

# COMPANIES HOUSE COPY

## **ChipsAway International Limited**

Report and Financial Statements

Year Ended

31 December 2016

Company Number 02962763

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COMPANIES HOUSE



# **ChipsAway International Limited**

## **Report and financial statements for the year ended 31 December 2016**

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### **Directors**

T J Harris  
A J Mallows  
J C S Dent

### **Registered office**

ChipsAway House, Edwin Avenue, Hoo Farm, Kidderminster, Worcestershire, DY11 7RA

### **Company number**

02962763

### **Independent auditors**

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# **ChipsAway International Limited**

## **Strategic report for the year ended 31 December 2016**

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

### **Principal activities, review of business and future developments**

The company's principal activity is the development of a franchised network of specialist automotive paint, body and wheel repair services. The results for the year to 31 December 2016 were broadly in line with expectations, with a profit before tax up by 27% to £930,681, from £733,372 in 2015.

Encouragingly, consumer enquiries for the Franchised Network services were up 10% against 2015, and qualitative research conducted by YouGov shows increasing Brand Awareness.

ChipsAway remains firmly committed to its Environmental policy, is an Equal Opportunities employer, subscribes to the ethos of the National minimum wage and operates a Family Friendly policy.

### **Key performance Indicators**

The key financial performance indicators of the company are turnover and profit before tax. Other key performance indicators include customer enquiries.

### **Principal risks and financial instruments**

#### **Financial risks**

The company trades only in Sterling so is not exposed to foreign exchange rate fluctuations.

Due to the nature of the funding of the parent company, the business is not exposed to interest rate fluctuations.

Customers who trade on credit terms are predominantly its franchisees and it is considered that the franchisee recruitment selection process is sufficiently robust to ensure an appropriate credit verification procedure. In addition, trade receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

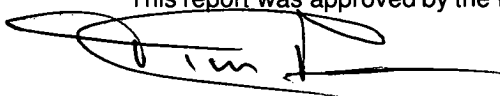
It is the company's policy that cash deposits are only made with banks that have been approved by the directors and have a high credit rating to ensure the company is not exposed to unnecessary risk.

The company also offers deferred payment terms in relation to some of the franchisee fees payable. The company assess the level of doubt over the ultimate recovery of the deferred fees based on historic experience. If there is significant doubt over the recovery of the franchisee fee the balance is not recognised until the level of risk associated with the debt reduces to an acceptable level.

#### **Business risks**

Critical to business performance is demand for Franchised Services which as described above is up to 10% on 2015. Franchise sales were broadly in line with expectations and encouragingly, a number of existing Franchise Partners are purchasing additional territories or postcodes for expansion.

This report was approved by the board on 4th Sept 2017 and signed on its behalf.



**T J Harris  
Director**

# **ChipsAway International Limited**

## **Report of the directors for the year ended 31 December 2016**

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The directors present their report together with the audited financial statements for the year ended 31 December 2016.

### **Results and dividends**

The profit for the year, after taxation, amounted to £722,376 (2015 - £580,409).

Dividends of £2,783,653 (2015 - £Nil) were paid during the year. The directors do not recommend the payment of a final dividend.

A review of the business and future developments is set out within the strategic report.

### **Directors**

The directors who served during the year and up to the date of approval of these financial statements were:

T J Harris  
A J Mallows (appointed 1 March 2017)  
J C S Dent (appointed 17 July 2017)

### **Post balance sheet events**

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

### **Directors' responsibilities statements**

The directors are responsible for preparing the strategic report, the directors' 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 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.

# **ChipsAway International Limited**

## **Report of the directors for the year ended 31 December 2016 (*continued*)**

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### **Disclosure of information to auditors**

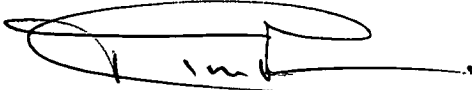
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

### **Auditors**

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 Sept 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'T J Harris', is written over a horizontal line.

**T J Harris  
Director**

# **ChipsAway International Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF CHIPSAWAY INTERNATIONAL LIMITED**

We have audited the financial statements of ChipsAway International Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. 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).

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 auditors**

As explained more fully in the statement of directors' responsibilities, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

# **ChipsAway International Limited**

## **Independent auditor's report (*continued*)**

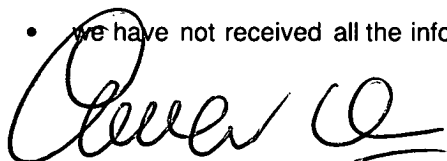
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### **Matters on which we are required to report by exception**

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 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, 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.



