
ALDERFORCE NORTH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

ALDERFORCE NORTH LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Director | Raja Jameel Adil |
| Company secretary | Mohammed Adil |
| Registered number | 07160663 |
| Registered office | 34-36 London Road Wembley Middlesex HA9 7EX |
| Independent auditors | Hurkan Sayman & Co Chartered Accountants & Statutory Auditor 291 Green Lanes Palmers Green London N13 4XS |

ALDERFORCE NORTH LIMITED

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

Introduction

The Director aims to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end by reflection of the size and non-complex nature of the business. The principle activity of the company throughout the current and previous year was that of operating as a KFC franchisee.

Business review

During the year under review the company continued to operate KFC franchised restaurants and to focus on sales and gross profit margin growth throughout the year.

The company opened a new KFC site in the year which management are pleased to report is trading strongly.

Throughout the year the company undertook a significant refurbishment programme at its stores and this has resulted in short term disruptions throughout the trading period and an increase in repairs and maintenance costs. The refurbishment programme has been brought forward where possible as it has been identified as being essential for long term sales and profit growth.

During the previous year a change in distributors within the KFC business resulted in a significant breakdown in the supply chain distribution and throughout the year this has caused an adverse effect to sales and profit margins which have fallen short of management expectations.

The company has received an element of compensation in relation to the lost sales and profits which has assisted in reducing the overall reduction in expected profits.

Principal risks and uncertainties

The principal risks of the company are changes in consumer spending habits, the entry of new competitors within geographical areas in which the company operates and changes in government controls and policies towards the fast food industry. The company continues to monitor this and KFC has continued to evolve its menu and set appropriate recommended prices.

Financial key performance indicators

Financial Key Performance Indicators for the stores are level of sales and cost of sales.

The company's turnover has increased to £26,342,040 (2018: £25,432,130). Growth is attributable to the new store opening as well as limited year on year growth for existing stores as a result of a refurbishment programme and a focus on staff training.

The gross profit of the company has decreased to £7,859,013 (2018: £8,432,937). Due to raising wage costs and supply chain issues in the year the gross profit percentage has fallen to 29.8% (2018: 33.2%).

Sales and gross profits are lower than the targeted growth due to a breakdown in the supply chain distribution throughout February and March 2018 which had a knock on effect in 2019. The company has been compensated for an element of lost profits and this has reduced the overall effect of the reduction in targeted profits.

Other key performance indicators

The principal non-financial key performance indicator is the performance against inspections by Kentucky Fried Chicken, and the company continues to achieve satisfactory performance throughout the year.

ALDERFORCE NORTH LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

This report was approved by the board on 13 December 2019 and signed on its behalf.

Mohammed Adil
Secretary

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

The director presents his report and the financial statements for the year ended 31 March 2019.

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Results and dividends

The profit for the year, after taxation, amounted to £812,043 (2018 - £1,584,098).

The Director has recommended that no dividends be paid in respect of the current year.

Director

The director who served during the year was:

Raja Jameel Adil

Future developments

The results for the year and the financial position at the year end were considered satisfactory by the Director who expects continued growth and store openings in the foreseeable future.

DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

Financial instruments

The company uses a variety of financial instruments, including cash, inter-company debt and trade creditors that arise from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations.

The Director considers the main risk arising from the company's financial instruments to be liquidity risk and therefore sets and reviews policies for managing the risk as below. These policies have remained unchanged from the previous year.

Liquidity Risk

The company seeks to manage financial risk by ensuring liquidity is available to meet foreseeable needs and to invest cash assets safely. Cash is monitored on a weekly basis and funding is secured for significant new acquisitions before any commitment is made.

Employee involvement

The company's policy is to consult and discuss with employees, at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disabled employees

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Hurkan Sayman & Co, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ALDERFORCE NORTH LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

This report was approved by the board on 13 December 2019 and signed on its behalf.

Raja Jameel Adil
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALDERFORCE NORTH LIMITED

Opinion

We have audited the financial statements of ALDERFORCE NORTH LIMITED (the 'Company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 March 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The director is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALDERFORCE NORTH LIMITED (CONTINUED)

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.

Opinion 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report 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 Director's Report.

