

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
K&G RESTAURANTS LIMITED**

TUESDAY



ABBYAF9N

A9

06/09/2022

#154

COMPANIES HOUSE

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	4
Report of the Independent Auditors	6
Income Statement	9
Balance Sheet	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes to the Financial Statements	13

K&G RESTAURANTS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021**

The directors present their strategic report for the year ended 31 December 2021.

REVIEW OF BUSINESS

The Director is pleased to report that the year saw a very strong recovery in trade as Coronavirus restrictions were eased.

Trading during the year was initially disrupted by the third UK lockdown and, from 6 January 2021, stores were closed to all but takeaway delivery and drive-through. On 22 February 2021 stores were able to return to walk-in takeaway services with additional safety measures. Outdoor dining-in returned on 12 April 2021 and full re-opening to all trade was made on 17 May 2021.

The revenue growth in the year was also driven by a significant increase in demand for delivery and the continued benefit of the reduction in VAT to 5% up to 30 September 2021 and then at 12.5% from 1 October 2021 to the year end.

The Company also made use of the Coronavirus Job Retention scheme, though to a much lesser extent than in the previous year.

The Company's key performance indicators are as follows:

	31 December 2021	31 December 2020
	£	£
Turnover	32,329,076	22,025,328
Gross profit	23,078,927	15,658,714
Gross profit %	71.39%	71.09%
Operating profit	3,269,325	1,380,762

The net assets of the Company were £0.6mio (2020: Net liabilities £1.2mio) at the balance sheet date, reflecting the solid position of the Company from a solvency and liquidity point of view.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Whilst the outlook in the UK in relation to Coronavirus did improve during 2021, there does remain uncertainty as to how the situation will develop into 2022 and beyond.

The Directors will continue to monitor developments and continue to prioritize health, safety and wellbeing of employees and customers.

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

The areas where Brexit may impact our business include the access and cost of both labour and food. We continue to work with our business partners to mitigate any potential implications.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside of our control; hence, we are constantly assessing our plans in line with the current environment.

Food cost inflation

The Company is continually assessing all risks that food cost 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:

Karl Jansen

K J Jansen - Director

11 August 2022

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

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, England has come out of all significant Coronavirus related restrictions and there is hope that the situation will continue to improve as we move into Summer 2022 and beyond. There does however remain some degree of uncertainty as to how the situation will evolve in the future.

GOING CONCERN

At the date of signing these accounts, the Directors are in advanced discussions in relation to the sale of the Franchise business with sales transactions likely to be concluded during September 2022. Upon disposal the Directors have also stated their intention to continue to run the Company, although they are also considering other options such as liquidation.

The Company is therefore not a going concern and these accounts have been prepared on an alternative basis.

DIVIDENDS

Interim dividends of £821,392 (2020: £713,849) were paid during the year. The Directors do not recommend payment of a final dividend.

FUTURE DEVELOPMENTS

The current intention of the Directors is to dispose of the restaurant portfolio and to liquidate the company.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

K J Jansen
G A Jansen

ENGAGEMENT WITH EMPLOYEES

The company does not discriminate between employees or potential employees on grounds of colour, race, ethnic or national origin, sex, disability, age, marital status or religious beliefs. Full consideration is given to applications for employment from disabled persons who are able to demonstrate that they have the necessary abilities.

The importance of staff training, equal opportunity, health and safety, environmental matters and the avoidance of sexual harassment is recognised at all levels and is monitored on a regular basis by committees chaired by a director or senior manager reporting directly to the Board.

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.

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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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:

Kert Jansen

K J Jansen - Director

11 August 2022

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 2021 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 2021 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.

Emphasis of matter - Going Concern

We draw attention to note 3 to the financial statements which explains that the Directors intend to liquidate the Company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Accordingly the financial statements have been prepared on a basis other than going concern as described in note 3. Our opinion is not modified in respect of this matter.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector in which the company operates;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental, food hygiene and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and any other relevant regulators as required.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

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

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.

