

Registered No. **04459588**

McDonald's Real Estate Company No.2 Limited

Report and Financial Statements

31 December 2016



Directors

P Pomroy
M Flores

Secretary

D Burnside

Auditors

Ernst & Young LLP
1 More London Place
London
United Kingdom
SE1 2AF

Registered Office

11-59 High Road
East Finchley
London
United Kingdom
N2 8AW

Registered No. 4459588

Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

Principal activity and review of the business

The principal purpose of the company is to acquire, manage, hold and dispose of assets including property. As a result of an increased number of properties in the company's portfolio, this year's turnover increased slightly, resulting in a higher operating income.

Results and dividends

The profit for the year after taxation amounted to £3,684,000 (2015 –£1,910,000). A dividend of £162,000 (2015 – £656,000) was received from subsidiary undertaking McDonalds Real Estate LLP and subsequently distributed to its parent undertaking, MCD Europe Limited.

Future developments

The level of business and the period end financial position remain satisfactory for both the company and subsidiaries and the parent undertaking is confident in the strength of the business for the foreseeable future.

Key performance indicators

McDonald's Corporation Inc, the ultimate parent undertaking, manages its KPIs at a segment and geographical level. These KPIs are discussed within the financial statements of McDonald's Corporation Inc, which are publicly available. As a result the directors have taken the decision not to disclose KPIs in these financial statements as they are not necessary to understand the performance or position of the company.

Principal risks and uncertainties

The company's main business activity is to lease investment property to McDonald's Restaurants Limited and therefore all risks and uncertainties facing the company are intrinsically linked to McDonald's Restaurants Limited. The directors deem the key risks to the company to be the ability of McDonald's Restaurants Limited to meet its debts to the company as they fall due, and the effect on the company of its subsidiary ceasing to trade within its premises.

The principal risks and uncertainties of McDonald's Restaurants Limited are discussed by its directors within its own financial statements.

The directors continue to assess the risk arising from the United Kingdom's planned exit from the European Union, and will respond to any arising risk as necessary.

Financial risk management objectives and policies

The company uses various financial instruments including amounts due to and from group undertakings that arise directly from its operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

Strategic Report (continued)

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

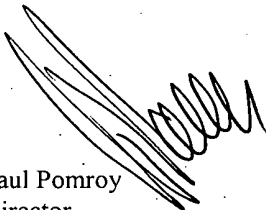
The company's policy throughout the year has been to achieve this through management's day to day involvement in business decisions rather than setting maximum or minimum liquidity ratios.

Interest rate risk

The company finances its operations through retained profits which comprise of rental income received from other group companies and profit share from McDonald's Real Estate LLP. The LLP finances its operations through a mixture of retained profits, inter-group borrowings and an overdraft facility. The interest rate risk on these borrowings is managed by the LLP's ultimate parent undertaking, McDonald's Corporation Inc.

On behalf of the Board

Paul Pomroy
Director



22 September 2017

Directors' report

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, and risks are described in the Strategic Report on the previous page.

The balance sheet shows a net asset and net current asset position and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors who served the company during the year and since were as follows:

P Pomroy
M Flores

Political and charitable contributions

During the year no charitable or political donations were made.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

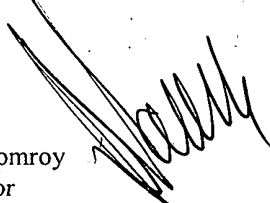
Auditor

The auditor, Ernst & Young LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board

22 September 2017

Paul Pomroy
Director



Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditor's report

to the members of McDonald's Real Estate Company No.2 Limited

We have audited the financial statements of McDonald's Real Estate Company No.2 Limited for the year ended 31 December 2016, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic and Directors' reports to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report (continued)

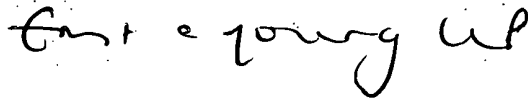
to the members of McDonald's Real Estate Company No.2 Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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 by the parent company, 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;



Julie Carlyle (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor),
London

25 September 2012

Income Statement

for the year ended 31 December 2016

		2016	2015
	Notes	£000	£000
Turnover	2	1,904	1,785
Cost of sales		(333)	(460)
Operating profit	3	1,571	1,325
Share of profit of McDonald's Real Estate LLP		319	808
Investment Property Revaluations		1,408	289
Profit on ordinary activities before taxation		3,298	2,422
Tax	7	386	(512)
Profit for the year		3,684	1,910
Other comprehensive income		-	-
Total comprehensive income		3,684	1,910

All amounts relate to continuing activities.