We have nothing to report in respect of the following matters in relation to which 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 director's 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 Director's Responsibilities Statement on page 3, the director is 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 director determines 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 director is 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 director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALDERFORCE NORTH LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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 Auditors' Report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Hasan Hurer BSc ACA (Senior Statutory Auditor)

for and on behalf of

Hurkan Sayman & Co

Chartered Accountants

Statutory Auditor

291 Green Lanes

Palmers Green

London

N13 4XS

13 December 2019

ALDERFORCE NORTH LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

| | Note | 2019 £ | 2018 £ |
|----------------------------------------------------|------|------------------|------------------|
| Turnover | 4 | 26,342,040 | 25,432,130 |
| Cost of sales | | (18,483,027) | (16,999,193) |
| Gross profit | | 7,859,013 | 8,432,937 |
| Administrative expenses | | (7,527,030) | (6,753,236) |
| Other operating income including exceptional items | 5 | 891,435 | 415,300 |
| Operating profit | 6 | 1,223,418 | 2,095,001 |
| Interest receivable and similar income | 9 | 8,347 | 500 |
| Interest payable and expenses | 10 | (147,528) | (142,323) |
| Profit before tax | | 1,084,237 | 1,953,178 |
| Tax on profit | 11 | (272,194) | (369,080) |
| Profit for the financial year | | 812,043 | 1,584,098 |

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 14 to 27 form part of these financial statements.

ALDERFORCE NORTH LIMITED
REGISTERED NUMBER: 07160663

BALANCE SHEET
AS AT 31 MARCH 2019

| | Note | 2019 £ | 2018 £ |
|---------------------------------------------------------|------|-------------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 218,978 | 356,239 |
| Tangible assets | 13 | 3,653,025 | 3,780,750 |
| | | <u>3,872,003</u> | <u>4,136,989</u> |
| Current assets | | | |
| Stocks | 14 | 155,855 | 146,627 |
| Debtors: amounts falling due within one year | 15 | 6,584,836 | 6,672,015 |
| Bank and cash balances | | 4,859,123 | 2,096,612 |
| | | <u>11,599,814</u> | <u>8,915,254</u> |
| Creditors: amounts falling due within one year | 16 | (8,579,972) | (6,527,076) |
| | | <u>3,019,842</u> | <u>2,388,178</u> |
| Net current assets | | | |
| | | <u>3,019,842</u> | <u>2,388,178</u> |
| Total assets less current liabilities | | <u>6,891,845</u> | <u>6,525,167</u> |
| Creditors: amounts falling due after more than one year | | (4,836,841) | (5,302,736) |
| Provisions for liabilities | | | |
| Deferred tax | 19 | (87,226) | (86,696) |
| Other provisions | 20 | (376,000) | (356,000) |
| | | <u>(463,226)</u> | <u>(442,696)</u> |
| Net assets | | <u><u>1,591,778</u></u> | <u><u>779,735</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 100 | 100 |
| Profit and loss account | 22 | 1,591,678 | 779,635 |
| | | <u><u>1,591,778</u></u> | <u><u>779,735</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Raja Jameel Adil
Director

Date: 13 December 2019

The notes on pages 14 to 27 form part of these financial statements.

ALDERFORCE NORTH LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

| | Called up share capital £ | Profit and loss account £ | Total equity £ |
|----------------------------------------------------|---------------------------------|---------------------------------|-------------------|
| At 1 April 2017 | 100 | (804,463) | (804,363) |
| Comprehensive income for the year | | | |
| Profit for the year and total comprehensive income | - | 1,584,098 | 1,584,098 |
| | | | |
| Total comprehensive income for the year | - | 1,584,098 | 1,584,098 |
| | | | |
| Total transactions with owners | - | - | - |
| At 1 April 2018 | 100 | 779,635 | 779,735 |
| Comprehensive income for the year | | | |
| Profit for the year and total comprehensive income | - | 812,043 | 812,043 |
| | | | |
| Total comprehensive income for the year | - | 812,043 | 812,043 |
| | | | |
| Total transactions with owners | - | - | - |
| | | | |
| At 31 March 2019 | 100 | 1,591,678 | 1,591,778 |

The notes on pages 14 to 27 form part of these financial statements.

