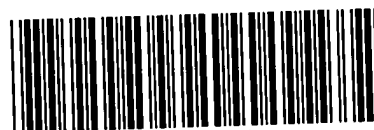


K&G RESTAURANTS LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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K&G RESTAURANTS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS:	K J Jansen G A Jansen
SECRETARY:	G A Jansen
REGISTERED OFFICE:	C/O The Accounting Centre First Floor 736 High Road North Finchley London N12 9QD
REGISTERED NUMBER:	03900766 (England and Wales)
SENIOR STATUTORY AUDITOR:	Andrew Green LLB FCA
AUDITORS:	THP Limited Chartered Accountants and Statutory Auditors 34-40 High Street Wanstead London E11 2RJ

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their strategic report for the year ended 31 December 2019.

REVIEW OF BUSINESS

Following the purchase of 3 new stores during June 2018, the business continues to see significant growth in turnover and in gross profit. Despite the exceptional cost incurred during 2019 as detailed below there was profit before taxation of £276,529. (2018: Loss £239,259).

On 21 March 2019 the company reached a final settlement with HMRC in relation to a dispute over the operation of payroll taxes. The settlement amount of £199,829 has been shown as an exceptional item in the profit and loss for the year.

The company's key performance indicators are as follows:

	31 December 2019	31 December 2018
	£	£
Turnover	26,047,018	20,465,615
Gross profit	18,015,806	14,176,641
Gross profit %	69.17%	69.27%
Operating profit	669,629	277,384

Due to the losses suffered in the past two years the company has a deficit of shareholders funds of £1,387k (2018: Deficit £614k) at the balance sheet date. Detailed disclosures on going concern have been made in the Report of the Directors.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the nature of the company's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business.

The Directors are of the opinion that a thorough risk management process is adopted which involves a formal review of all risks identified below. Where possible, processes are in place to mitigate such risks.

Coronavirus

The most significant risks facing the business are the short, medium and long term impact of the Global Coronavirus Pandemic. The impact on the company and the responses of the Directors are detailed within the Directors' report.

All of the risks detailed below are impacted by this unprecedented event.

Economic downturn

The success of the business is reliant on consumer spending.

In response to this continuous risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

Brexit

As the negotiations around the UK's withdrawal from the European Union continue, there remains significant uncertainty in the UK economy generally. In the circumstances, the extent to which the company's operations and financial performance are affected will only become clear as the terms of the agreement emerge. The directors believe the key risks facing the business include potential food cost inflation and the impact of increased uncertainty surrounding the UK economy. Whilst the directors recognise the risks associated with Brexit, they believe that these risks will be mitigated by the strength of the franchise brand and the company's strong balance sheet.

Food cost inflation

The company is continually assessing all risks that food costs inflation may bring with the aim to mitigate future threats this may have on the business.

Wage cost inflation

The company is continually affected by wage cost inflation and pressures within the labour market. The company monitors the market to ensure complete compliance with labour market regulations, and maintains employment policies, remuneration and benefits packages that are designed to be competitive with other companies, as well as providing employees with fulfilling career opportunities.

Competition

The market in which the company operates is highly competitive. As a result, the company is subject to a high level of price sensitivities in its consumer-led market. Policies of constantly assessing our pricing strategy and ongoing market research are in place to mitigate such risks.

Liquidity risk

As the result of positive cash flows from operating activities and the current asset position, the Directors do not consider liquidity or cashflow risk to be an issue, however these areas are closely monitored to ensure the company's procedures continue to operate effectively to minimise risks.

ON BEHALF OF THE BOARD:



K J Jansen - Director

22 September 2020

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of operating quick service restaurants.

CORONAVIRUS

As at the date of signing these accounts the UK has come out of strict lockdown measures but social distancing measures and some localised restrictions remain and all restaurants are now partially open. There remains significant uncertainty at this time as to when restaurants will be able to open in full and to what extent.

The company will continue to utilise the UK Government's Coronavirus Job Retention Scheme in order to support its employees during this period.

GOING CONCERN

The company continued to generate significant operating cash flows and continued to increase operations year-on-year. Despite this, exceptional costs incurred over the past two years and the ongoing refurbishment costs expensed to profits have resulted in a loss after tax for the year, a net current liabilities position and the balance sheet deficit.

The company continues to meet its day to day working capital requirements through operating cash flows and finances all significant refurbishments via bank loans.

The Directors have produced detailed cash flow and profits forecasts that show the company returning to profits in the year to 31/12/2021 and that current positive cash flows from trading will be sufficient to meet working capital and financing obligations as they fall due.

