

REGISTERED NUMBER: 07737600 (England and Wales)

**Strategic Report, Report of the Director and
Financial Statements for the Year Ended 31 December 2019
for
Kaizen Restaurants Ltd**

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for the Year Ended 31 December 2019**

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Kaizen Restaurants Ltd
Company Information
for the Year Ended 31 December 2019

DIRECTOR: Mr K Tomkins

SECRETARY: Mrs S Tomkins

REGISTERED OFFICE: McDonald's Restaurant
Barnsdale Drive,
Westcroft
Milton Keynes
MK4 4DD

REGISTERED NUMBER: 07737600 (England and Wales)

AUDITORS: Parcell & Associates
Aldreth
Pearcroft Road
Stonehouse
Gloucestershire
GL10 2JY

**Strategic Report
for the Year Ended 31 December 2019**

The director presents his strategic report for the year ended 31 December 2019.

REVIEW OF BUSINESS

The company currently operates 6 stores, employing more than 650 staff in Milton Keynes and its suburbs.

The company has had an excellent year with both turnover and profits increasing. Profits before tax amounted to just over £313,300 compared with last year's profit of £51,095. The financial position is increasingly healthy with the balance sheet showing net assets of just over £351,000 increased from £154,548 in 2018, greatly helped by the sixth store being open for a full 12 months having being purchased during the course of 2018.

KEY PERFORMANCE INDICATORS

The overall sales increase was approximately 20.54% helped by the sixth store being opened for the whole of 2019. Like for like sales for the five stores open throughout 2018 and 2019 increased by 4.71%. Overheads have increased in proportion to the increased sales and costs have also increased in areas such as wages and the purchasing of food, meaning that gross profit as a percentage of sales has dropped by 0.62%. The business cash-flow is very healthy and the company is able to meet loan repayments.

FUTURE DEVELOPMENTS

The company plans to acquire more restaurants should the opportunity arise. No other major expenditure is anticipated, the company having completed its program of re-imaging.

**Strategic Report
for the Year Ended 31 December 2019**

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a highly competitive market. High street consumer behaviour impacts the company's turnover and the variability of commodity prices impacts profitability.

The company is continually assessing all risks with an aim to mitigate any future threats these may have on the business.

Economic risk:

Following some very challenging times, we are optimistic about the economic future. Customer confidence continues to rise and unemployment rates are falling. A cautious approach is still required as real disposable income is declining over the longer term as the cost of living continues to rise, despite interest rates remaining at an historical low. Principal risks are increasing commodity prices, adding pressure to margins and significant upward movements in interest rates might also increase costs. The first mentioned risk is controlled by McDonald's collective purchasing initiatives. The level of borrowing is such that interest rate increases are manageable.

Whilst the directors recognise the risks associated with Brexit, they believe that these risks will be mitigated by the strength of the McDonald's brand and the company's strong balance sheet.

Corona virus:

Corona virus is impacting the business and has resulted in both reduced turnover and profits, though it is too early to assess the extent of this. While the company has both reserves and banking facilities sufficient to weather a lengthy downturn, it has never the less taken a number of steps to minimise impact to the company. These include negotiating extended payment terms with its suppliers and the bank reduction of staff hours. It has also received the active assistance of the franchisor.

Regulatory risks:

The companies operations demand a high level of compliance within a wide range of regulatory requirements. In particular -

- * health and safety
- * hygiene procedures
- * employment laws
- * licensing

The above, along with a number of other areas, are monitored in detail by McDonalds, as being in the fast food industry brings a high level of regulatory concerns.

Consumer taste:

Any material change in the way the consumer views the fast food industry could have an adverse affect on the company. However, this can also work in the opposite direction and could assist the company to achieve growth. As a result the company focuses, in detail, on recognising demographic trends, ensuring innovation and ensuring that the company only use the freshest and highest quality products through it stores. The company have strict policies to ensure that all stores are maintaining the McDonalds ethos.

Competitors:

The fast food market is a very competitive market, with a high number of large competitors trading in the sector. In order to remain as one of the main players, McDonalds have dedicated teams who focus on ensuring they remain to be the leading company in the market. This will allow them to compete with other large fast food chains.

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 our control, hence we are constantly assessing our plans in line with the current environment.