Statement of changes in equity

for the year ended 31 December 2016

	<i>Share capital account £000</i>	<i>Capital contribution reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 1 January 2015	27,595	586	13,022	41,203
Profit for the year	-	-	1,910	1,910
Total comprehensive income	-	-	1,910	1,910
Dividends paid	-	-	(656)	(656)
At 31 December 2015	<u>27,595</u>	<u>586</u>	<u>14,276</u>	<u>42,457</u>
Profit for the year	-	-	3,684	3,684
Total comprehensive income	-	-	3,684	3,684
Dividends paid	-	-	(162)	(162)
At 31 December 2016	<u>27,595</u>	<u>586</u>	<u>17,798</u>	<u>45,979</u>

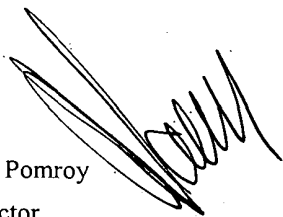
Statement of Financial Position

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	8	32,733	29,093
Investments	10	5,000	5,000
		<u>37,733</u>	<u>34,093</u>
Current assets			
Debtors	11	11,083	11,876
Cash		-	-
		<u>11,083</u>	<u>11,876</u>
Creditors: amounts falling due within one year	12	(415)	(833)
Net current assets		<u>10,668</u>	<u>11,043</u>
Total assets less current liabilities		48,401	45,136
Creditors: amounts falling due after more than one year	13	(11)	(11)
Provisions for liabilities	14	(2,411)	(2,668)
Net assets		<u>45,979</u>	<u>42,457</u>
Capital and reserves			
Called up share capital	15	27,595	27,595
Capital contribution reserve		586	586
Profit and loss account		<u>17,798</u>	<u>14,276</u>
Shareholders' funds		<u>45,979</u>	<u>42,457</u>

The financial statements were approved by the board of directors and authorised for issue on 22 September 2017 and signed on behalf of the board of directors by:

Paul Pomroy
Director



Notes to the financial statements

at 31 December 2016

1. Accounting policies

Basis of preparation

The financial statements of McDonald's Real Estate Company No.2 Limited were authorised for issue by The Board of Directors on 22 September 2017. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial accounts have been prepared in sterling which is the functional currency of the company. Amounts have been shown to the nearest thousand pounds unless otherwise stated.

The accounting policies adopted by the company are set out below.

Statement of compliance

McDonald's Real Estate Company No.2 Ltd is a private limited liability company incorporated in England. The Registered office is 11-59 High Road, East Finchley, London N2 8AW.

The Company's financial statements have been prepared in compliance with FRS 102 for the year ended 31 December 2016.

Group financial statements

The company is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. Group financial statements which include the company and its subsidiaries are prepared by the ultimate parent undertaking and the financial statements are publicly available. The report and financial statements therefore present information about the company as an individual undertaking and not about its group.

Going concern

The balance sheet shows a net asset and net current asset position and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Statement of cash flow

McDonald's Real Estate Company No.2 Limited has adopted the provisions of FRS 102. The company has therefore taken advantage of the exemption in the Standard and has not prepared a statement of cash flow on the grounds that it is a subsidiary undertaking and consolidated financial statements in which the company is included are publicly available.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimations means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revaluation of investment properties

Freehold investment properties were valued by Montagu Evans LLP, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued. Valuations were performed as at 31 December 2016 on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The key assumptions applied by the valuer are detailed in note 9.

Notes to the financial statements (continued)

at 31 December 2016

1. Accounting policies (continued)

Impairment of investments

Investments are held at cost less any provision for impairment. Where there are indicators of impairment, the company performs impairment tests using a value in use calculation based on a discounted cash flow model. No impairment indicators arose in the current year.

Impairment of assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. No impairment indicators arose in the current year.

Property, plant and equipment and depreciation

Property, plant and equipment stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises of purchase price after discounts but including non-refundable taxes, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided on all fixed assets other than freehold land and long leasehold land where the unexpired portion of the lease is longer than one hundred years. The rates used are calculated to write off the cost of each asset by equal annual instalments over its expected useful life, as follows:

Freehold and long leasehold buildings	—	40 years
Long leasehold land	—	the last 100 years of the lease
Short leasehold land and buildings	—	40 years or the unexpired portion of the lease plus 14 years if shorter

The carrying values of tangible fixed assets are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable.

Investment properties

Investment properties are initially recognised at cost which includes purchase cost plus any attributable expenditure. Investment properties are subsequently carried at fair value, with changes in fair value being recognised in profit or loss. The company engaged independent valuation specialists to determine fair value as at 31 December 2016. The valuation was performed on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

Investments

Investments are accounted for at the lower of cost and net realisable value.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Dividends

Dividends payable are recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that that an outflow of economic benefit will be required to settle the obligation. Dividend income is recognised when the company's right to receive payment is established.

Notes to the financial statements (continued)

at 31 December 2016

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Capitalised interest

Interest incurred in the period during which assets are being prepared for their intended use by the company is capitalised as part of the costs of the assets and amortised in accordance with the useful life of the related asset. Interest to be capitalised is based on the average monthly rate for all borrowings.

