

AG RESTAURANTS LTD

Strategic Report, Report of the Director and

Financial Statements for the Year Ended 31 December 2021

Contents of the Financial Statements
for the year ended 31 December 2021

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AG RESTAURANTS LTD
Company Information
for the year ended 31 December 2021

Director: A S Gibson

Secretary: A M Gibson

Registered office: The Wright Business Centre
1 Lonmay Road
Glasgow
G33 4EL

Registered number: SC287991 (Scotland)

Auditors: Griffiths Marshall
Beaumont House
172 Southgate Street
Gloucester
GL1 2EZ

Strategic Report
for the year ended 31 December 2021

The director presents his strategic report for the year ended 31 December 2021.

Review of business

The company runs twenty six restaurants in central and greater Glasgow, employing over 2,200 people.

The company has had a strong year with both positive turnover and profit growth as a result of both strong demand for delivery and a return in to in store dining.

The company's balance sheet position at the year end was healthy with £11,623,807 of retained profits.

KEY PERFORMANCE INDICATORS

Sales for the year stood at £95.98 million, an increase of £38.79 million from 2020, an overall sales increase of approximately 67.81%. This growth in sales is predominantly due to stores being closed for several weeks during 2020, along with an uplift in delivery sales.

Gross profit stands at 68.18% compared to 68.61% in 2020 and is in line with expectations.

FUTURE DEVELOPMENTS

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

Strategic Report
for the year ended 31 December 2021

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 and, despite interest rates remaining at historic lows, they too are expected to rise. 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 both the end of the reduced Value Added Tax rate for hospitality and Business Rates relief, they believe that these risks will be mitigated by the strength of the McDonald's brand, continued sales growth into 2022 and the company's strong balance sheet.

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 change 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 ensuring that the company only use 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 competitors trading in the sector. In order to remain as one of the main players, McDonald's have dedicated teams who focus on ensuring the brand remains a leading brand in the market. This will allow McDonald's 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.

COVID-19 Actions and Implications:

In considering our response to the COVID-19 pandemic, first and foremost the health and safety of our employees and customers was, and remains, our most important consideration.

COVID-19 Actions and Implications - continued

Despite the introduction of a further national lockdown early in 2021, all of our restaurants remained open, with strong demand for McDelivery and in our Drive Thru restaurants.

We are confident that customer demand will continue through 2022 and are well placed to deliver with our Drive Thru restaurants and McDelivery offering, underpinned by the McDonald's brand.

Projections for 2022 and 2023 have been prudently revised to reflect a slowdown in revenue growth, the National Living and Minimum wage rates increasing from April 2022 and the VAT rate increasing to 20% during 2022. These projections indicate the business generates a profit in both 2022 and 2023.

Further information is contained in the going concern note in the Report of the Directors.

Strategic Report
for the year ended 31 December 2021

Section 172(1) statement

Statement by the director in performance of his statutory duties in accordance with s172(1) Companies Act 2006:

The director takes into account the likely consequences of long-term decisions; build relationships with stakeholders; understand the importance of engaging with our employees; understand the impact of our operations on the communities within which we operate; and attribute importance to behaving as a responsible business.

The director considers, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021. In particular by reference to the approval of our business plan, which is updated on an annual basis. Our business plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering high quality quick-service food.

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

As the director, my intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours, and in doing so, will contribute to the delivery of our plan.

On behalf of the board:

A S Gibson - Director

30 November 2022

Report of the Director
for the year ended 31 December 2021

The director presents his report with the financial statements of the company for the year ended 31 December 2021.

Dividends

The following interim dividends were paid in the year:

A Ordinary shares

01 January 2021	£600 per share
31 March 2021	£5,133.33 per share
31 December 2021	£7,500 per share

B Ordinary shares

01 January 2021	£1,800 per share
31 December 2021	£7,500 per share

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

A S Gibson held office during the whole of the period from 1 January 2021 to the date of this report.

Events since the end of the year

The company has renewed the franchise term for three stores during February 2022.