Andrew Mair (Senior statutory auditor)  
For and on behalf of BDO LLP, Statutory auditor  
Birmingham  
United Kingdom

Date: 11 Sept 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# ChipsAway International Limited

## Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	3,983,681	3,671,432
Cost of sales		(1,368,318)	(1,328,925)
<b>Gross profit</b>		<b>2,615,363</b>	<b>2,342,507</b>
Administrative expenses		(1,683,558)	(1,603,412)
<b>Operating profit</b>	5	<b>931,805</b>	<b>739,095</b>
Interest receivable and similar income	7	2,220	666
Interest payable and similar charges	8	(3,344)	(6,389)
<b>Profit before tax</b>		<b>930,681</b>	<b>733,372</b>
Tax on profit	9	(208,305)	(152,963)
<b>Profit for the year</b>		<b>722,376</b>	<b>580,409</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>722,376</b>	<b>580,409</b>

The notes on pages 9 to 19 form part of these financial statements.



# ChipsAway International Limited

## Statement of financial position as at 31 December 2016

<b>Company number: 02962763</b>	<b>Note</b>	<b>2016 £</b>	<b>2016 £</b>	<b>2015 £</b>	<b>2015 £</b>
<b>Fixed assets</b>					
Tangible assets	11		95,879		142,675
<b>Current assets</b>					
Stocks	12	172,934		155,110	
Debtors:	13				
- amounts falling due within one year		4,751,834		5,652,988	
- amounts falling due after more than one year		99,663		114,914	
Cash at bank and in hand	14	15,914		312,618	
		<u>5,040,345</u>		<u>6,235,630</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(2,146,003)</u>		<u>(1,288,297)</u>	
<b>Net current assets</b>			<u>2,894,342</u>		<u>4,947,333</u>
<b>Total assets less current liabilities</b>			<u>2,990,221</u>		<u>5,090,008</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(67,389)		(105,899)
<b>Provisions for liabilities</b>					
Deferred tax	18		(14,384)		(14,384)
<b>Net assets</b>			<u>2,908,448</u>		<u>4,969,725</u>
<b>Capital and reserves</b>					
Called up share capital	19		4		4
Profit and loss account			<u>2,908,444</u>		<u>4,969,721</u>
<b>Shareholders' funds</b>			<u>2,908,448</u>		<u>4,969,725</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4-9-17

  
**T J Harris**  
Director

The notes on pages 9 to 19 form part of these financial statements.

# ChipsAway International Limited

## Statement of changes in equity for the year ended 31 December 2016

	Share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2016</b>	<b>4</b>	<b>4,969,721</b>	<b>4,969,725</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	722,376	722,376
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>722,376</b>	<b>722,376</b>
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(2,783,653)	(2,783,653)
<b>Total transactions with owners</b>	<b>-</b>	<b>(2,783,653)</b>	<b>(2,783,653)</b>
<b>At 31 December 2016</b>	<b>4</b>	<b>2,908,444</b>	<b>2,908,448</b>

## Statement of changes in equity for the year ended 31 December 2015

	Share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2015</b>	<b>4</b>	<b>4,389,312</b>	<b>4,389,316</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	580,409	580,409
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>580,409</b>	<b>580,409</b>
<b>At 31 December 2015</b>	<b>4</b>	<b>4,969,721</b>	<b>4,969,725</b>

Reserves:

Called up share capital represents the nominal value of the shares issued.

The profit and loss account represents cumulative profits or losses, net of dividends paid.

The notes on pages 9 to 19 form part of these financial statements.

# **ChipsAway International Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2016**

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### **1 Accounting policies**

ChipsAway International Ltd is a private company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activity is set out in the strategic report.

#### *Basis of preparation of financial statements*

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The financial statements are presented in Sterling as that is the primary economic environment in which the company operates.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been consistently applied:

#### *Financial reporting standard 102 - reduced disclosure exemptions*

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation, paragraph 3.17(d);
- the requirements of Section 11 Basic Financial Instruments, paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments, paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures, paragraph 33.7.

This information is included in the consolidated financial statements of Franchise Brands plc as at 31 December 2016 and these financial statements may be obtained from Companies House.

#### *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable net of returns, rebates and value-added taxes.

The following criteria must also be met before revenue is recognised:

#### *Sales of goods*

Revenue from sale of goods is recognised on delivery to customers.

#### *Franchise fees*

The franchise fee is effectively a joining fee which includes training, other start-up support and an equipment package. No element of the franchise fee relates to subsequent services. Revenue from franchise fees is recognised when a franchisee completes the relevant training. Where deferred payment terms are offered franchise fees are recognised to the extent that there is not considered to be significant doubt over the eventual recovery (see note 2).

# ChipsAway International Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### Licence fees

Licence fees are fees charged for the continuing use of the rights and continuing services provided during the franchise agreements term. They are recognised as the service is provided and the rights are used.