A handwritten signature in black ink, appearing to be 'A.G.' followed by a horizontal line.

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

11 August 2022

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
TURNOVER		32,329,076	22,025,328
Cost of sales		<u>9,250,149</u>	<u>6,366,614</u>
GROSS PROFIT		23,078,927	15,658,714
Administrative expenses		<u>19,999,702</u>	<u>15,934,963</u>
		3,079,225	(276,249)
Other operating income		<u>190,100</u>	<u>1,657,011</u>
OPERATING PROFIT	5	3,269,325	1,380,762
Interest payable and similar expenses	6	<u>94,816</u>	<u>131,528</u>
PROFIT BEFORE TAXATION		3,174,509	1,249,234
Tax on profit	7	<u>614,062</u>	<u>270,541</u>
PROFIT FOR THE FINANCIAL YEAR		<u>2,560,447</u>	<u>978,693</u>

The notes form part of these financial statements

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**BALANCE SHEET
31 DECEMBER 2021**

	Notes	2021 £	2020 £
FIXED ASSETS			
Intangible assets	9	1,924,639	2,064,655
Tangible assets	10	4,827,811	5,642,708
Investments	11	10,000	10,000
		<u>6,762,450</u>	<u>7,717,363</u>
CURRENT ASSETS			
Stocks	12	128,098	97,815
Debtors	13	62,810	40,728
Cash at bank		585,256	2,008,500
		<u>776,164</u>	<u>2,147,043</u>
CREDITORS			
Amounts falling due within one year	14	6,743,070	6,597,156
NET CURRENT LIABILITIES		<u>(5,966,906)</u>	<u>(4,450,113)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>795,544</u>	<u>3,267,250</u>
CREDITORS			
Amounts falling due after more than one year	15	-	(4,183,533)
PROVISIONS FOR LIABILITIES	18	(178,164)	(205,392)
NET ASSETS/(LIABILITIES)		<u>617,380</u>	<u>(1,121,675)</u>
CAPITAL AND RESERVES			
Called up share capital	19	100	100
Retained earnings	20	617,280	(1,121,775)
SHAREHOLDERS' FUNDS		<u>617,380</u>	<u>(1,121,675)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 11 August 2022 and were signed on its behalf by:

Karl Jansen

K J Jansen - Director

Gemma Jansen

G A Jansen - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2020	100	(1,386,619)	(1,386,519)
Changes in equity			
Dividends	-	(713,849)	(713,849)
Total comprehensive income	-	978,693	978,693
Balance at 31 December 2020	100	(1,121,775)	(1,121,675)
Changes in equity			
Dividends	-	(821,392)	(821,392)
Total comprehensive income	-	2,560,447	2,560,447
Balance at 31 December 2021	100	617,280	617,380

The notes form part of these financial statements

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
		£	£
Cash flows from operating activities	Notes		
Cash generated from operations	23	2,910,553	3,720,585
Interest paid		(94,816)	(131,528)
Tax paid		(348,624)	(106,011)
Net cash from operating activities		2,467,113	3,483,046
Cash flows from investing activities			
Purchase of tangible fixed assets		(581,814)	(163,641)
Sale of tangible fixed assets		-	120,812
Net cash from investing activities		(581,814)	(42,829)
Cash flows from financing activities			
Loan repayments in year		(2,487,151)	(826,286)
Equity dividends paid		(821,392)	(713,849)
Net cash from financing activities		(3,308,543)	(1,540,135)
(Decrease)/increase in cash and cash equivalents		(1,423,244)	1,900,082
Cash and cash equivalents at beginning of year	24	2,008,500	108,418
Cash and cash equivalents at end of year	24	585,256	2,008,500

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

At the date of signing these accounts, the Directors are in advanced discussions in relation to the sale of the Franchise business with sales transactions likely to be concluded during September 2022. Upon disposal the Directors have also stated their intention to continue to run the Company, although they are also considering other options such as liquidation.

The Company is therefore not a going concern and these accounts have been prepared on an alternative basis.

