

J.M.C. RESTAURANTS LIMITED

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2022

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for the year ended 31 December 2022

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J.M.C. RESTAURANTS LIMITED

Company Information  
for the year ended 31 December 2022

<b>Directors:</b>	J F McCollum O McCollum
<b>Secretary:</b>	O McCollum
<b>Registered office:</b>	Suite 109 Lisburn Enterprise Organisation 6 Enterprise Crescent, Ballinderry Road Lisburn BT28 2BP
<b>Registered number:</b>	NI027644 (Northern Ireland)
<b>Auditors:</b>	Haines Watts Birmingham LLP 5 - 6 Greenfield Crescent Edgbaston Birmingham B15 3BE
<b>Bankers:</b>	HSBC Harvester House 4-8 Adelaide Street Belfast BT2 8GE

Strategic Report  
for the year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

**Review of business**

The company operates seven McDonald's franchised restaurants throughout the South East region of Northern Ireland employing over 965 members of staff.

Store and delivery sales profitability, although strong in the first half of 2022, has been impacted in the second half of the year by, amongst other things the increase in VAT within the hospitality sector back to the standard rate of 20% from 1 April 2022, a volatile supply chain, and rising costs base.

Given the direct link between our approach to pricing, the external environment, and our success in relation to our customers, we will continue to remain close to understanding this relationship and look constantly to evaluate how our internal actions are impacting our customers.

The financial position of the company is healthy, with the balance sheet showing net assets of £5.57 million, increased from £5.33 million in 2021.

**Key performance indicators**

Sales for the year amounted to £36.61 million, an increase of £1.35 million from 2021, giving an overall sales increase of approximately 3.84%. The growth in sales is predominantly due to the continued growth in delivery sales.

The gross profit margin is 64.21%, compared to 66.35% in 2021, and is in line with expectations.

**Future developments**

2023 will continue to be impacted from ever-volatile external environments, with consumer trends likely changing ever more frequently due to on-going economic challenges. Consumer confidence remains at record low levels, and it is currently unknown how this will develop in the short term.

It is anticipated that consumers will be hit hardest in Q1, while they continue to adjust to high energy bills, alongside higher prices for essential goods. We believe it is likely that consumers will look to reduce spend after the first full festive period since 2019 (Pre Covid-19). Some of the impact from the increased pressure on consumer spending will be masked in January and February, as we will be comparable to the tail end of Omicron which suppressed Guest Counts ('GC') in Q1 2022.

We will expect strong sales growth as a result of our menu and marketing plans across the year, but will see a significant benefit in Q1, Q2 and Q3 as a result of McCrispy and the permanent launch of McSpicy products.

We anticipate strongest sales throughout the summer of 2023 as we execute higher levels of pricing, alongside seeing continued benefit from our digital plans, including MyMcDonald's rewards. We anticipate delivery to see softer growth in 2023, as the market continues to normalise after the pandemic, and we achieve our new post COVID baseline for the channel. However, we expect to continue to grow market share ahead of our competitors, and boost sales through Deliveroo and the further optimisation of our delivery operations.

Given the direct link between our approach to pricing, the external environment, and our success in relation to our customers, we will continue to remain close to understanding this relationship and look to constantly evaluate how our internal actions are impacting our customers.

In 2023, we expect both Instores and Drive Thrus to see similar levels of growth with Instores likely to see a greater GC impact from the Cost of Living Crisis. However, this will be slightly offset due to a higher proportion of sales flowing through from McDelivery, which will have an increased pricing benefit.

The company also plans to acquire more restaurants should the opportunity arise.

Strategic Report  
for the year ended 31 December 2022

**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 continues to decline as the Cost of Living and interest rates continue to rise. Principal risks are increasing commodity prices, increased utility costs and labour rates adding pressure to margins with significant upward movements in interest rates that may 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.

**Regulatory risks**

The company's 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 McDonald's, as being in the fast food industry brings a high level of regulatory concerns.