ALDERFORCE NORTH LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

| | 2019 £ | 2018 £ |
|-----------------------------------------------------|------------------|------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 812,043 | 1,584,098 |
| Adjustments for: | | |
| Amortisation of intangible assets | 43,465 | 43,465 |
| Depreciation of tangible assets | 720,773 | 869,187 |
| Loss on disposal of intangible assets | 93,796 | - |
| Interest paid | 147,529 | 142,323 |
| Interest received | (8,347) | (500) |
| Taxation charge | 272,194 | 369,080 |
| (Increase)/decrease in stocks | (9,228) | 9,587 |
| Decrease/(increase) in debtors | 87,181 | (1,144,933) |
| Increase in creditors | 2,209,199 | 235,437 |
| Increase in provisions | 20,000 | - |
| Corporation tax (paid) | (423,218) | (358,707) |
| Net cash generated from operating activities | 3,965,387 | 1,749,037 |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (593,047) | (114,878) |
| Interest received | 8,347 | 500 |
| Net cash from investing activities | (584,700) | (114,378) |
| Cash flows from financing activities | | |
| Repayment of loans | (470,647) | (477,013) |
| Interest paid | (147,529) | (142,323) |
| Net cash used in financing activities | (618,176) | (619,336) |
| Net increase in cash and cash equivalents | 2,762,511 | 1,015,323 |

ALDERFORCE NORTH LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

| | 2019 £ | 2018 £ |
|---------------------------------------------------------------|------------------|------------------|
| Cash and cash equivalents at beginning of year | 2,096,612 | 1,081,289 |
| Cash and cash equivalents at the end of year | 4,859,123 | 2,096,612 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 4,859,123 | 2,096,612 |
| | 4,859,123 | 2,096,612 |

The notes on pages 14 to 27 form part of these financial statements.

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

1. General information

Alderforce North Limited is a private company limited by share capital, incorporated in England and Wales, registration number 07160663. The address of its registered office is 34-36 London Road, Wembley, HA9 7EX.

The company's principal activity is that of operating as a KFC franchisee.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of food, beverages and merchandise is recognised at the point of sale.

2.3 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.4 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.5 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.6 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | | | |
|----------------|---|----|-------|
| Franchise fees | - | 10 | years |
|----------------|---|----|-------|

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method and reducing balance basis.

The estimated useful lives range as follows:

| | |
|-------------------------------|--------------------------------------------------------------------------|
| Short-term leasehold property | - Over the period of the lease being 10 - 20 years |
| Motor vehicles | - 25% reducing balance |
| Fixtures and fittings | - 20% reducing balance; over the period of the lease being 10 - 20 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Financial instruments

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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

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 to be sold at the balance sheet date.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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

2. Accounting policies (continued)

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable 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.

2.13 Creditors

Short term creditors are measured at the transaction price. 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.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the company is required to make certain estimates, judgments and assumptions that it believes are reasonable based on the information available. These judgments, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented.

On an ongoing basis, the company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

Management has made judgment over the following accounting policies:

- The estimated useful economic lives of fixtures, fittings and equipment; and
- Dilapidation provisions which are calculated by management based on their expectations of costs in reference to store type and size.

ALDERFORCE NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

5. Other operating income

| | 2019 £ | 2018 £ |
|------------------------|----------------|----------------|
| Other operating income | 891,435 | 415,300 |
| | <u>891,435</u> | <u>415,300</u> |

Included within other operating income is compensation received of £856,231 (2018: £400,190). The compensation was in respect of a loss of profits due to disruptions in the supply chain.

6. Operating profit

The operating profit is stated after charging:

| | 2019 £ | 2018 £ |
|-------------------------------|------------------|------------------|
| Other operating lease rentals | <u>1,470,465</u> | <u>1,433,789</u> |

7. Auditors' remuneration

| | 2019 £ | 2018 £ |
|---------------------------------------------------------------------------------------------------------|---------------|---------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | <u>13,000</u> | <u>17,500</u> |

ALDERFORCE NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

8. Employees

Staff costs were as follows:

| | 2019 £ | 2018 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 6,353,338 | 5,959,781 |
| Social security costs | 226,322 | 215,129 |
| Cost of defined contribution scheme | 54,781 | 27,085 |
| | <u>6,634,441</u> | <u>6,201,995</u> |

The average monthly number of employees, including the director, during the year was as follows:

| | 2019 No. | 2018 No. |
|-----------------------------|-------------|-------------|
| Management and office staff | 9 | 9 |
| Restaurant staff | 688 | 686 |
| | <u>697</u> | <u>695</u> |

9. Interest receivable

| | 2019 £ | 2018 £ |
|---------------------------|--------------|------------|
| Other interest receivable | 8,347 | 500 |
| | <u>8,347</u> | <u>500</u> |

10. Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|------------------------|----------------|----------------|
| Bank interest payable | 147,303 | 142,000 |
| Other interest payable | 225 | 323 |
| | <u>147,528</u> | <u>142,323</u> |