This has necessitated the following changes to the accounts:

1. All bank loans are shown as repayable in less than one year.
2. Operating lease commitments are disclosed up to the expected termination of the relevant leases in September 2022.
3. Fixed assets are shown at recoverable amount.

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. ACCOUNTING POLICIES - continued

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

Government grants

Government grants are accounted for on an accruals basis.

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

The Company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently carried at this value less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet represent cash at bank and in hand.

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.

The carrying value of all short-term financial assets and liabilities are measured at amortised cost.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

3. ACCOUNTING POLICIES - continued

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

	2021 £	2020 £
Wages and salaries	7,557,159	6,786,375
Social security costs	441,761	309,796
Other pension costs	147,443	86,197
	<u>8,146,363</u>	<u>7,182,368</u>

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

	2021	2020
Restaurant team	630	650
Management	36	36
	<u>666</u>	<u>686</u>

	2021 £	2020 £
Directors' remuneration	50,545	50,545
Directors' pension contributions to money purchase schemes	<u>1,126</u>	<u>1,126</u>

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

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****5. OPERATING PROFIT**

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation - owned assets	1,396,711	1,353,225
Franchise rights amortisation	133,266	133,267
Franchise fees amortisation	6,750	6,750
Auditors' remuneration	5,100	5,000

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £	2020 £
Bank interest	94,816	131,528

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

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

	2021 £	2020 £
Current tax:		
UK corporation tax	641,290	348,624
Deferred tax	(27,228)	(78,083)
Tax on profit	614,062	270,541

UK corporation tax has been charged at 19% (2020 - 19%).

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:

	2021 £	2020 £
Profit before tax	3,174,509	1,249,234
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	603,157	237,354
Effects of:		
Depreciation in excess of capital allowances	38,133	111,270
Deferred tax	(27,228)	(78,083)
Total tax charge	614,062	270,541

The company has capital losses of £400,000 (2020: £400,000) to carry forward against capital gains.

8. DIVIDENDS

	2021 £	2020 £
Ordinary A shares of £1 each		
Interim	410,696	356,924
Ordinary B shares of £1 each		
Interim	410,696	356,925
	821,392	713,849

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. INTANGIBLE FIXED ASSETS

	Franchise rights £	Franchise fees £	Totals £
COST			
At 1 January 2021 and 31 December 2021	2,665,340	135,000	2,800,340
AMORTISATION			
At 1 January 2021	658,247	77,438	735,685
Amortisation for year	133,266	6,750	140,016
At 31 December 2021	791,513	84,188	875,701
NET BOOK VALUE			
At 31 December 2021	1,873,827	50,812	1,924,639
At 31 December 2020	2,007,093	57,562	2,064,655

10. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant, machinery and fixtures £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 January 2021	2,769,725	9,610,365	30,189	91,645	12,501,924
Additions	-	387,056	-	194,758	581,814
At 31 December 2021	2,769,725	9,997,421	30,189	286,403	13,083,738
DEPRECIATION					
At 1 January 2021	1,839,644	4,978,509	21,842	19,221	6,859,216
Charge for year	104,204	1,248,263	6,038	38,206	1,396,711
At 31 December 2021	1,943,848	6,226,772	27,880	57,427	8,255,927
NET BOOK VALUE					
At 31 December 2021	825,877	3,770,649	2,309	228,976	4,827,811
At 31 December 2020	930,081	4,631,856	8,347	72,424	5,642,708

11. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 January 2021 and 31 December 2021	10,000
NET BOOK VALUE	
At 31 December 2021	10,000
At 31 December 2020	10,000

12. STOCKS

	2021 £	2020 £
Stocks	128,098	97,815

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
Other debtors	13,968	9,892
Prepayments and accrued income	48,842	30,836
	<u>62,810</u>	<u>40,728</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Bank loans and overdrafts (see note 16)	4,422,750	2,726,368
Trade creditors	796,014	2,181,457
Corporation tax	627,025	334,359
Social security and other taxes	414,518	982,454
Accrued expenses	482,763	372,518
	<u>6,743,070</u>	<u>6,597,156</u>