**Consumer taste**

Any material changes in the way the consumer views the fast food industry could have an adverse effect 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 the use of the freshest and highest quality products through its stores. The company has strict policies to ensure that all stores are maintaining the McDonald's 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, McDonald's have dedicated teams who focus on ensuring they remain a leading company within the market. This allows 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.

**On behalf of the board:**

J F McCollum - Director

31 October 2023

Report of the Directors  
for the year ended 31 December 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

**Principal activity**

The principal activity of the company in the year under review was that of carrying on and developing the trade of McDonald's restaurants.

**Dividends**

An interim dividend of £404 per share was paid on 31 December 2022. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2022 will be £ 404,000 .

**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.

**Directors**

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

J F McCollum  
O McCollum

**Going concern**

The directors have considered the application of the going concern basis of accounting. In doing so they have considered the period from the date of this report until 31 December 2024. 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 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.

**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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 2022

**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.

**Auditors**

The auditors, Haines Watts Birmingham LLP, were appointed during the year and are deemed re-appointed under Section 487(2) of the Companies Act 2006.

**On behalf of the board:**

J F McCollum - Director

31 October 2023

Report of the Independent Auditors to the Members of  
J.M.C. Restaurants Limited

**Opinion**

We have audited the financial statements of J.M.C. Restaurants Limited (the 'company') for the year ended 31 December 2022 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 2022 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Emphasis of matter**

We draw attention to note 17 'Loans' within the financial statements which states that, whilst the company was able to fulfil all of its loan repayment obligations, it was unable to meet the debt servicing requirements during the year ended 31 December 2022.

The breach was reported to HSBC following the year end and, on 23 October 2023, HSBC indicated that it will not take any action pursuant to an Event of Default but reserves its right to take any action if they deem appropriate to do so. Management accounts to 30 September 2023 indicate that the company remains in breach of its debt servicing requirements.

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.



Report of the Independent Auditors to the Members of  
J.M.C. Restaurants Limited

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 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:

Based on our understanding of the industry, we identified that the principal risks of non-compliance related to breaches of health and safety, including food hygiene. We considered the extent to which non-compliance might have a material affect on the financial statements. We also considered those laws and regulations that have a direct impact on preparation of the financial statements, such as the Companies Act 2006. We examined management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of overriding of controls) and determined that the principal risks were relating to management bias in accounting estimates, in particular those of accrued liabilities and the useful life of tangible assets. We also discussed with management the possibility of non-compliance with health and safety and food hygiene regulations and reviewed the management controls in place to detect such irregularities. Audit procedures included challenging assumptions made by management in their significant accounting estimates. There are inherent limitations in the Audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions described in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one due to error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of  
J.M.C. 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.

Nichola Venables ACA (Senior Statutory Auditor)  
for and on behalf of Haines Watts Birmingham LLP  
5 - 6 Greenfield Crescent  
Edgbaston  
Birmingham  
B15 3BE

31 October 2023

Income Statement  
for the year ended 31 December 2022

	Notes	2022 £	2021 £
<b>Turnover</b>	3	36,611,550	35,257,083
Cost of sales		<u>(13,104,442)</u>	<u>(11,865,626)</u>
<b>Gross profit</b>		23,507,108	23,391,457
Administrative expenses		<u>(22,943,763)</u>	<u>(19,361,217)</u>
		563,345	4,030,240
Other operating income		<u>-</u>	<u>23,194</u>
<b>Operating profit</b>	5	563,345	4,053,434
Interest receivable and similar income		<u>24,467</u>	<u>-</u>
		587,812	4,053,434
Interest payable and similar expenses	6	<u>(91,623)</u>	<u>(104,625)</u>
<b>Profit before taxation</b>		496,189	3,948,809
Tax on profit	7	<u>146,748</u>	<u>(944,878)</u>
<b>Profit for the financial year</b>		<u>642,937</u>	<u>3,003,931</u>