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 director has 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 2023. The directors have assessed the expected future financial performance of the entity and believe that the ability of the Company to continue to operate its sales through delivery, drive thru and take away channels, will enable the Company to continue its operations and settle its obligations for this period in the normal course of business.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Corporate governance

The company is owned and controlled by a single director. By reference to the Corporate Governance Guidance and Principles for Unlisted Companies in the UK, published by the Institute of Directors, the director has established a framework of company processes and attitudes that add value to the business, help build its reputation and ensure its long-term continuity and success. This framework aligns with the business system and processes established by the franchisor and contributes to the continued success of the company.

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 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.

Streamlined energy and carbon reporting

In line with the government's streamlined energy and carbon reporting requirements we are required to report our organisation's carbon emissions for the period 1st January 2021 to 31st December 2021 against our 2020 baseline.

Our emissions are reported using the financial control boundary and the methodology used aligns with Defra's Environmental reporting guidelines (2019) and uses the UK government's greenhouse gas reporting conversion factors (2021) to quantify emissions.

**Report of the Director
for the year ended 31 December 2021**

Scope of reporting

<u>Emissions source</u>	<u>1st January 2020 - 31st December 2020</u>	<u>1st January 2021- 31st December 2021</u>	<u>Change</u>	<u>% Change</u>
Direct Fugitive Emissions from Refrigeration, Air Conditioning etc - Refrigerant Gas	-	-	-	-%
Direct Emissions from Mobile Combustion Sources - Franchisee Vehicle Fuel Consumption	-	-	-	-%
Direct Emissions from Stationary Combustion - Franchisee Natural Gas Consumption	217.6	320.9	103.3	47.5%
Direct Emissions From Stationary Combustion - Other Fuel Consumption	-	-	-	-%
Total Scope 1 (tCO ₂ e)	217.6	320.9	103.3	47.5%
Indirect Emissions from Franchisee Purchased Electricity	1,937.8	2,970.2	1,032.4	53.3%
Total Scope 2 (tCO ₂ e)	1,937.8	2,970.2	1,032.3	53.3%
Total Scope 1 & 2 (tCO ₂ e) - Location Based	2,155.4	3,291.1	1,135.7	52.7%
Fuel Consumed by Personal Vehicles used for Business Activities - Grey Fleet	25.4	28.4	3.0	11.9%
Direct Emissions From Stationary Combustion - Natural Gas Consumption at Landlord Leased Restaurants	-	-	-	-%
Direct Emissions From Stationary Combustion - Other Fuel Consumption at Landlord Leased Restaurants	-	-	-	-%
Indirect Emissions From Purchased Electricity of Landlord Leased Restaurants	-	96.4	96.4	-%
Total Scope 3 (tCO ₂ e)	25.4	124.8	99.4	391.6%
Total Scope 1, 2 & 3 (tCO ₂ e)	2,180.8	3,415.9	1,235.1	56.6%
Intensity Metrics				
Annual Turnover (£M)	57.0	96.0	39.0	68.4%
Scope 1 & 2 emissions per unit (tCO ₂ e/£M Turnover)	37.8	34.3	-3.5	-9.3%
<u>Energy Consumption by source (kWh)</u>				
Electricity	8,311,950	14,442,746	6,130,796	73.8%
Gas	1,183,510	1,740,472	556,962	47.1%
Purchased Fuel	-	-	-	-%
Company Car	-	-	-	-%
Grey Fleet Vehicle	102,634	115,547	12,913	12.6%
Total	9,598,094	16,298,766	6,700,672	69.8%

Absolute emissions compared to our baseline have increased this year due to an increase in business activity, Covid 19 restrictions limited our operations during the baseline as restaurants were required to close for part of the year. This increase broadly falls in line with the amount of time the restaurants were closed or operating at limited capacity. Overall total scope 1 and 2 emissions rose by 52.7% and scope 3 emissions rose by 391.6%, total emission increased by 56.6%, this can be mainly attributed to a 69.8% increase in energy use.