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

	2021	2020
	£	£
Bank loans (see note 16)	-	4,183,533

16. LOANS

An analysis of the maturity of loans is given below:

	2021	2020
	£	£
Amounts falling due within one year or on demand:		
Bank loans - less than 1 year	<u>4,422,750</u>	<u>2,726,368</u>
Amounts falling due between one and two years:		
Bank loans	<u>-</u>	<u>2,726,368</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>-</u>	<u>1,457,165</u>

The bank loans are unsecured and are repayable in instalments as detailed above. Interest is charged at 1.4% above the Bank of England base rate.

17. LEASING AGREEMENTS

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

	2021	2020
	£	£
Within one year	502,466	574,632
Between one and five years	-	1,868,244
In more than five years	-	2,435,062
	<u>502,466</u>	<u>4,877,938</u>

The disclosure above relates to the base rent owed on restaurant premises over the remainder of the relevant leases up to their expected disposal dates of 30/9/22 or 31/12/22.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

18. PROVISIONS FOR LIABILITIES

	2021 £	2020 £
Deferred tax		
Accelerated capital allowances	<u>178,164</u>	<u>205,392</u>
		Deferred tax
		£
Balance at 1 January 2021		205,392
Credit to Income Statement during year		(27,228)
Balance at 31 December 2021		<u>178,164</u>

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2021 £	2020 £
75	Ordinary A	£1	75	75
25	Ordinary B	£1	25	25
			<u>100</u>	<u>100</u>

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

20. RESERVES

	Retained earnings £
At 1 January 2021	(1,121,775)
Profit for the year	2,560,447
Dividends	(821,392)
At 31 December 2021	<u>617,280</u>

During the year the company continued to pay dividends (£821,392 in the year) despite an opening deficit in profit and loss reserves.

The Directors acknowledge that the dividends that were paid prior to the period where there were distributable profits are potentially in breach of the requirements of the Companies Act 2006 sections 829-853.

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.

21. RELATED PARTY DISCLOSURES

During the year, total dividends of £821,392 (2020 - £713,849) were paid to the directors.

During the year the Company paid £9,625 (2020: £9,625) to a member of the Directors' close family for employment services.

22. ULTIMATE CONTROLLING PARTY

The controlling party is K J Jansen.

K&G RESTAURANTS LIMITED (REGISTERED NUMBER: 03900766)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2021 £	2020 £
Profit before taxation	3,174,509	1,249,234
Depreciation charges	1,536,727	1,493,242
Finance costs	94,816	131,528
	<u>4,806,052</u>	<u>2,874,004</u>
(Increase)/decrease in stocks	(30,283)	1,308
(Increase)/decrease in trade and other debtors	(22,082)	127,510
(Decrease)/increase in trade and other creditors	(1,843,134)	717,763
Cash generated from operations	<u><u>2,910,553</u></u>	<u><u>3,720,585</u></u>

24. 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 2021

	31.12.21 £	1.1.21 £
Cash and cash equivalents	<u>585,256</u>	<u>2,008,500</u>

Year ended 31 December 2020

	31.12.20 £	1.1.20 £
Cash and cash equivalents	<u>2,008,500</u>	<u>108,418</u>

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.21 £	Cash flow £	At 31.12.21 £
Net cash			
Cash at bank	2,008,500	(1,423,244)	585,256
	<u>2,008,500</u>	<u>(1,423,244)</u>	<u>585,256</u>
Debt			
Debts falling due within 1 year	(2,726,368)	(1,696,382)	(4,422,750)
Debts falling due after 1 year	(4,183,533)	4,183,533	-
	<u>(6,909,901)</u>	<u>2,487,151</u>	<u>(4,422,750)</u>
Total	<u><u>(4,901,401)</u></u>	<u><u>1,063,907</u></u>	<u><u>(3,837,494)</u></u>