The notes form part of these financial statements

Other Comprehensive Income  
for the year ended 31 December 2022

	<b>Notes</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
<b>Profit for the year</b>		<b>642,937</b>	<b>3,003,931</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b><u>642,937</u></b>	<b><u>3,003,931</u></b>

Balance Sheet  
31 December 2022

	Notes	£	2022 £	£	2021 £
<b>Fixed assets</b>					
Intangible assets	10		2,019,914		2,517,369
Tangible assets	11		4,578,960		5,328,525
Investments	12		8,750		8,750
			<u>6,607,624</u>		<u>7,854,644</u>
<b>Current assets</b>					
Stocks	13	148,597		148,713	
Debtors	14	292,350		126,529	
Cash at bank and in hand		<u>5,912,330</u>		<u>6,001,952</u>	
		6,353,277		6,277,194	
<b>Creditors</b>					
Amounts falling due within one year	15	<u>5,696,963</u>		<u>4,999,329</u>	
<b>Net current assets</b>			<u>656,314</u>		<u>1,277,865</u>
<b>Total assets less current liabilities</b>			<u>7,263,938</u>		<u>9,132,509</u>
<b>Creditors</b>					
Amounts falling due after more than one year	16		(1,350,971)		(3,130,590)
<b>Provisions for liabilities</b>	20		<u>(346,352)</u>		<u>(674,241)</u>
<b>Net assets</b>			<u>5,566,615</u>		<u>5,327,678</u>
<b>Capital and reserves</b>					
Called up share capital	21		1,000		1,000
Retained earnings	22		<u>5,565,615</u>		<u>5,326,678</u>
<b>Shareholders' funds</b>			<u>5,566,615</u>		<u>5,327,678</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2023 and were signed on its behalf by:

J F McCollum - Director

Statement of Changes in Equity  
for the year ended 31 December 2022

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2021</b>	1,000	2,737,395	2,738,395
<b>Changes in equity</b>			
Dividends	-	(414,648)	(414,648)
Total comprehensive income	-	3,003,931	3,003,931
<b>Balance at 31 December 2021</b>	<u>1,000</u>	<u>5,326,678</u>	<u>5,327,678</u>
<b>Changes in equity</b>			
Dividends	-	(404,000)	(404,000)
Total comprehensive income	-	642,937	642,937
<b>Balance at 31 December 2022</b>	<u>1,000</u>	<u>5,565,615</u>	<u>5,566,615</u>

The notes form part of these financial statements

Cash Flow Statement  
for the year ended 31 December 2022

	<b>Notes</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	3,008,848	5,876,001
Interest paid		(91,623)	(104,625)
Tax paid		(821,372)	(274,980)
Net cash from operating activities		<u>2,095,853</u>	<u>5,496,396</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		-	(19,210)
Purchase of tangible fixed assets		(147,437)	(585,901)
Interest received		24,467	-
Net cash from investing activities		<u>(122,970)</u>	<u>(605,111)</u>
<b>Cash flows from financing activities</b>			
Loan repayments in year		(1,658,505)	(1,642,590)
Amount introduced by directors		404,000	-
Amount withdrawn by directors		(404,000)	-
Government grant income		-	23,194
Equity dividends paid		(404,000)	(414,648)
Net cash from financing activities		<u>(2,062,505)</u>	<u>(2,034,044)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(89,622)</u>	<u>2,857,241</u>
<b>Cash and cash equivalents at beginning of year</b>	2	6,001,952	3,144,711
<b>Cash and cash equivalents at end of year</b>	2	<u>5,912,330</u>	<u>6,001,952</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement  
for the year ended 31 December 2022

1. **Reconciliation of profit before taxation to cash generated from operations**