Report of the Director
for the year ended 31 December 2021

Our largest source of emissions is a direct result of electricity consumption, followed by natural gas and purchased fuels used for our restaurant kitchens and heating. As the United Kingdom moves towards reducing their energy use to meet the requirements of Net Zero Carbon Emissions by 2050. Our overall strategy is to pursue a program of energy efficiency combined with carbon mitigation measures such as the utilisation of renewable electricity, this will be bolstered with programs to reduce and decarbonise heat across our estate.

Notable initiatives carried out this year include:

- The continued procurement of a Power Purchase Agreement with a renewable generator backed renewable electricity tariffs.

Further information on our calculations can be found in our GHG Methodology statement.

Greenhouse Gas (GHG) Reporting Methodology Statement

Reporting Period

Emissions are reported against accounting year covering the period 1st January to 31st December 2021.

Reporting Boundary

Financial Control Approach - McDonald's reports any emissions from its operations for which it has the ability to directly influence financial and operating policies to gain economic benefit. This is focussed predominantly on energy consumed in buildings where MCoOp are the bill payer, this includes vacant units where they pay the bill until it is reoccupied or disposed of. This is restricted to the UK where we have full financial control over our operations.

Greenhouse Gases Reported

All greenhouse gas emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e) to account for all six of the Kyoto Protocol GHG's.

Emissions Factors

Government's Greenhouse gas reporting conversion factors for 2020 & 2021.

Baseline Year

Covers the period 1st January to 31st December 2020, as this is the first year required to report emissions under the SECR legislation.

Intensity Ratio

McDonald's uses annual turnover (tCO₂e/£) to normalise and compare its emissions over time,

Exclusions

McDonald's do not currently report fugitive emissions (refrigerant leakage) from refrigeration and air conditioning systems in leased properties or fleet. This is due to the difficulty in obtaining centralised data on refrigerant top-ups and the fact a majority of our buildings are out of scope as franchisees manage the HVAC systems. Given the size and types of emission sources listed by McDonald's, fugitive emissions are expected to be a very small proportion of total emissions and are therefore considered immaterial.

Scope of Emissions

Scope 1 - Direct Emissions

On-site Fuel Combustion:

Gas and fuel directly purchased for heating or generation across property managed by McOpCo.

Scope 2 - Indirect Emissions

Purchased Electricity:

Electricity directly purchased across property managed by McOpCo.

Scope 3 - Other Indirect Emissions

On-site Fuel Combustion:

Gas and fuel directly purchased for heating or generation across property managed by Franchisees.

Report of the Director
for the year ended 31 December 2021

Company Vehicles:

Fuel purchased for fleet vehicles managed and owned by McOpCo.

Fugitive Emissions 1:

Refrigerant leaks from air-conditioning (RAC) equipment in leased assets and fleet vehicles managed and owned by McOpCo.

Purchased Electricity:

Electricity directly purchased across property managed by Franchisees.

Upstream Leased Assets:

Gas and electricity recharges across leased property managed by the Landlord.

Grey Fleet:

Fuel purchased for staff personal vehicles used for business activities.

Company Vehicles:

Fuel purchased for fleet vehicles managed and owned by Franchisees.

Fugitive emissions are currently not reported as outlined in the exclusions statement.

Process

McDonald's follow the reporting approach set out in the UK Government's Environmental Reporting Guidance (2019 version) to ensure that reporting standards are robust and transparent.

For most of its major emissions sources primary data from AMR meter readings, utility bills and expensed claims. Emissions data is collated centrally by Mitie Energy's Sustainability team who have overall responsibility for ensuring the calculations and methodology are correct.

Data Sources

Scope 1 and 2:

Gas Consumption

Utility bills are verified through Mitie's bureau service. Any billing data is cross referenced against half hourly and meter read data where available.

Company Vehicles

Fleet Fuel Card data records provide the amount of fuel purchased for business purposes.

Purchased Electricity

Utility bills are verified through Mitie's bureau service. Any billing data is cross referenced against half hourly and meter read data where available.

Scope 3:
Grey Fleet

Mileage claims are provided.

Franchisee

Utility bills are verified through Mitie's bureau service. Any billing data is cross referenced against half hourly and meter read data where available.