Kaizen Restaurants Ltd (Registered number: 07737600)

**Strategic Report
for the Year Ended 31 December 2019**

ON BEHALF OF THE BOARD:

Mr K Tomkins - Director

20 September 2020

**Report of the Director
for the Year Ended 31 December 2019**

The director presents his 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 the operation of McDonald's franchised restaurants.

DIVIDENDS

An interim dividend of £500 per share on the Ordinary A £1 shares was paid on 31 March 2019. The director recommends that no final dividend be paid on these shares.

No interim dividend was paid on the Ordinary B £1 shares. The director recommends that no final dividend be paid on these shares.

The total distribution of dividends for the year ended 31 December 2019 will be £ 37,500 .

RESEARCH AND DEVELOPMENT

The company does not carry out any independent research and development. However the franchisor, McDonald's Restaurants Limited, carries out its own research and development on behalf of all franchisees. The company makes a contribution towards this through its existing payments to the franchisor.

DIRECTOR

Mr K Tomkins held office during the whole of the period from 1 January 2019 to the date of this report.

GOING CONCERN

The company is in a net current liabilities position at the balance sheet date, however this is a reflection of the nature of the fast food industry and not a reflection of the strength of the business. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

EMPLOYMENT OF DISABLED PERSONS

The company operates a policy of giving full & fair consideration to employment applications from disabled persons.

PROVISION OF INFORMATION TO EMPLOYEES

The company has a system for providing employees with information of concern to them. It also consults employees on a regular basis so that their views can be taken into account in making decisions affecting them. It regularly to explains to employees the financial and economic factors affecting the performance of the company and makes them aware of the provision of training, career development and employment of disabled employees.

**Report of the Director
for the Year Ended 31 December 2019**

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is 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 he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Parcell & Associates, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Mr K Tomkins - Director

20 September 2020

Report of the Independent Auditors to the Members of Kaizen Restaurants Ltd

Opinion

We have audited the financial statements of Kaizen Restaurants Ltd (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 Cash Flow Statement, 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.

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 in the Strategic Report and the Report of the Director, 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.

Report of the Independent Auditors to the Members of Kaizen Restaurants Ltd

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 Director 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 Director 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 Director.

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 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 director

As explained more fully in the Statement of Director's Responsibilities set out on page six, 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 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 has 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.

**Report of the Independent Auditors to the Members of
Kaizen Restaurants Ltd**

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.

Nicholas Walker (Senior Statutory Auditor)
for and on behalf of Parcell & Associates
Aldreth
Pearcroft Road
Stonehouse
Gloucestershire
GL10 2JY

20 September 2020

Kaizen Restaurants Ltd (Registered number: 07737600)

**Income Statement
for the Year Ended 31 December 2019**

	Notes	31.12.19 £	31.12.18 £
TURNOVER		21,336,621	17,700,818
Cost of sales		<u>6,764,256</u>	<u>5,501,847</u>
GROSS PROFIT		14,572,365	12,198,971
Administrative expenses		<u>14,227,463</u>	<u>12,128,294</u>
OPERATING PROFIT	4	344,902	70,677
Interest payable and similar expenses	5	<u>31,591</u>	<u>19,582</u>
PROFIT BEFORE TAXATION		313,311	51,095
Tax on profit	6	<u>78,515</u>	<u>20,031</u>
PROFIT FOR THE FINANCIAL YEAR		<u>234,796</u>	<u>31,064</u>

The notes form part of these financial statements

Kaizen Restaurants Ltd (Registered number: 07737600)

**Other Comprehensive Income
for the Year Ended 31 December 2019**

	Notes	31.12.19 £	31.12.18 £
PROFIT FOR THE YEAR		234,796	31,064
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>234,796</u>	<u>31,064</u>

The notes form part of these financial statements

Kaizen Restaurants Ltd (Registered number: 07737600)