	2022	2021
	£	£
Profit before taxation	496,189	3,948,809
Depreciation charges	1,394,457	1,308,496
Government grants	-	(23,194)
Finance costs	91,623	104,625
Finance income	(24,467)	-
	<u>1,957,802</u>	<u>5,338,736</u>
Decrease in stocks	116	18,871
Increase in trade and other debtors	(165,821)	(29,695)
Increase in trade and other creditors	1,216,751	548,089
<b>Cash generated from operations</b>	<u><u>3,008,848</u></u>	<u><u>5,876,001</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 2022**

	31/12/22	1/1/22
	£	£
Cash and cash equivalents	<u>5,912,330</u>	<u>6,001,952</u>

**Year ended 31 December 2021**

	31/12/21	1/1/21
	£	£
Cash and cash equivalents	<u>6,001,952</u>	<u>3,144,711</u>

3. **Analysis of changes in net funds**

	At 1/1/22	Cash flow	At 31/12/22
	£	£	£
<b>Net cash</b>			
Cash at bank and in hand	<u>6,001,952</u>	<u>(89,622)</u>	<u>5,912,330</u>
	<u>6,001,952</u>	<u>(89,622)</u>	<u>5,912,330</u>
<b>Debt</b>			
Debts falling due within 1 year	(1,536,759)	(121,113)	(1,657,872)
Debts falling due after 1 year	<u>(3,130,590)</u>	<u>1,779,619</u>	<u>(1,350,971)</u>
	<u>(4,667,349)</u>	<u>1,658,506</u>	<u>(3,008,843)</u>
<b>Total</b>	<u><u>1,334,603</u></u>	<u><u>1,568,884</u></u>	<u><u>2,903,487</u></u>



Notes to the Financial Statements  
for the year ended 31 December 2022

1. **Statutory information**

J.M.C. Restaurants Limited is a private company, limited by shares, registered in Northern Ireland. The company's registered number and registered office address can be found on the Company Information page.

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.

**Going concern**

The directors have considered the application of the going concern basis of accounting. In doing so they have considered the period from the date of this report until 31 December 2024. 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.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on dispatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

**Goodwill**

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the companies interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life. Where a reliable estimate of the useful life of goodwill cannot be made, the life is presumed not to exceed ten years.

**Intangible assets**

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at a revalued amount are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

It is amortised on a straight line basis over its useful life being the 20 year term 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.

Freehold property	- 10% on cost
Short leasehold	- 5% on cost
Plant and machinery	- 10% on cost

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

**2. Accounting policies - continued**

**Government grants**

Grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Grants are recognised using the accrual model.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

**Stocks**

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

**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.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**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.

**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 2022

## 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.

#### Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

#### 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.

## 3. Turnover

Turnover arises from:

		2022	2021
	£		
Food	£	35,613,274	33,544,580
Non product		998,276	1,712,503
		<u>36,611,550</u>	<u>35,257,083</u>

The whole of turnover is derived from the United Kingdom and is attributable to the principal activity of the company.

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

4. **Employees and directors**

	2022	2021
	£	£
Wages and salaries	9,332,156	7,775,061
Social security costs	381,114	346,126
Other pension costs	98,302	98,107
	<u>9,811,572</u>	<u>8,219,294</u>

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

	2022	2021
Production Staff	937	805
Administrative Staff	30	31
	<u>967</u>	<u>836</u>

	2022	2021
	£	£
Directors' remuneration	<u>97,500</u>	<u>85,000</u>

5. **Operating profit**

The operating profit is stated after charging:

	2022	2021
	£	£
Other operating leases	5,056,035	4,552,223
Depreciation - owned assets	933,232	845,225
Goodwill amortisation	455,225	455,225
Patents, trademarks and licences amortisation	6,000	8,046
Auditors' remuneration	9,000	9,000
Other non- audit services	<u>5,500</u>	<u>-</u>

6. **Interest payable and similar expenses**

	2022	2021
	£	£
Bank loan interest	<u>91,623</u>	<u>104,625</u>

7. **Taxation****Analysis of the tax (credit)/charge**

The tax (credit)/charge on the profit for the year was as follows:

	2022	2021
	£	£
Current tax:		
UK corporation tax	181,141	700,104
Deferred tax	(327,889)	244,774
Tax on profit	<u>(146,748)</u>	<u>944,878</u>

UK corporation tax has been charged at 19% (2021 - 19%).