Upstream Leased Assets

Landlord statements are used where available. Where unavailable landlord recharge data is estimated based on a typical restaurants consumption profile.

Estimations

Where building utility data is unavailable, estimations are made based on an average restaurant types consumption, only those sites with a 100% complete data are used to calculate the average. For sites where invoice data is only available for a partial period, the available data is apportioned using an average kWh/day figure. For Asda sites (where the data couldn't be obtained at all), a 20% uplift was given to the 2020 to account for COVID-19 lockdown easing increased occupancy at McDonald's restaurants.

Report of the Director
for the year ended 31 December 2021

**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;
state whether
applicable
accounting
standards have
been followed,
subject to any
material
departures
disclosed and
explained in
the financial
statements;
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

Griffiths Marshall were appointed during the year and are deemed re-appointed under Section 487(2) of the Companies Act 2006

On behalf of the board:

A S Gibson - Director

30 November 2022

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

Opinion

We have audited the financial statements of AG Restaurants Ltd (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 director with respect to going concern are described in the relevant sections of this report.

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 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 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.

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

Responsibilities of director

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

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 effect 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. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mr Stephen Humphries (Senior Statutory Auditor)
for and on behalf of Griffiths Marshall
Beaumont House
172 Southgate Street
Gloucester
GL1 2EZ

30 November 2022

Income Statement
for the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	95,981,233	57,195,390
Cost of sales		<u>(30,539,545)</u>	<u>(17,955,746)</u>
Gross profit		65,441,688	39,239,644
Administrative expenses		<u>(58,837,008)</u>	<u>(40,339,927)</u>
		6,604,680	(1,100,283)
Other operating income	4	<u>844,352</u>	<u>3,354,084</u>
Operating profit	6	7,449,032	2,253,801
Interest payable and similar expenses	7	<u>(115,154)</u>	<u>(153,248)</u>
Profit before taxation		7,333,878	2,100,553
Tax on profit	8	<u>(1,970,641)</u>	<u>(555,617)</u>
Profit for the financial year		<u>5,363,237</u>	<u>1,544,936</u>

The notes form part of these financial statements

AG RESTAURANTS LTD (REGISTERED NUMBER: SC287991)

Other Comprehensive Income
for the year ended 31 December 2021

	2021	2020
Notes	£	£
Profit for the year	5,363,237	1,544,936
Other comprehensive income	-	-
Total comprehensive income for the year	<u>5,363,237</u>	<u>1,544,936</u>

The notes form part of these financial statements

AG RESTAURANTS LTD (REGISTERED NUMBER: SC287991)

Balance Sheet
31 December 2021

	Notes	£	2021 £	£	2020 £
Fixed assets					
Intangible assets	10		7,835,191		4,690,151
Tangible assets	11		12,339,449		10,710,176
Investments	12		<u>32,500</u>		<u>25,000</u>
			20,207,140		15,425,327
Current assets					
Stocks	13	361,695		246,197	
Debtors	14	1,788,423		1,986,994	
Cash at bank and in hand		<u>8,323,733</u>		<u>7,118,078</u>	
		10,473,851		9,351,269	
Creditors					
Amounts falling due within one year	15	<u>11,456,509</u>		<u>9,925,062</u>	
Net current liabilities			(982,658)		(573,793)
Total assets less current liabilities			19,224,482		14,851,534
Creditors					
Amounts falling due after more than one year	16		(6,535,715)		(7,024,659)
Provisions for liabilities	20		(1,064,860)		(341,205)
Net assets			11,623,907		7,485,670
Capital and reserves					
Called up share capital	21		100		100
Retained earnings	22		<u>11,623,807</u>		<u>7,485,570</u>
Shareholders' funds			11,623,907		7,485,670

The financial statements were approved by the director and authorised for issue on 30 November 2022 and were signed by:

A S Gibson - Director

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2020	100	6,620,634	6,620,734
Changes in equity			
Dividends	-	(680,000)	(680,000)
Total comprehensive income	-	1,544,936	1,544,936
Balance at 31 December 2020	<u>100</u>	<u>7,485,570</u>	<u>7,485,670</u>
Changes in equity			
Dividends	-	(1,225,000)	(1,225,000)
Total comprehensive income	-	5,363,237	5,363,237
Balance at 31 December 2021	<u>100</u>	<u>11,623,807</u>	<u>11,623,907</u>