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

11. Taxation

| | 2019 £ | 2018 £ |
|--------------------------------------------------|----------------|-----------------|
| Corporation tax | | |
| Current tax on profits for the year | 271,664 | 423,218 |
| | <u>271,664</u> | <u>423,218</u> |
| | | |
| Total current tax | <u>271,664</u> | <u>423,218</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 530 | (54,138) |
| | <u>530</u> | <u>(54,138)</u> |
| Total deferred tax | <u>530</u> | <u>(54,138)</u> |
| | | |
| Taxation on profit on ordinary activities | <u>272,194</u> | <u>369,080</u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019 £ | 2018 £ |
|------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit on ordinary activities before tax | <u>1,084,236</u> | <u>1,953,178</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | 206,005 | 371,104 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 47,507 | - |
| Capital allowances for year in excess of depreciation | 18,152 | 52,114 |
| Short term timing difference leading to an increase (decrease) in taxation | 530 | (54,138) |
| | <u>272,194</u> | <u>369,080</u> |
| Total tax charge for the year | <u>272,194</u> | <u>369,080</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

ALDERFORCE NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

12. Intangible assets

| | Franchise fees £ |
|-------------------------|-----------------------|
| Cost | |
| At 1 April 2018 | 528,449 |
| Disposals | (93,796) |
| At 31 March 2019 | <u>434,653</u> |
| Amortisation | |
| At 1 April 2018 | 172,210 |
| Charge for the year | 43,465 |
| At 31 March 2019 | <u>215,675</u> |
| Net book value | |
| At 31 March 2019 | <u><u>218,978</u></u> |
| At 31 March 2018 | <u><u>356,239</u></u> |

ALDERFORCE NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Tangible fixed assets

| | Short-term leasehold property £ | Motor vehicles £ | Fixtures and fittings £ | Total £ |
|-------------------------------------|------------------------------------------|---------------------|-------------------------------|------------|
| Cost or valuation | | | | |
| At 1 April 2018 | 254,985 | 26,088 | 7,510,480 | 7,791,553 |
| Additions | 22,369 | 10,998 | 559,680 | 593,047 |
| At 31 March 2019 | 277,354 | 37,086 | 8,070,160 | 8,384,600 |
| Depreciation | | | | |
| At 1 April 2018 | 72,948 | 12,432 | 3,925,422 | 4,010,802 |
| Charge for the year on owned assets | 15,406 | 5,705 | 699,661 | 720,772 |
| At 31 March 2019 | 88,354 | 18,137 | 4,625,083 | 4,731,574 |
| Net book value | | | | |
| At 31 March 2019 | 189,000 | 18,949 | 3,445,077 | 3,653,026 |
| At 31 March 2018 | 182,037 | 13,655 | 3,585,058 | 3,780,750 |

14. Stocks

| | 2019 £ | 2018 £ |
|---------------------------------|-----------|-----------|
| Food, beverages and consumables | 155,855 | 146,627 |
| | 155,855 | 146,627 |

Stock recognised in cost of sales during the year as an expense was £9,256,011 (2018 - £8,258,722) .

ALDERFORCE NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

15. Debtors

| | 2019 £ | 2018 £ |
|--------------------------------|------------------|------------------|
| Trade debtors | 3,654 | 2,454 |
| Other debtors | 5,136,094 | 5,123,135 |
| Prepayments and accrued income | 1,445,088 | 1,546,427 |
| | <u>6,584,836</u> | <u>6,672,016</u> |

16. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|------------------|------------------|
| Bank loans | 477,919 | 482,671 |
| Trade creditors | 2,807,113 | 2,466,835 |
| Corporation tax | 271,664 | 423,218 |
| Other taxation and social security | 414,600 | 453,194 |
| Other creditors | 4,152,839 | 2,199,335 |
| Accruals and deferred income | 455,837 | 501,823 |
| | <u>8,579,972</u> | <u>6,527,076</u> |

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

17. Loans

Analysis of the maturity of loans is given below:

| | 2019 £ | 2018 £ |
|----------------------------------------------------|------------------|------------------|
| Amounts falling due within one year | | |
| Bank loans | 477,919 | 482,671 |
| Amounts falling due 1-2 years | | |
| Bank loans | 491,726 | 494,338 |
| Amounts falling due 2-5 years | | |
| Bank loans | 2,940,141 | 2,257,539 |
| Amounts falling due after more than 5 years | | |
| Bank loans | 1,404,974 | 2,550,859 |
| Total bank loans | <u>5,314,760</u> | <u>5,785,407</u> |

The company has entered into various secured long-term loans that are repayable in monthly and quarterly instalments. Interest is charged at varying rates between 2% and 2.75% above the Bank of England Base Rate.