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

7. **Taxation - continued**

**Reconciliation of total tax (credit)/charge included in profit and loss**

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

	2022 £	2021 £
Profit before tax	<u>496,189</u>	<u>3,948,809</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	94,276	750,274
Effects of:		
Expenses not deductible for tax purposes	1,265	-
Capital allowances in excess of depreciation	-	(50,170)
Depreciation in excess of capital allowances	85,600	-
Deferred tax	<u>(327,889)</u>	<u>244,774</u>
Total tax (credit)/charge	<u>(146,748)</u>	<u>944,878</u>

The Finance Act 2021 introduced an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

Deferred tax has been calculated at 25% (2021 - 19%).

8. **Dividends**

	2022 £	2021 £
Ordinary shares of £1 each		
Interim	<u>404,000</u>	<u>414,648</u>

9. **Government grants**

During the period the company received a total grant of £nil (2021 - £23,194) under the Coronavirus Job Retention Scheme. This is shown in the profit and loss account under the heading other operating income.

10. **Intangible fixed assets**

	Goodwill £	Patents, trademarks and licences £	Totals £
<b>Cost</b>			
At 1 January 2022	4,552,250	166,513	4,718,763
Reclassification/transfer	-	(46,513)	(46,513)
At 31 December 2022	<u>4,552,250</u>	<u>120,000</u>	<u>4,672,250</u>
<b>Amortisation</b>			
At 1 January 2022	2,163,738	37,656	2,201,394
Amortisation for year	455,225	6,000	461,225
Reclassification/transfer	-	(10,283)	(10,283)
At 31 December 2022	<u>2,618,963</u>	<u>33,373</u>	<u>2,652,336</u>
<b>Net book value</b>			
At 31 December 2022	<u>1,933,287</u>	<u>86,627</u>	<u>2,019,914</u>
At 31 December 2021	<u>2,388,512</u>	<u>128,857</u>	<u>2,517,369</u>

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

## 11. Tangible fixed assets

	Freehold property £	Short leasehold £	Plant and machinery £	Totals £
<b>Cost</b>				
At 1 January 2022	5,140,278	-	3,343,569	8,483,847
Additions	-	-	147,437	147,437
Reclassification/transfer	(5,140,278)	46,513	5,140,278	46,513
At 31 December 2022	-	46,513	8,631,284	8,677,797
<b>Depreciation</b>				
At 1 January 2022	1,785,098	-	1,370,224	3,155,322
Charge for year	-	2,325	930,907	933,232
Reclassification/transfer	(1,785,098)	10,283	1,785,098	10,283
At 31 December 2022	-	12,608	4,086,229	4,098,837
<b>Net book value</b>				
At 31 December 2022	-	33,905	4,545,055	4,578,960
At 31 December 2021	3,355,180	-	1,973,345	5,328,525

## 12. Fixed asset investments

	Unlisted investments £
<b>Cost</b>	
At 1 January 2022 and 31 December 2022	8,750
<b>Net book value</b>	
At 31 December 2022	8,750
At 31 December 2021	8,750

Fixed asset investments consists of 8,750 (2021 - 8,750) ordinary shares of £1 each in Fries Holding Company Limited, a company registered in Guernsey. The investments are included in the accounts at cost.