Cash Flow Statement
for the year ended 31 December 2021

		2021	2020
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	11,926,879	7,089,247
Interest paid		(115,154)	(153,248)
Tax paid		(1,116,340)	(452,586)
Net cash from operating activities		<u>10,695,385</u>	<u>6,483,413</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(4,060,019)	-
Purchase of tangible fixed assets		(4,724,500)	(1,305,952)
Purchase of fixed asset investments		(7,500)	-
Net cash from investing activities		<u>(8,792,019)</u>	<u>(1,305,952)</u>
Cash flows from financing activities			
New loans in year		2,750,000	-
Loan repayments in year		(2,112,811)	(1,594,512)
Amount introduced by directors		1,225,000	680,000
Amount withdrawn by directors		(1,334,900)	(625,414)
Equity dividends paid		(1,225,000)	(680,000)
Net cash from financing activities		<u>(697,711)</u>	<u>(2,219,926)</u>
Increase in cash and cash equivalents		<u>1,205,655</u>	<u>2,957,535</u>
Cash and cash equivalents at beginning of year	2	7,118,078	4,160,543
Cash and cash equivalents at end of year	2	<u>8,323,733</u>	<u>7,118,078</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the year ended 31 December 2021

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

	2021	2020
	£	£
Profit before taxation	7,333,878	2,100,553
Depreciation charges	4,010,205	3,610,776
Finance costs	115,154	153,248
	<u>11,459,237</u>	<u>5,864,577</u>
Increase in stocks	(115,498)	(31,367)
Decrease in trade and other debtors	198,571	700,309
Increase in trade and other creditors	384,569	555,728
Cash generated from operations	<u><u>11,926,879</u></u>	<u><u>7,089,247</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 2021

	31/12/21	1/1/21
	£	£
Cash and cash equivalents	<u>8,323,733</u>	<u>7,118,078</u>

Year ended 31 December 2020

	31/12/20	1/1/20
	£	£
Cash and cash equivalents	<u>7,118,078</u>	<u>4,160,543</u>

3. **Analysis of changes in net funds/(debt)**

	At 1/1/21	Cash flow	At 31/12/21
	£	£	£
Net cash			
Cash at bank and in hand	<u>7,118,078</u>	<u>1,205,655</u>	<u>8,323,733</u>
	<u>7,118,078</u>	<u>1,205,655</u>	<u>8,323,733</u>
Debt			
Debts falling due within 1 year	(1,969,244)	(640,337)	(2,609,581)
Debts falling due after 1 year	(4,195,319)	3,149	(4,192,170)
	<u>(6,164,563)</u>	<u>(637,188)</u>	<u>(6,801,751)</u>
Total	<u><u>953,515</u></u>	<u><u>568,467</u></u>	<u><u>1,521,982</u></u>

Notes to the Financial Statements
for the year ended 31 December 2021

1. **Statutory information**

AG Restaurants Ltd is a private company, limited by shares, registered in Scotland. 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.

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 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 2023. The directors have assessed the expected future financial performance of the entity and believe that the ability of the Company to continue to operate its sales through delivery, drive thru and take away channels, will enable the Company to continue its operations and settle its obligations for this period in the normal course of 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.

Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually at the point of sale, the amount of revenue can be reliably measured, 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 reliably measured.

Franchise rights & fees

Franchise rights & fees, being the amounts paid on acquisition of restaurants are being written off evenly over the terms of 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

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.

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.

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 2021

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.

3. Turnover

Turnover arises from:

		2021	2020
	£		
Food		93,519,228	56,150,764
Non product		<u>2,462,005</u>	1,044,626
		<u>95,981,233</u>	<u>57,195,390</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 2021

4. **Other operating income**

	2021	2020
	£	£
Grants Received	<u>844,352</u>	<u>3,354,084</u>

During the period the company received a total grant of £844,352 (2020: £3,354,084) under the Coronavirus Job Retention Scheme.