#### *Tangible fixed assets*

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

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Leasehold property improvements	-	7% straight line
Short-term leasehold improvements	-	33% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	10%-33% straight line
Office equipment	-	33% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

#### *Research and development*

Expenditure on research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure.

# **ChipsAway International Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2016 (continued)**

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### **1 Accounting policies (continued)**

#### *Stocks*

Stock is stated at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

#### *Debtors*

Short term debtors are measured at transaction price, less any impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

#### *Cash and cash equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### *Financial instruments*

The company only enters into basic financial instruments that result in the recognition of financial assets and liabilities like trade and other receivables and payables.

#### *Creditors*

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of comprehensive income over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

# ChipsAway International Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

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### 1 Accounting policies (*continued*)

#### *National advertising fund and central advertising fund accounting*

In addition to franchise fees, franchisees pay contributions which are collected by the company for specific use within the national and central advertising funds. The company operates the funds on behalf of the franchisees with the objective of driving revenues for the franchisees. The funds are planned to break even with any short term surplus or deficit carried in the company's balance sheet within working capital. As all fund contributions are designated for specific purposes and do not result in a profit or loss for the company, revenue recognition criteria are not met and therefore the income and expense of the fund are not included in the company statement of comprehensive income.

#### *Foreign currency*

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the statement of comprehensive income. All financial statements are presented in sterling.

#### *Current and deferred taxation*

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

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

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### *Pensions*

Contributions to the defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

# **ChipsAway International Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)**

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### **2 Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material misstatement to the carrying amount of assets and liabilities are:

#### **National advertising fund and central advertising fund accounting**

Franchisees within the company pay a fee into a central fund designed to build sales. The fund is managed for the benefit of franchisees in the system with the objective of driving revenues. The fund is used to pay for national and localised marketing strategies and promotional plans. The fund is planned to operate at break even with any short term surplus or deficit carried in the group's statement of financial position.

As all fund income is designated for specific purposes and does not result in a profit or loss for the company, the revenue recognition criteria as outlined in our accounting policy are not met and therefore the income and expenses of the fund are not included in the company statement of comprehensive income as the directors consider this to be an agency arrangement.

#### **Franchise fees**

The company offers deferred payment terms in relation to some of the franchisee fees payable. The company assess the level of doubt over the ultimate recovery of the deferred fees based on historic experience. If there is significant doubt over the recovery of the franchisee fee the balance is not recognised until the level of risk associated reduces to an acceptable level.

#### **Recoverability of intercompany receivables**

At each reporting date, intercompany receivables are assessed for recoverability. If there is any evidence of impairment, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised immediately in the statement of comprehensive income.

### **3 Turnover**

Turnover is wholly attributable to the principal activity of the company.

# ChipsAway International Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 4 Employees

	2016 £	2015 £
Staff costs consist of:		
Wages and salaries	527,298	451,425
Social security costs	34,800	32,399
Pension costs	2,280	-
	<u>564,378</u>	<u>483,824</u>

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

	Number	Number
Administration	10	10
Sales	2	1
Warehouse	2	2
Training and development	3	4
	<u>17</u>	<u>17</u>

## 5 Operating profit

	2016 £	2015 £
The operating profit is stated after charging/(crediting):		
Research and development charged as an expense	21	759
Depreciation of tangible fixed assets	57,046	53,713
Profit on disposal of tangible fixed assets	-	(6,895)
	<u></u>	<u></u>

Auditor's remuneration is borne by the company's ultimate parent undertaking.

## 6 Directors' remuneration

Directors' emoluments are borne by the company's parent undertaking.

## 7 Interest receivable and similar income

	2016 £	2015 £
Bank interest	2,220	666
	<u></u>	<u></u>

## 8 Interest payable and similar charges

	2016 £	2015 £
Finance lease interest	3,344	6,389
	<u></u>	<u></u>



# ChipsAway International Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (continued)

## 9 Taxation

	2016 £	2015 £
<i>Corporation tax</i>		
Current tax on profits for the year	199,246	145,148
Adjustments in respect of previous periods	9,059	2,695
	<u>208,305</u>	<u>147,843</u>
<b>Total current tax</b>	<b>208,305</b>	<b>147,843</b>
 <b>Deferred tax</b>		
Origination and reversal of timing differences	-	6,046
Changes in tax rates	-	(926)
	<u>-</u>	<u>5,120</u>
<b>Total deferred tax</b>	<b>-</b>	<b>5,120</b>
 <b>Taxation on profit on ordinary activities</b>	<b>208,305</b>	<b>152,963</b>

### Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	930,681	733,372
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	186,136	148,508
Effects of:		
Expenses not deductible for tax purposes	13,110	1,333
Other tax adjustments	-	842
Adjustments to tax charge in respect of previous periods - current tax	9,059	2,695
Fixed asset permanent timing differences	-	1,266
Changes in tax rates	-	(1,681)
	<u>208,305</u>	<u>152,963</u>
<b>Total tax charge for the year</b>	<b>208,305</b>	<b>152,963</b>

### Factors that may affect future tax charges

The 2016 budget confirmed that the UK corporation tax rate will reduce to 19% to apply from 1 April 2017 and to 17% from 1 April 2020. This will reduce the company's future tax charge accordingly.