During the current uncertainty in relation to the Coronavirus pandemic, the company is also able to draw on the support of its franchisor and principal bankers to ensure that cash flow is supported during the period of closure and also through the uncertain times ahead once stores are able to reopen.

Having considered all the relevant facts the directors consider it is appropriate to prepare the financial statements on a going concern basis.

DIVIDENDS

Interim dividends of £862,848 (2018: £489,634) were paid during the year. The Directors do not recommend payment of a final dividend.

FUTURE DEVELOPMENTS

The company continues to substantially invest in its restaurants as part of a plan to upgrade the looks and feel of its restaurants with new and enhanced equipment and thereby improve its customers' and employees' experience. This forms part of its strategy to grow market share and profitability.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

K J Jansen
G A Jansen

EMPLOYMENT POLICIES

The company is fully committed to a policy of treating all existing employees and job applicants equally. Recruitment decisions and the progression of employees within the group are based on merit and not upon any consideration of race, colour, religion, disability, nationality, sex, sexual orientation, marital status or age.

The company provides employees with key information of concern to them by regular, formal training sessions and, informally, by memoranda available on employee notice boards.

DISABLED EMPLOYEES

The company gives full and fair consideration to applications for employment by disabled persons. In the event of employees becoming disabled whilst in service of the company, every effort is made to continue their employment by transfer to alternative duties, if required and by provision of such retraining as is appropriate.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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). 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:



K J Jansen - Director

22 September 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF K&G RESTAURANTS LIMITED

Opinion

We have audited the financial statements of K&G Restaurants Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures within note 3 of the financial statements concerning the basis of preparing the financial statements. The company achieved a post tax profit of £90,099 (2018: Loss £324,563) during the year ended 31 December 2019 and, at that date, the balance sheet showed net current liabilities of £5,250,284 (2018: £4,716,399) and shareholder's funds were in deficit by £1,386,519 (2018: £613,770).

We have also considered the disclosures made in note 22 in relation to the payment of dividends despite the company not having sufficient distributable reserves.

These conditions, along with the other matters explained in the Report of Directors in relation to the ongoing impact of the *Coronavirus Pandemic* and note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 this regard.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF K&G RESTAURANTS LIMITED

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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 a Report of the Auditors 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.



Andrew Green LLB FCA (Senior Statutory Auditor)
for and on behalf of THP Limited
Chartered Accountants
and Statutory Auditors
34-40 High Street
Wanstead
London
E11 2RJ

22 September 2020

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
TURNOVER		26,047,018	20,465,615
Cost of sales		8,031,212	6,288,974
GROSS PROFIT		18,015,806	14,176,641
Administrative expenses		17,346,177	13,899,257
OPERATING PROFIT	5	669,629	277,384
Write down of investment	6	-	(400,000)
HMRC settlement	6	(199,829)	-
		469,800	(122,616)
Interest payable and similar expenses	7	193,271	116,643
PROFIT/(LOSS) BEFORE TAXATION		276,529	(239,259)
Tax on profit/(loss)	8	186,430	85,304
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		90,099	(324,563)

The notes form part of these financial statements

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**BALANCE SHEET
31 DECEMBER 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	10	2,204,672	2,344,689
Tangible assets	11	6,953,104	7,943,646
Investments	12	10,000	10,000
		<u>9,167,776</u>	<u>10,298,335</u>
CURRENT ASSETS			
Stocks	13	99,123	106,603
Debtors	14	168,238	134,986
Cash at bank		108,418	43,650
		<u>375,779</u>	<u>285,239</u>
CREDITORS			
Amounts falling due within one year	15	5,626,063	5,001,638
NET CURRENT LIABILITIES		<u>(5,250,284)</u>	<u>(4,716,399)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,917,492</u>	<u>5,581,936</u>
CREDITORS			
Amounts falling due after more than one year	16	(5,020,536)	(5,992,650)
PROVISIONS FOR LIABILITIES	20	(283,475)	(203,056)
NET LIABILITIES		<u>(1,386,519)</u>	<u>(613,770)</u>
CAPITAL AND RESERVES			
Called up share capital	21	100	100
Retained earnings	22	(1,386,619)	(613,870)
SHAREHOLDERS' FUNDS		<u>(1,386,519)</u>	<u>(613,770)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2020 and were signed on its behalf by:

K J Jansen - Director



G A Jansen - Director



The notes form part of these financial statements

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	100	200,327	200,427
Changes in equity			
Dividends	-	(489,634)	(489,634)
Total comprehensive income	-	(324,563)	(324,563)
Balance at 31 December 2018	<u>100</u>	<u>(613,870)</u>	<u>(613,770)</u>
Changes in equity			
Dividends	-	(862,848)	(862,848)
Total comprehensive income	-	90,099	90,099
Balance at 31 December 2019	<u>100</u>	<u>(1,386,619)</u>	<u>(1,386,519)</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	24	1,423,771	610,968
Interest paid		(193,271)	(116,643)
Net cash from operating activities		1,230,500	494,325
Cash flows from investing activities			
Purchase of intangible fixed assets		-	(2,006,397)
Purchase of tangible fixed assets		(661,603)	(4,093,180)
Purchase of fixed asset investments		-	(3,750)
Sale of tangible fixed assets		291,515	34,613
Sale of fixed asset investments		-	21,000
Net cash from investing activities		(370,088)	(6,047,714)
Cash flows from financing activities			
New loans in year		1,515,000	6,013,640
Loan repayments in year		(1,392,815)	(1,089,091)
Amount introduced by directors		-	925,039
Equity dividends paid		(862,848)	(489,634)
Net cash from financing activities		(740,663)	5,359,954
Increase/(decrease) in cash and cash equivalents		119,749	(193,435)
Cash and cash equivalents at beginning of year	25	(11,331)	182,104
Cash and cash equivalents at end of year	25	108,418	(11,331)

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. STATUTORY INFORMATION

K&G Restaurants Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements and going concern

The financial statements have been prepared under the historical cost convention.

The company continued to generate significant operating cash flows and continued to increase operations year-on-year. Despite this, exceptional costs incurred over the past two years and the ongoing refurbishment costs expensed to profits have resulted in a loss for the year, a net current liabilities position and the balance sheet deficit.

The company continues to meet its day to day working capital requirements through operating cash flows and finances all significant refurbishments via bank loans.

The Directors have produced detailed cash flow and trading forecasts that show the company returning to profits in the year to 31/12/2021 and that current positive cash flows from trading will be sufficient to meet working capital and financing obligations as they fall due.

During the current uncertainty in relation to the Coronavirus pandemic, the company is also able to draw on the support of its franchisor and principal bankers to ensure that cash flow is supported during the period of closure and also through the uncertain times once stores are able to reopen.

Having considered all the relevant facts the directors consider it is appropriate to prepare the financial statements on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. ACCOUNTING POLICIES - continued

Significant judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

There are no specific judgements, apart from those involving estimates as detailed below, that management has made in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the financial statements.

b) Critical accounting estimates and assumptions

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Useful economic live of intangible assets

Goodwill and intangible assets are amortised over their useful economic lives and are assessed annually for indications of impairment.

iii) Treatment of significant capital projects

The allocation of store refurbishment expenditure between capital and revenue is an area that requires judgement on the part of management. Costs are allocated in line with the asset recognition contained within FRS102 and on the basis of all available evidence as to their nature. The management uses professional advisors to assist them with this process.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and value added taxes.

Sales of goods are recognised on sale to the customer, which is considered to be the point of sale and when the significant risks and rewards of the goods have been passed to the customer.

Franchise rights and franchise fees

Goodwill relates to franchise rights purchased and is amortised over the period of the franchise agreement. Franchise fees are also amortised over the period of the franchise agreement.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Property Improvements - Straight line over 7-10 years
Plant and machinery - Straight line over 7-10 years
Fixtures and fittings - Straight line over 10 years
Motor Vehicles - Straight line over 5 years
Computer Equipment - Straight line over 5 years

3. ACCOUNTING POLICIES - continued

Stocks

Stocks are valued at the lower of cost and selling price, after making due allowance for impairment of obsolete or slow moving items. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties, transport and handling directly attributable to bringing the stock to its present location and condition.

Financial instruments

A financial asset held as an equity instrument is recognised initially at the transaction price (including transaction costs).

At the end of each reporting period, unlisted equity investments are recorded at fair value, where appropriate, or at cost less impairment if their fair value cannot be reliably measured. Objective evidence of the impairment of financial assets is assessed at each period end and any impairment loss recognised in the profit or loss immediately. Impairment loss is calculated as the difference between the carrying amount of the instrument and the best estimate of the cash flows expected to be derived from the asset (including sales proceeds if sold) at the balance sheet date.

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were sold at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet represents cash in hand and deposits with financial institutions without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit or loss under operating expenses.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Finance Costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs and other employment costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

(i) Holiday pay

Holiday pay entitlements (where material) are recognised as an expense in the period in which the service is received.

(ii) Pension Scheme

The company operates a defined contribution pension scheme for its employees. The contributions are recognised as an expense when they are due. Amounts not paid are shown as a creditor on the balance sheet. The assets of the scheme are held separately from the company in independently administered funds.