**Balance Sheet
31 December 2019**

	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Intangible assets	8		1,110,474		274,063
Tangible assets	9		2,485,528		2,643,842
Investments	10		<u>7,500</u>		<u>7,500</u>
			3,603,502		2,925,405
CURRENT ASSETS					
Stocks	11	71,346		86,088	
Debtors	12	216,500		148,943	
Cash at bank and in hand		<u>834,095</u>		<u>488,295</u>	
		1,121,941		723,326	
CREDITORS					
Amounts falling due within one year	13	<u>2,637,694</u>		<u>2,607,591</u>	
NET CURRENT LIABILITIES			<u>(1,515,753)</u>		<u>(1,884,265)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,087,749		1,041,140
CREDITORS					
Amounts falling due after more than one year	14		(1,581,171)		(784,072)
PROVISIONS FOR LIABILITIES	18		<u>(154,734)</u>		<u>(102,520)</u>
NET ASSETS			<u><u>351,844</u></u>		<u><u>154,548</u></u>
CAPITAL AND RESERVES					
Called up share capital	19		100		100
Retained earnings	20		<u>351,744</u>		<u>154,448</u>
SHAREHOLDERS' FUNDS			<u><u>351,844</u></u>		<u><u>154,548</u></u>

The financial statements were approved by the director and authorised for issue on 20 September 2020 and were signed by:

Mr K Tomkins - Director

The notes form part of these financial statements

Kaizen Restaurants Ltd (Registered number: 07737600)

**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	123,384	123,484
Changes in equity			
Total comprehensive income	-	31,064	31,064
Balance at 31 December 2018	100	154,448	154,548
Changes in equity			
Dividends	-	(37,500)	(37,500)
Total comprehensive income	-	234,796	234,796
Balance at 31 December 2019	100	351,744	351,844

The notes form part of these financial statements

Kaizen Restaurants Ltd (Registered number: 07737600)

**Cash Flow Statement
for the Year Ended 31 December 2019**

	Notes	31.12.19 £	31.12.18 £
Cash flows from operating activities			
Cash generated from operations	1	1,291,909	(248,787)
Interest paid		<u>(31,591)</u>	<u>(19,582)</u>
Net cash from operating activities		<u>1,260,318</u>	<u>(268,369)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(868,081)	(30,000)
Purchase of tangible fixed assets		(451,035)	(864,935)
Purchase of fixed asset investments		<u>-</u>	<u>(1,250)</u>
Net cash from investing activities		<u>(1,319,116)</u>	<u>(896,185)</u>
Cash flows from financing activities			
New loans in year		1,230,000	750,000
Loan repayments in year		(544,166)	(456,837)
Amount introduced by directors		37,500	200,000
Amount withdrawn by directors		(88,966)	(75,473)
Equity dividends paid		<u>(37,500)</u>	<u>-</u>
Net cash from financing activities		<u>596,868</u>	<u>417,690</u>
Increase/(decrease) in cash and cash equivalents		<u>538,070</u>	<u>(746,864)</u>
Cash and cash equivalents at beginning of year	2	296,025	1,042,889
Cash and cash equivalents at end of year	2	<u>834,095</u>	<u>296,025</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2019**

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

	31.12.19	31.12.18
	£	£
Profit before taxation	313,311	51,095
Depreciation charges	641,019	567,535
Finance costs	<u>31,591</u>	<u>19,582</u>
	985,921	638,212
Decrease/(increase) in stocks	14,742	(25,117)
(Increase)/decrease in trade and other debtors	(70,120)	8,351
Increase/(decrease) in trade and other creditors	<u>361,366</u>	<u>(870,233)</u>
Cash generated from operations	<u><u>1,291,909</u></u>	<u><u>(248,787)</u></u>

2. 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	834,095	488,295
Bank overdrafts	<u>-</u>	<u>(192,270)</u>
	<u><u>834,095</u></u>	<u><u>296,025</u></u>

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	488,295	1,042,889
Bank overdrafts	<u>(192,270)</u>	<u>-</u>
	<u><u>296,025</u></u>	<u><u>1,042,889</u></u>

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2019**

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.19 £	Cash flow £	At 31.12.19 £
Net cash			
Cash at bank and in hand	488,295	345,800	834,095
Bank overdrafts	<u>(192,270)</u>	<u>192,270</u>	<u>-</u>
	<u>296,025</u>	<u>538,070</u>	<u>834,095</u>
Debt			
Debts falling due within 1 year	(511,776)	111,265	(400,511)
Debts falling due after 1 year	<u>(784,072)</u>	<u>(797,099)</u>	<u>(1,581,171)</u>
	<u>(1,295,848)</u>	<u>(685,834)</u>	<u>(1,981,682)</u>
Total	<u>(999,823)</u>	<u>(147,764)</u>	<u>(1,147,587)</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2019**

1. STATUTORY INFORMATION

Kaizen Restaurants Ltd 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. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is measured at the fair value of the consideration received or receivable for goods at its restaurants in the ordinary course of the company's activities. Turnover is shown net of discounts and Value Added Tax

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's activities.