Leased equipment

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the company, are capitalised on the balance sheet and are depreciated over the shorter of the lease term and the assets useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

Asset Retirement obligations

Obligations associated with dilapidations are stated at the present value of any future liability.

Notes to the financial statements (continued)

at 31 December 2016

2. Turnover

	2016	2015
	£000	£000
Income from group companies	1,406	1,335
Income from external parties	498	450
	<u>1,904</u>	<u>1,785</u>

Turnover represents income received from other group companies or external parties for rental of properties owned or leased by the company.

3. Operating profit

This is stated after charging

	2016	2015
	£000	£000
Auditors' remuneration (see note 4)	10	10
Depreciation	45	74
Operating lease rentals – land and buildings	<u>334</u>	<u>229</u>

4. Auditors' remuneration

	2016	2015
	£000	£000
Audit of the financial statements	10	10
Total audit services	<u>10</u>	<u>10</u>

5. Directors' remuneration

The directors did not receive any emoluments from the Company during the year (2015 - £Nil). The directors are directors of other undertakings within the McDonald's group. The directors received their remuneration from other group undertakings, and do not consider it practicable to apportion the amount of remuneration which relates to their services as directors of the company.

6. Staff costs

McDonald's Real Estate Company No.2 did not have any employees in 2016 or 2015.

Notes to the financial statements (continued)

at 31 December 2016

7. Tax

(a) Tax charge for the year

The tax charge is made up as follows:

	2016 £000	2015 £000
Current tax:		
UK corporation tax on the profit for the year	344	290
Adjustments in respect of prior years	(487)	88
Total current tax (note 7(b))	<u>(143)</u>	<u>378</u>
Deferred tax:		
Origination and reversal of timing difference	330	42
Adjustments in respect of prior years	(400)	380
Deferred tax credit related to tax rate changes	(173)	(288)
Total deferred tax (note 7(c))	<u>(243)</u>	<u>134</u>
Tax on profit on ordinary activities	<u>(386)</u>	<u>512</u>

Of this tax credit, £33,000 (2015 - £30,000) of the current tax and (£1,246) (2015 - (£7,000)) of the deferred tax is in respect of the company's 0.27% interest in McDonald's Real Estate LLP.

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>3,298</u>	<u>2,422</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	660	491
Effects of:		
Expenses not deductible for tax purposes	2	(49)
Adjustments in respect of prior years	(887)	469
Change in tax rates	(173)	(288)
Investment property revaluations	41	2
Share of McDonald's Real Estate LLP taxable profits	(29)	(111)
Total current tax for the year (note 7(a))	<u>(386)</u>	<u>512</u>

Notes to the financial statements (continued)

at 31 December 2016

7. Tax (continued)

(c) The deferred tax included in the balance sheet is as follows:

	2016 £000	2015 £000
Accelerated capital allowances	2,042	2,416
Investment properties	452	188
Capital losses	(111)	(3)
Other timing differences	28	25
Provision for deferred tax	<u>2,411</u>	<u>2,626</u>
		£000
At 1 January 2016		2,626
Origination and reversal of timing differences		157
Adjustments in respect of prior years		(400)
Other timing differences		28
At 31 December 2016		<u>2,411</u>

Of this deferred tax balance, £26,000 (2015 - £28,000) is in respect of the company's 0.27% interest in McDonald's Real Estate LLP.

During the year beginning 1 January 2017, the origination and reversal of deferred tax liabilities is expected to increase the tax charge for the year by £5,000. This is due to fixed asset timing differences.

(d) Factors that may affect future tax charge

Finance (No.2) Act 2015 reduces the UK corporation tax rate from 20% to 19% from 1 April 2017. A further reduction in the corporation tax rate to 17% will apply with effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016).

Deferred taxes recognised on the balance sheet have been recognised at 17% (2015 - 18%) which represents the future corporation tax rate that was substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

at 31 December 2016

8. Tangible fixed assets

	<i>Land and buildings £000</i>
Cost:	
At 1 January 2016	36,976
Additions	49
Transfer from group companies	6,592
Revaluation of investment property	1,408
Disposals	(1,146)
At 31 December 2016	<u>43,879</u>
Depreciation:	
At 1 January 2016	7,883
Provided during the year	45
Transfer from group companies	4,000
Disposals	(782)
At 31 December 2016	<u>11,146</u>
Carrying Amount:	
At 31 December 2016	<u><u>32,733</u></u>
At 1 January 2016	<u><u>29,093</u></u>

All assets are made available to other group companies, normally through operating leases.

Asset transfers from group companies relate to land and building improvements funded by McDonald's Restaurants Limited for stores owned by McDonald's Real Estate Company No.2 Limited. The Directors made the decision during the year to transfer these assets to the group company which owns the property.