Operating lease commitments

The company's restaurant premises are leased from the franchisor under non-cancellable leases with expiry terms of more than five years. The rental payments are calculated on a monthly basis and are substantially based on annual sales income generated. The aggregate benefit of the lease incentives is recognised over the term of the lease.

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	6,948,139	5,735,948
Social security costs	371,899	289,102
Other pension costs	93,291	50,403
	<u>7,413,329</u>	<u>6,075,453</u>

The average number of employees during the year was as follows:

	2019	2018
Restaurant team	689	589
Management	49	35
	<u>738</u>	<u>624</u>

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019****4. EMPLOYEES AND DIRECTORS - continued**

	2019 £	2018 £
Directors' remuneration	37,000	37,000
Directors' pension contributions to money purchase schemes	124	42
	<u>37,124</u>	<u>37,042</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation - owned assets	1,360,630	1,013,752
Franchise rights amortisation	133,267	88,894
Franchise fees amortisation	6,750	6,313
Auditors' remuneration	4,250	4,250
	<u>1,504,897</u>	<u>1,113,209</u>

The Directors are considered to be the key management for the purposes of disclosure under FRS102.

6. EXCEPTIONAL ITEMS

	2019 £	2018 £
Write down of investment	-	(400,000)
HMRC settlement	(199,829)	-
	<u>(199,829)</u>	<u>(400,000)</u>

On 21 March 2019 the company reached a final settlement with HMRC in relation to a dispute over the operation of payroll taxes. The settlement amount of £199,829 has been shown as an exceptional item in the profit and loss for the year.

The exceptional item in 2018 related to the loss on disposal of K&G Restaurants (KGR) LLP, which was dissolved on 20 November 2018.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Bank interest	193,271	116,643
	<u>193,271</u>	<u>116,643</u>

8. TAXATION**Analysis of the tax charge**

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

	2019 £	2018 £
Current tax:		
UK corporation tax	106,011	-
Deferred tax	80,419	85,304
Tax on profit/(loss)	<u>186,430</u>	<u>85,304</u>

UK corporation tax has been charged at 19% (2018 - 19%).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

8. TAXATION - continued**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit/(loss) before tax	<u>276,529</u>	<u>(239,259)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	<u>52,541</u>	<u>(45,459)</u>
Effects of:		
Expenses not deductible for tax purposes	37,968	57,910
Capital allowances in excess of depreciation	-	(16,427)
Depreciation in excess of capital allowances	19,478	-
Utilisation of tax losses	(3,976)	3,976
Deferred tax	<u>80,419</u>	<u>85,304</u>
Total tax charge	<u>186,430</u>	<u>85,304</u>

The company has capital losses of £400,000 to carry forward against capital gains.

9. DIVIDENDS

	2019 £	2018 £
Ordinary A shares of £1 each		
Interim	<u>862,848</u>	<u>489,634</u>

10. INTANGIBLE FIXED ASSETS

	Franchise rights £	Franchise fees £	Totals £
COST			
At 1 January 2019 and 31 December 2019	<u>2,665,340</u>	<u>135,000</u>	<u>2,800,340</u>
AMORTISATION			
At 1 January 2019	391,713	63,938	455,651
Amortisation for year	<u>133,267</u>	<u>6,750</u>	<u>140,017</u>
At 31 December 2019	<u>524,980</u>	<u>70,688</u>	<u>595,668</u>
NET BOOK VALUE			
At 31 December 2019	<u>2,140,360</u>	<u>64,312</u>	<u>2,204,672</u>
At 31 December 2018	<u>2,273,627</u>	<u>71,062</u>	<u>2,344,689</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

11. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant, machinery and fixtures £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 January 2019	2,769,725	9,263,449	30,189	25,644	12,089,007
Additions	-	661,603	-	-	661,603
Disposals	-	(291,515)	-	-	(291,515)
At 31 December 2019	2,769,725	9,633,537	30,189	25,644	12,459,095
DEPRECIATION					
At 1 January 2019	1,554,486	2,567,826	9,767	13,282	4,145,361
Charge for year	164,496	1,187,304	6,037	2,793	1,360,630
At 31 December 2019	1,718,982	3,755,130	15,804	16,075	5,505,991
NET BOOK VALUE					
At 31 December 2019	1,050,743	5,878,407	14,385	9,569	6,953,104
At 31 December 2018	1,215,239	6,695,623	20,422	12,362	7,943,646

12. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 January 2019 and 31 December 2019	10,000
NET BOOK VALUE	
At 31 December 2019	10,000
At 31 December 2018	10,000