Franchise rights & fees

Franchise rights & fees are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and impairment losses. They are amortised over their useful lives, which is taken as the twenty year term specified in the franchise agreements.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.
Plant and machinery - at varying rates on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

2. 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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

2. ACCOUNTING POLICIES - continued

Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to each asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted cost of the future holiday entitlement so accrued at the Balance Sheet date.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

2. ACCOUNTING POLICIES - continued

Financial instruments

The Company only enters into basic financial instruments 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 cost is measured at the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the assets effective interest rate. If the 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 assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, 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

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.

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

Dividends

Equity dividends are recognised when they legally become payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management are required to make certain estimates and judgements. The key estimates and judgements are as follows:

Depreciation and residual values

The director has reviewed the asset lives and associated residual values of all fixed asset classes, and has concluded that asset lives and residual values are appropriate

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

3. **EMPLOYEES AND DIRECTORS**

	31.12.19	31.12.18
	£	£
Wages and salaries	5,841,624	4,990,511
Social security costs	237,680	221,024
Other pension costs	71,384	49,016
	<u>6,150,688</u>	<u>5,260,551</u>

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

	31.12.19	31.12.18
Crew Labour	649	574
Management Labour	<u>32</u>	<u>31</u>
	<u>681</u>	<u>605</u>

	31.12.19	31.12.18
	£	£
Director's remuneration	<u>8,400</u>	<u>8,580</u>

4. **OPERATING PROFIT**

The operating profit is stated after charging:

	31.12.19	31.12.18
	£	£
Other operating leases	3,098,719	2,673,567
Depreciation - owned assets	609,349	549,631
Franchise rights & fees amortisation	31,670	17,904
Auditors' remuneration	5,410	5,078
Taxation compliance services	1,665	1,563
Other non- audit services	<u>1,248</u>	<u>1,172</u>

5. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.19	31.12.18
	£	£
Bank loan interest	<u>31,591</u>	<u>19,582</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

6. **TAXATION**

Analysis of the tax charge

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

	31.12.19	31.12.18
	£	£
Current tax:		
UK corporation tax	26,301	-
Deferred tax	52,214	20,031
Tax on profit	<u>78,515</u>	<u>20,031</u>

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

	31.12.19	31.12.18
	£	£
Profit before tax	<u>313,311</u>	<u>51,095</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	59,529	9,708
Effects of:		
Expenses not deductible for tax purposes	10,015	475
Capital allowances in excess of depreciation	(31,115)	(13,627)
Utilisation of tax losses	(14,691)	3,444
Adjustments to tax charge in respect of previous periods	2,563	-
Deferred tax	52,214	20,031
Total tax charge	<u>78,515</u>	<u>20,031</u>

7. **DIVIDENDS**

	31.12.19	31.12.18
	£	£
Ordinary A shares of £1 each		
Interim	<u>37,500</u>	<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

8. INTANGIBLE FIXED ASSETS

	Franchise rights & fees £
COST	
At 1 January 2019	385,570
Additions	868,081
At 31 December 2019	<u>1,253,651</u>
AMORTISATION	
At 1 January 2019	111,507
Amortisation for year	31,670
At 31 December 2019	<u>143,177</u>
NET BOOK VALUE	
At 31 December 2019	<u>1,110,474</u>
At 31 December 2018	<u>274,063</u>

9. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2019	76,928	2,493,437	2,053,897	3,182	4,627,444
Additions	20,359	428,486	1,191	999	451,035
At 31 December 2019	<u>97,287</u>	<u>2,921,923</u>	<u>2,055,088</u>	<u>4,181</u>	<u>5,078,479</u>
DEPRECIATION					
At 1 January 2019	12,376	1,024,001	944,229	2,996	1,983,602
Charge for year	4,280	382,635	222,170	264	609,349
At 31 December 2019	<u>16,656</u>	<u>1,406,636</u>	<u>1,166,399</u>	<u>3,260</u>	<u>2,592,951</u>
NET BOOK VALUE					
At 31 December 2019	<u>80,631</u>	<u>1,515,287</u>	<u>888,689</u>	<u>921</u>	<u>2,485,528</u>
At 31 December 2018	<u>64,552</u>	<u>1,469,436</u>	<u>1,109,668</u>	<u>186</u>	<u>2,643,842</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

10. **FIXED ASSET INVESTMENTS**

	Unlisted investments £
COST	
At 1 January 2019 and 31 December 2019	<u>7,500</u>
NET BOOK VALUE	
At 31 December 2019	<u>7,500</u>
At 31 December 2018	<u>7,500</u>

Fixed asset investments consists of £7,500 (2018 - £7,500) ordinary shares of £1 each in Fries Holding Company Limited, a company registered in Guernsey. The investments are included in the accounts at cost.