(a) The carrying amount of land and buildings consists of:

	<i>2016 £000</i>	<i>2015 £000</i>
Investment Properties at Fair value:		
Freehold	<u>18,475</u>	<u>17,066</u>
Other Properties at Cost:		
Leasehold	<u>14,258</u>	<u>12,027</u>

(b) Included in the carrying value of tangible fixed assets is capitalised interest as follows:

	<i>£000</i>
At 1 January 2016	131
At 31 December 2016	<u>102</u>

The weighted average interest rate used for capitalising finance costs during the year was 3.14% (2015 – 2.18%).

Notes to the financial statements (continued)

at 31 December 2016

9. Investment property

Freehold investment properties were valued by Montagu Evans LLP, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued. Valuations were performed as at 31 December 2016 on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The critical assumptions made relating to the valuation are set out below:

	31 December 2016	31 December 2015
Investment Portfolio Yields	%	%
Drive Thru	4.50-7.50	5.00-7.75
High Street	3.50-9.50	4.25-9.75

Year on year growth in real rental rates was 4.35% (2015 – 8.95%).

	£000
Fair Value:	
At 1 January 2016	17,066
Disposals	-
Surplus on valuation	1,409
At 31 December 2016	<u>18,475</u>

The historical cost of investment properties held at fair value is as follows:

	£000
At 31 December 2015	<u>15,202</u>
At 31 December 2016	<u>10,177</u>

Notes to the financial statements (continued)

at 31 December 2016

10. Investments

	<i>Other investments £000</i>
Cost and Carrying Amount: At 1 January 2016	<u>5,000</u>
At 31 December 2016	<u>5,000</u>

No investments are listed.

Details of the investment which the company holds are as follows:

<i>Name of Undertaking</i>	<i>Company of Registration (or incorporation and operating)</i>	<i>Holding</i>	<i>Proportion of voting rights</i>	<i>Nature of business</i>
McDonald's Real Estate LLP	United Kingdom	Ordinary	0.27%	Property Partnership

The remainder of the voting rights of McDonald's Real Estate LLP are held by McDonald's Real Estate Company No.1 Limited. It and McDonald's Real Estate Company No.2 Limited are both subsidiaries of MCD Europe Limited.

11. Debtors

	<i>2016 £000</i>	<i>2015 £000</i>
Amounts due from McDonald's Real Estate LLP	1,042	886
Amounts due from other group companies	9,954	7,110
Prepayments and accrued income	87	3,880
	<u>11,083</u>	<u>11,876</u>

All of the above amounts are due in less than one year

12. Creditors: amounts falling due within one year

	<i>2016 £000</i>	<i>2015 £000</i>
Corporation tax	338	755
Other Creditors	77	78
	<u>415</u>	<u>833</u>

Notes to the financial statements (continued)

at 31 December 2016

13. Creditors: amounts falling due within more than one year

	2016 £000	2015 £000
Amounts due to parent undertaking	11	11
	<u>11</u>	<u>11</u>

14. Provisions for liabilities

	Closure costs £000
At 1 January 2016	42
Utilised during the year	(42)
At 31 December 2016	<u>-</u>

Restaurant closure costs

A provision is recognised for asset retirement obligation and closed restaurants to cover strip out costs, ongoing lease costs and closure costs.

Deferred tax

The movements in deferred taxation during the year are as follows:

	£000
At 1 January 2016	2,626
Origination and reversal of timing differences	157
Adjustments in respect of prior years	(372)
At 31 December 2016	<u>2,411</u>

Full provision for deferred taxation is considered necessary since all timing differences are expected to reverse in the future. Provision has been made at a corporation tax rate of 20%, the rate currently prevailing.

15. Issued share capital and reserves

	No.	2016 £000	No.	2015 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	27,595,002	27,595	27,595,002	27,595
		<u>27,595</u>		<u>27,595</u>

Notes to the financial statements (continued)

at 31 December 2016

16. Dividends

	2016 £000	2015 £000
Declared and paid during the year	162	656

17. Other financial commitments

The company has annual commitments under external non-cancellable operating leases for land and buildings as follows:

	2016 £000	2015 £000
Leases expiring within one year	-	-
Leases expiring in one to five years	330	20
Leases expiring in more than five years	4	4
	334	24

18. Related party transactions

The company has taken advantage of FRS 102 which exempts subsidiary undertakings, 100% of whose voting rights are controlled within the group, from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

19. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MCD Europe Limited.

The smallest and largest group in which the results of the company are consolidated is headed by the company's ultimate parent undertaking and controlling party, McDonald's Corporation Inc, incorporated in the United States of America. Copies of McDonald's Corporation's financial statements can be obtained from McDonald's Plaza, Oak Brook, Illinois 60521, USA.