Bank loans are secured by a first legal charge over the leasehold assets of the company and a debenture comprising fixed and floating charges over all the assets and undertakings of the company, including all present and future leasehold property, book and other debts, chattels, and goodwill and uncalled capital, both present and future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. Financial instruments

| | 2019 £ | 2018 £ |
|-----------------------------------------------------------------------|---------------------|---------------------|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | 4,859,123 | 2,096,612 |
| Financial assets that are debt instruments measured at amortised cost | 5,414,605 | 5,525,779 |
| | <u>10,273,728</u> | <u>7,622,391</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(12,730,548)</u> | <u>(10,953,400)</u> |

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.

Financial assets measured at amortised cost comprise of trade debtors, loans due from related parties and other debtors.

Financial liabilities measured at amortised cost comprise of bank loans, trade creditors, loans due to related parties, accruals and other creditors.

19. Deferred taxation

| | 2019 £ |
|---------------------------|-----------------|
| At beginning of year | (86,696) |
| Charged to profit or loss | (530) |
| At end of year | <u>(87,226)</u> |

The provision for deferred taxation is made up as follows:

| | 2019 £ | 2018 £ |
|--------------------------------|-----------------|-----------------|
| Accelerated capital allowances | (87,227) | (86,696) |
| | <u>(87,227)</u> | <u>(86,696)</u> |

ALDERFORCE NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

20. Provisions

| | Dilapidation provisions £ |
|---------------------------|---------------------------------|
| At 1 April 2018 | 356,000 |
| Charged to profit or loss | 20,000 |
| At 31 March 2019 | 376,000 |

Provisions for dilapidation costs are recorded on the date in which leasehold properties are altered and the liability of repair is crystallised. Provisions are capitalised and depreciated over the period of the lease with two to nineteen years remaining on the leases.

21. Share capital

| | 2019 £ | 2018 £ |
|------------------------------------------------|------------|------------|
| Allotted, called up and fully paid | | |
| 100 (2018 - 100) Ordinary shares of £1.00 each | <u>100</u> | <u>100</u> |

22. Reserves

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses less distributions.

23. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|----------------------------------------------|-------------------|-------------------|
| Not later than 1 year | 1,467,000 | 1,426,000 |
| Later than 1 year and not later than 5 years | 5,599,000 | 5,550,000 |
| Later than 5 years | 12,240,000 | 13,059,000 |
| | <u>19,306,000</u> | <u>20,035,000</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

24. Related party transactions

The company is part of a cross-guarantee for the bank debts of Erindale Ltd, a company under common control. The maximum amount payable under this guarantee at 31 March 2019 is £1,121,000 (2018: £1,121,000).

Included within administrative expenses are net rental charges in respect of restaurant units rented from Erindale Limited of £901,700 (2018: £845,819) with a trade creditors balance of £nil (2018: £nil) at the year end. The companies are related as they are under common control.

Included within other debtors is a loan balance of £209,824 (2018: £209,824) due from Maitrise Hotels Limited, £125,000 (2018: £125,000) due from Raffins (Scunthorpe) Leisure Park Limited, £300,000 (2018: £300,000) due from Taco-Time SC Limited and a loan amount of £4,434,129 (2018: £4,443,998) due from Erindale Limited. The balances represents the net loan position between the companies that have arisen from inter company funding throughout the current and previous years. The loan amounts are unsecured, free of interest and repayable on demand. The companies are related as they are under common control.

Included within other creditors is £955,092 (2018: £nil) owed to Marsdens Caterers of Sheffield Limited, £615,918 (2018: £2,100) due to Alderforce Limited and £405,901 (2018: £nil) due to Alderforce SC Limited. The balance represents loan amounts advanced to the company. The balances represents the net loan position between the companies that have arisen from inter company funding throughout the current and previous years. The loan amounts are unsecured, free of interest and repayable on demand. The companies are related as they are under common control.

Included within other creditors is £2,177,434 (2018: £2,177,434) owed to Adilsons Properties Limited, the balance represents loan amounts advanced to the company. The loan is unsecured, free of interest and repayable on demand. The companies are related due to the ultimate controlling parties being immediate family members.

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