# ChipsAway International Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 10 Dividends

	2016 £	2015 £
Ordinary shares		
Dividend paid of £69,591.33 (2015 - £Nil) per share	2,783,653	-
	<u>2,783,653</u>	<u>-</u>

## 11 Tangible assets

	Leasehold property improvements £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>					
At 1 January 2016	105,189	219,174	62,910	81,160	468,433
Additions	-	4,200	-	6,050	10,250
	<u>105,189</u>	<u>223,374</u>	<u>62,910</u>	<u>87,210</u>	<u>478,683</u>
At 31 December 2016					
<i>Depreciation</i>					
At 1 January 2016	80,068	113,537	56,237	75,916	325,758
Charge for the year	6,820	40,912	4,199	5,115	57,046
	<u>86,888</u>	<u>154,449</u>	<u>60,436</u>	<u>81,031</u>	<u>382,804</u>
At 31 December 2016					
<i>Net book value</i>					
At 31 December 2016	<u>18,301</u>	<u>68,925</u>	<u>2,474</u>	<u>6,179</u>	<u>95,879</u>
At 31 December 2015	25,121	105,637	6,673	5,244	142,675

The net book value of tangible fixed assets includes an amount of £29,406 (2015 - £57,494) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £23,560 (2015 - £31,284).

# ChipsAway International Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 12 Stocks

	2016 £	2015 £
Finished goods and goods for resale	172,934	155,110

There is no material difference between the replacement cost of stocks and the amounts stated above.

Stock recognised in cost of sales during the year as an expense was £680,644 (2015 - £598,184).

An impairment gain of £832 (2015 – loss of £211) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The provision made against gross stock was £14,647 (2015 - £15,479).

## 13 Debtors

	2016 £	2015 £
<b>Due within one year:</b>		
Trade debtors	118,815	172,469
Amounts owed by group undertakings	4,545,024	5,439,643
Prepayments and accrued income	76,973	40,876
Other debtors	11,022	-
	<u>4,751,834</u>	<u>5,652,988</u>
<b>Due after more than one year:</b>		
Trade debtors	99,663	114,914

The impairment loss recognised within the statement of comprehensive income for the year in respect of bad and doubtful trade and other debtors was £11,045 (2015 - £32,011).

Other debtors includes amounts owed to the company in respect of the national advertising fund of £11,022 (2015 - £Nil).

## 14 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	15,914	312,618

# ChipsAway International Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 15 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	257,945	192,527
Amounts owed to group undertakings	1,187,185	679,839
Corporation tax	104,960	30,275
Taxation and social security	104,963	105,634
Obligations under finance lease and hire purchase contracts	24,795	22,601
Other creditors	340,847	151,402
Accruals and deferred income	125,308	106,019
	<u>2,146,003</u>	<u>1,288,297</u>

Other creditors includes amounts owed by the company in respect of the national advertising fund of £Nil (2015 - £14,650).

Finance leases are secured on the assets to which they relate.

## 16 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Obligations under finance leases and hire purchase contracts	<u>67,389</u>	<u>105,899</u>

Finance leases are secured on the assets to which they relate.

## 17 Financial Instruments

	2016 £	2015 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>4,790,438</u>	<u>6,039,645</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(2,003,469)</u>	<u>(1,258,287)</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, obligations under finance leases, other creditors and accruals.

# ChipsAway International Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 18 Deferred taxation

	2016 £
At 1 January 2016	(14,384)
Charged to profit and loss account	-
	<hr/>
At 31 December 2016	<b>(14,384)</b>
	<hr/>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	<b>(14,384)</b>	(14,384)
	<hr/>	<hr/>

## 19 Share capital

	2016 £	2015 £
<b>Allotted, called up and fully paid</b>		
40 Ordinary shares of £0.10 each	<b>4</b>	4
	<hr/>	<hr/>

## 21 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £2,280 (2015 - £Nil).

## 22 Ultimate parent company and parent undertaking of larger group

The company's immediate parent company is Edwin Investments Limited, a company incorporated in the United Kingdom.

The largest and smallest group in which the results of the company are consolidated is that headed by Franchise Brands plc, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of the company.