5. **Employees and directors**

	2021	2020
	£	£
Wages and salaries	23,815,235	17,744,949
Social security costs	902,432	761,308
Other pension costs	283,279	242,895
	<u>25,000,946</u>	<u>18,749,152</u>

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

	2021	2020
Production Staff	2,211	1,874
Management Staff	78	60
	<u>2,289</u>	<u>1,934</u>

	2021	2020
	£	£
Director's remuneration	<u>8,022</u>	<u>7,890</u>

6. **Operating profit**

The operating profit is stated after charging:

	2021	2020
	£	£
Other operating leases	10,923,949	6,743,199
Depreciation - owned assets	3,095,227	2,765,904
Franchise Rights amortisation	846,120	779,675
Franchise Fees amortisation	68,859	65,197
Auditors' remuneration	20,000	12,244
Taxation compliance services	10,900	9,738
Other non- audit services	<u>8,858</u>	<u>6,492</u>

7. **Interest payable and similar expenses**

	2021	2020
	£	£
Bank interest	117,489	153,248
HMRC interest	<u>(2,335)</u>	<u>-</u>
	<u>115,154</u>	<u>153,248</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

8. Taxation

Analysis of the tax charge

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

	2021 £	2020 £
Current tax:		
UK corporation tax	1,215,531	560,497
Prior year tax provision	31,455	-
Total current tax	<u>1,246,986</u>	<u>560,497</u>
Deferred tax	723,655	(4,880)
Tax on profit	<u>1,970,641</u>	<u>555,617</u>

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

Reconciliation of total tax charge included in profit and loss

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

	2021 £	2020 £
Profit before tax	<u>7,333,878</u>	<u>2,100,553</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	<u>1,393,437</u>	399,105
Effects of:		
Expenses not deductible for tax purposes	851	108
Capital allowances in excess of depreciation	(178,757)	-
Depreciation in excess of capital allowances	-	161,284
Adjustments to tax charge in respect of previous periods	31,455	-
Deferred tax charge	723,655	(4,880)
Total tax charge	<u>1,970,641</u>	<u>555,617</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% (2020: 19%).

9. Dividends

	2021 £	2020 £
A Ordinary shares of £1 each		
Interim - ordinary shares	992,500	340,000
B Ordinary shares of £1 each		
Interim	<u>232,500</u>	<u>340,000</u>
	<u>1,225,000</u>	<u>680,000</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

10. Intangible fixed assets

	Franchise Rights £	Franchise Fees £	Totals £
Cost			
At 1 January 2021	10,279,885	914,885	11,194,770
Additions	3,880,019	180,000	4,060,019
At 31 December 2021	14,159,904	1,094,885	15,254,789
Amortisation			
At 1 January 2021	6,063,298	441,321	6,504,619
Amortisation for year	846,120	68,859	914,979
At 31 December 2021	6,909,418	510,180	7,419,598
Net book value			
At 31 December 2021	7,250,486	584,705	7,835,191
At 31 December 2020	4,216,587	473,564	4,690,151

11. Tangible fixed assets

	Short leasehold £	Plant and machinery £	Totals £
Cost			
At 1 January 2021	103,895	22,296,938	22,400,833
Additions	85,207	4,639,293	4,724,500
At 31 December 2021	189,102	26,936,231	27,125,333
Depreciation			
At 1 January 2021	16,556	11,674,101	11,690,657
Charge for year	6,906	3,088,321	3,095,227
At 31 December 2021	23,462	14,762,422	14,785,884
Net book value			
At 31 December 2021	165,640	12,173,809	12,339,449
At 31 December 2020	87,339	10,622,837	10,710,176

12. Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2021	25,000
Additions	7,500
At 31 December 2021	32,500
Net book value	
At 31 December 2021	32,500
At 31 December 2020	25,000

Fixed asset investments consists of 32,500 (2020 - 25,000) ordinary shares of £1 each in Fries Holding Company Limited, a company registered in Guernsey. The investments are included in the accounts at cost.