11. **STOCKS**

	31.12.19 £	31.12.18 £
Food stock	54,353	65,418
Paper stock	13,278	12,599
Non product stock	<u>3,715</u>	<u>8,071</u>
	<u>71,346</u>	<u>86,088</u>

An impairment loss of £nil (2018: £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock. Stock recognised in cost of sales during the year as an expense was £6,764,256 (2018: £5,501,847)

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.19 £	31.12.18 £
Trade debtors	820	4,547
Other debtors	41,313	8,829
Tax	-	2,563
Prepayments	<u>174,367</u>	<u>133,004</u>
	<u>216,500</u>	<u>148,943</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Bank loans and overdrafts (see note 15)	400,511	704,046
Trade creditors	826,593	765,469
Tax	23,738	-
Social security and other taxes	61,415	58,691
VAT	468,714	252,694
Other creditors	142,772	124,279
Directors' current accounts	383,665	435,131
Accrued expenses	330,286	267,281
	<u>2,637,694</u>	<u>2,607,591</u>

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

	31.12.19	31.12.18
	£	£
Bank loans (see note 15)	<u>1,581,171</u>	<u>784,072</u>

15. LOANS

An analysis of the maturity of loans is given below:

	31.12.19	31.12.18
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	-	192,270
Bank loans	<u>400,511</u>	<u>511,776</u>
	<u>400,511</u>	<u>704,046</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>264,035</u>	<u>238,117</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>932,650</u>	<u>545,955</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loan over 5 years	<u>384,486</u>	<u>-</u>

The loans are due for repayment in equal monthly instalments with terms as stated above. They are unsecured with interest charged at 2% above the Bank of England base rates.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

16. LEASING AGREEMENTS

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

	31.12.19	31.12.18
	£	£
Within one year	1,102,020	1,102,020
Between one and five years	4,408,080	4,408,080
In more than five years	12,369,417	13,471,437
	<u>17,879,517</u>	<u>18,981,537</u>

Lease payments recognised as an expense in the year totalled £3,098,719 (2018: £2,673,567).

The Company's restaurant premises are leased from McDonalds Restaurants Limited under non-cancellable operating leases with expiry terms of more than five years. Rent is calculated as a percentage of sales above base, the above operating lease commitment only relates to base rent. Each restaurant pays its own unique base rent based on its circumstances, with the remainder of the rent being based on the performance of the restaurant.

17. FINANCIAL INSTRUMENTS

Financial Assets	31.12.19	31.12.18
	£	£
Financial assets as an equity instrument	7,500	7,500
Financial assets that are debt instruments measured at amortised cost	283,231	311,964
	<u>290,731</u>	<u>319,464</u>

Financial Liabilities	3,664,997	2,955,999
	<u>3,664,997</u>	<u>2,955,999</u>

18. PROVISIONS FOR LIABILITIES

	31.12.19	31.12.18
	£	£
Deferred tax	<u>154,734</u>	<u>102,520</u>
		Deferred tax
		£
Balance at 1 January 2019		102,520
Provided during year		<u>52,214</u>
Balance at 31 December 2019		<u>154,734</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	31.12.19	31.12.18
Number:	Class:		£	£
75	Ordinary A	£1	75	75
25	Ordinary B	£1	25	25
			<u>100</u>	<u>100</u>

20. RESERVES

	Retained earnings £
At 1 January 2019	154,448
Profit for the year	234,796
Dividends	<u>(37,500)</u>
At 31 December 2019	<u>351,744</u>

21. RELATED PARTY DISCLOSURES

During the year, total dividends of £37,500 were paid to the director .

22. ULTIMATE CONTROLLING PARTY

The controlling party is Mr K Tomkins.

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