
Other loans	27,908	26,782
	27,908	26,784

Other loans comprise unsecured fixed rate loan notes which bear interest at 6% per annum. The loan notes are redeemable on 29 November 2019.

Notes to the financial statements
Year ended 31 December 2019

8. Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	12,030	12,030

Amounts owed by Group undertakings are non-interest bearing and are repayable after more than one year.

9. Called up share capital and reserves

	2019 £	2018 £
Allotted, issued and fully paid		
1 Ordinary share of 1p	-	-

All shares are ranked *pari passu* and carry no right to fixed income. The company's other reserve is the profit and loss reserve, which represents cumulative profits or losses.

10. Control

At the balance sheet date, the directors consider Underdog Group Limited, a company incorporated in the United Kingdom, to be the parent company. The smallest and largest group into which the results of the company are consolidated is that headed by Underdog Group Limited. Copies of the consolidated financial statements can be obtained from Underdog Group Limited, Jack's Place, Unit B, 6 Corbet Place, London E1 6NN.

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

11. Post balance sheet events

In March 2020 the Government mandated the closure of bars and restaurants following the Covid-19 pandemic. Subsequent lockdowns were imposed in November and again in December and currently remain in place. This pandemic has had a profound impact on the company's wider corporate group (headed by Underog Group Limited) with trading days reduced by around 40% over the course of the year. During the lockdown periods the directors took a number of steps to safeguard the business and its employees. These included securing additional funding from the group's banking partner to provide sufficient liquidity to pay suppliers and cover fixed costs as well as making use of the Government Job Retention Furlough Scheme. The group and its employees have continued to support various charity initiatives throughout the various lockdowns and has also managed to develop a nationwide meal box delivery service.

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

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

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