Notes to the Financial Statements - continued
for the year ended 31 December 2021

13. Stocks		2021	2020
		£	£
Stocks		<u>361,695</u>	<u>246,197</u>
Analysis of stock		31.12.21	31.12.20
£	£		
Food		270,193	178,920
Paper		72,776	45,840
Non-product		<u>18,726</u>	<u>21,437</u>
		<u>361,695</u>	<u>246,197</u>
Stock recognised in cost of sales during the year as an expense was £30,539,545 (2020 - £17,955,746)			
14. Debtors		2021	2020
		£	£
Amounts falling due within one year:			
Trade debtors		45,214	-
Other debtors		489,880	221,428
Prepayments		<u>674,098</u>	<u>645,323</u>
		<u>1,209,192</u>	<u>866,751</u>
Amounts falling due after more than one year:			
Prepayments and accrued income		<u>579,231</u>	<u>1,120,243</u>
Aggregate amounts		<u>1,788,423</u>	<u>1,986,994</u>
15. Creditors: amounts falling due within one year		2021	2020
		£	£
Bank loans and overdrafts (see note 17)		2,609,581	1,969,244
Trade creditors		2,838,948	3,953,749
Tax		617,285	486,639
Social security and other taxes		258,934	161,463
VAT		1,501,067	749,674
Other creditors		1,353,015	828,093
Directors' current accounts		67,435	177,335
Accruals and deferred income		485,796	485,796
Accrued expenses		<u>1,724,448</u>	<u>1,113,069</u>
		<u>11,456,509</u>	<u>9,925,062</u>
16. Creditors: amounts falling due after more than one year		2021	2020
		£	£
Bank loans (see note 17)		4,192,170	4,195,319
Accruals and deferred income		<u>2,343,545</u>	<u>2,829,340</u>
		<u>6,535,715</u>	<u>7,024,659</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

17. Loans

An analysis of the maturity of loans is given below:

	2021	2020
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>2,609,581</u>	<u>1,969,244</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>2,019,894</u>	<u>1,651,439</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>2,172,276</u>	<u>2,488,346</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>-</u>	<u>55,534</u>

Bank loans are repayable over periods ranging from one to seven years. The interest rates applied to the loans are based on Base rate plus a margin varying from 1.25% to 1.7%.

18. Leasing agreements

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

	2021	2020
	£	£
Within one year	3,125,956	2,462,736
Between one and five years	11,319,696	8,640,182
In more than five years	25,299,985	15,170,892
	<u>39,745,637</u>	<u>26,273,810</u>

Lease payments recognised as an expense in the year totalled £10,923,949 (2020: £6,743,199).

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.

19. Financial instruments

Financial Assets	31.12.21	31.12.20
	£	£
Financial assets as an equity instrument	32,500	25,000
Financial assets that are debt instruments measured at amortised cost	<u>8,368,947</u>	<u>7,118,075</u>
	<u>8,401,447</u>	<u>7,143,075</u>
 Financial Liabilities		
	<u>15,614,939</u>	<u>15,551,942</u>
	<u>15,614,939</u>	<u>15,551,942</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2021

20. Provisions for liabilities

	2021	2020
	£	£
Deferred tax	<u>1,064,860</u>	<u>341,205</u>
		Deferred tax
		£
Balance at 1 January 2021		341,205
Provided during year		<u>723,655</u>
Balance at 31 December 2021		<u><u>1,064,860</u></u>

The deferred tax account consists of the tax effect of timing differences in respect of accelerated capital allowances.

21. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021	2020
			£	£
75	A Ordinary	£1	75	75
25	B Ordinary	£1	<u>25</u>	<u>25</u>
			<u><u>100</u></u>	<u><u>100</u></u>

22. Reserves

	Retained earnings
	£
At 1 January 2021	7,485,570
Profit for the year	5,363,237
Dividends	<u>(1,225,000)</u>
At 31 December 2021	<u><u>11,623,807</u></u>

23. Related party disclosures

During the year, total dividends of £1,225,000 (2020 - £340,000) were paid to the director .

24. Ultimate controlling party

The ultimate controlling party is A S Gibson.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.