13. STOCKS

	2019 £	2018 £
Stocks	99,123	106,603

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Other debtors	19,712	-
Corporation tax recoverable	-	14,265
Prepayments and accrued income	148,526	120,721
	168,238	134,986

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Bank loans and overdrafts (see note 17)	2,715,651	1,676,333
Trade creditors	1,929,565	1,900,074
Corporation tax	91,746	-
Social security and other taxes	380,246	727,654
Accrued expenses	508,855	697,577
	<u>5,626,063</u>	<u>5,001,638</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Bank loans (see note 17)	<u>5,020,536</u>	<u>5,992,650</u>

17. LOANS

An analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	54,981
Bank loans - less than 1 year	<u>2,715,651</u>	<u>1,621,352</u>
	<u>2,715,651</u>	<u>1,676,333</u>
Amounts falling due between one and two years:		
Bank loans	<u>2,715,650</u>	<u>1,621,351</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>2,304,886</u>	<u>4,371,299</u>

18. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £	2018 £
Within one year	574,632	574,632
Between one and five years	2,014,963	2,161,365
In more than five years	2,219,422	2,655,634
	<u>4,809,017</u>	<u>5,391,631</u>

The above commitments relate to base rent payable on restaurant premises.

19. SECURED DEBTS

The principal bankers do not require security to be given for the loan finance.

20. PROVISIONS FOR LIABILITIES

	2019 £	2018 £
Deferred tax		
Accelerated capital allowances	<u>283,475</u>	<u>203,056</u>

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019****20. PROVISIONS FOR LIABILITIES - continued**

	Deferred tax £
Balance at 1 January 2019	203,056
Charge to Income Statement during year	80,419
Balance at 31 December 2019	283,475

21. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2019 £	2018 £
Number:	Class:			
75	Ordinary A	£1	75	75
25	Ordinary B	£1	25	25
			100	100

The shares rank equally in all respects other than dividends on B shares shall be three times those on A shares.

22. RESERVES

	Retained earnings £
At 1 January 2019	(613,870)
Profit for the year	90,099
Dividends	(862,848)
At 31 December 2019	(1,386,619)

During the year the company continued to pay dividends (£862,848 in the year) despite a deficit in profit and loss reserves.

The Directors acknowledge that the dividends were paid in breach of the requirements of the Companies Act 2006 sections 829-853 as the company does not have sufficient profits available for distribution.

The Directors confirm that the company is taking the necessary steps to rectify this position in the forthcoming year and to start to convert the retained profit and loss account into a credit position. In the meantime, the directors (who are the shareholders of the company), recognise that the payment of dividends in these circumstances is unlawful and acknowledge that repayment of all or part of the dividends may be required should a winding up order be made against the company.

23. RELATED PARTY DISCLOSURES

During the year, total dividends of £862,848 (2018 - £489,634) were paid to the directors.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

24. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019 £	2018 £
Profit/(loss) before taxation	184,712	(239,259)
Depreciation charges	1,500,647	1,108,960
Exceptional item	-	400,000
Finance costs	193,271	116,643
	<u>1,878,630</u>	<u>1,386,344</u>
Decrease/(increase) in stocks	7,480	(50,513)
Increase in trade and other debtors	(47,517)	(21,364)
Decrease in trade and other creditors	(506,639)	(703,499)
Cash generated from operations	<u><u>1,331,954</u></u>	<u><u>610,968</u></u>

25. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

	31.12.19 £	1.1.19 £
Cash and cash equivalents	108,418	43,650
Bank overdrafts	-	(54,981)
	<u><u>108,418</u></u>	<u><u>(11,331)</u></u>

Year ended 31 December 2018

	31.12.18 £	1.1.18 £
Cash and cash equivalents	43,650	182,104
Bank overdrafts	(54,981)	-
	<u><u>(11,331)</u></u>	<u><u>182,104</u></u>

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.19 £	Cash flow £	At 31.12.19 £
Net cash			
Cash at bank	43,650	64,768	108,418
Bank overdrafts	(54,981)	54,981	-
	<u>(11,331)</u>	<u>119,749</u>	<u>108,418</u>
Debt			
Debts falling due within 1 year	(1,621,352)	(1,094,299)	(2,715,651)
Debts falling due after 1 year	(5,992,650)	972,114	(5,020,536)
	<u>(7,614,002)</u>	<u>(122,185)</u>	<u>(7,736,187)</u>
Total	<u><u>(7,625,333)</u></u>	<u><u>(2,436)</u></u>	<u><u>(7,627,769)</u></u>