## 13. Stocks

	2022 £	2021 £
Stocks	148,597	148,713
<b>Analysis of stock</b>	<b>2022</b>	<b>2021</b>
£                      £		
Food	99,981	87,222
Paper	27,263	18,999
Non-product	8,374	12,502
Operating supplies	12,979	28,735
	148,597	148,713

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

14. **Debtors: amounts falling due within one year**

	2022	2021
	£	£
Trade debtors	13,061	-
Other debtors	145,160	67,660
Prepayments	134,129	58,869
	<u>292,350</u>	<u>126,529</u>

15. **Creditors: amounts falling due within one year**

	2022	2021
	£	£
Bank loans and overdrafts (see note 17)	1,657,872	1,536,759
Trade creditors	1,312,356	1,126,045
Corporation tax	58,683	698,914
Social security and other taxes	112,298	80,507
VAT	1,299,334	710,078
Other creditors	313,691	719
Accruals and deferred income	942,729	846,307
	<u>5,696,963</u>	<u>4,999,329</u>

16. **Creditors: amounts falling due after more than one year**

	2022	2021
	£	£
Bank loans (see note 17)	<u>1,350,971</u>	<u>3,130,590</u>

17. **Loans**

An analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>1,657,872</u>	<u>1,536,759</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>1,059,851</u>	<u>1,536,759</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>291,120</u>	<u>1,593,831</u>

The loans are due for repayment in equal monthly instalments with terms as stated above. They are unsecured with interest charged at rates between 1% and 1.9% above the Bank of England base rate.

The loan balance includes two loans from HSBC which contain a covenant in respect of debt service coverage. If adjusted cashflow falls below 130% of debt service, the bank has the right to default the loan.

Whilst the company was able to fulfill all of its loan repayment obligations, it was unable to meet the debt servicing requirements during the year ended 31 December 2022. The breach was reported to HSBC following the year end and, on 23 October 2023, HSBC indicated that it will not take any action pursuant to an Event of Default but reserves its right to take any action if they deem appropriate to do so. The covenant has been calculated on the 30 September 2023 management accounts which has indicated the company remains in breach of its debt servicing requirement.



**Notes to the Financial Statements - continued**  
**for the year ended 31 December 2022**

**18. Leasing agreements**

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Within one year	<b>1,026,268</b>	1,459,556
Between one and five years	<b>4,000,734</b>	4,468,776
In more than five years	<b>9,271,817</b>	9,723,623
	<b><u>14,298,819</u></b>	<b><u>15,651,955</u></b>

Lease payments recognised as an expense during the year £5,056,035 (2021- £4,552,223).

**19. Financial instruments**

Financial Assets	<b>2022</b>	<b>2021</b>
£		
Financial assets as an equity instrument	8,750	8,750
Financial assets that are debt instruments measured at amortised cost	<u>6,070,551</u>	<u>6,069,612</u>
	<u><b>6,079,301</b></u>	<u><b>6,078,362</b></u>

Financial Liabilities	<u>5,577,619</u>	<u>6,640,420</u>
	<u><b>5,577,619</b></u>	<u><b>6,640,420</b></u>

**20. Provisions for liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Deferred tax	<u><b>346,352</b></u>	<u><b>674,241</b></u>
		<b>Deferred tax</b>
		<b>£</b>
Balance at 1 January 2022		<b>674,241</b>
Provided during year		<u><b>(327,889)</b></u>
Balance at 31 December 2022		<u><b>346,352</b></u>

**21. Called up share capital**

**Allotted, issued and fully paid:**

<b>Number:</b>	<b>Class:</b>	<b>Nominal value:</b>	<b>2022</b>	<b>2021</b>
			<b>£</b>	<b>£</b>
1,000	Ordinary	£1	<u><b>1,000</b></u>	<u><b>1,000</b></u>

**22. Reserves**

	<b>Retained earnings</b>
	<b>£</b>
At 1 January 2022	<b>5,326,678</b>
Profit for the year	<b>642,937</b>
Dividends	<u><b>(404,000)</b></u>
At 31 December 2022	<u><b>5,565,615</b></u>

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

23. **Related party disclosures**

During the year, total dividends of £404,000 (2021 - £414,648) were paid to the directors .

The directors are the key management personnel of the company and their remuneration is disclosed in note 4.

24. **Ultimate controlling party**

The ultimate controlling party is J F McCollum.

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