

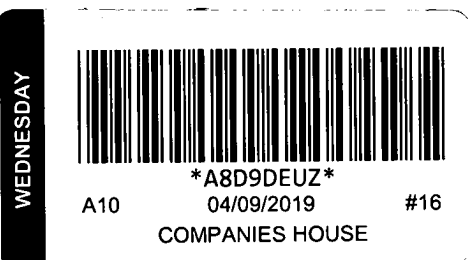
ChipsAway International Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 02962763



ChipsAway International Limited

Report and financial statements for the year ended 31 December 2018

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Directors

T J Harris
A J Mallows
J C S Dent

Registered office

Ashwood Court Springwood Close, Tytherington Business Park, Macclesfield, England, SK10 2XF

Company number

02962763

Independent auditors

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

ChipsAway International Limited

Strategic report for the year ended 31 December 2018

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

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 2018 were broadly in line with expectations, with a profit before tax up by 4% to £1,422,227 from £1,373,095 in 2017.

Encouragingly, consumer enquiries for the Franchise Network Service were broadly in line with 2018, 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

Encouragingly, consumer enquiries for the Franchise Network Service were broadly in line with 2017. 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 20/08/19 and signed on its behalf.


J C S Dent
Director

ChipsAway International Limited

Directors' report for the year ended 31 December 2018

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £1,147,947 (2017 - £1,095,052).

Dividends of £4,223,718 (2017 - £500,000) 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
J C S Dent

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; 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.

ChipsAway International Limited

Directors' report for the year ended 31 December 2018 (*continued*)

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 20/03/19 and signed on its behalf.



J C S Dent
Director

ChipsAway International Limited

Independent auditor's report for the year ended 31 December 2018

TO THE MEMBERS OF CHIPSAWAY INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of ChipsAway International Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and 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 2018 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

ChipsAway International Limited

Independent auditor's report for the year ended 31 December 2018 (*continued*)

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report 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 Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

ChipsAway International Limited

Independent auditor's report for the year ended 31 December 2018 (*continued*)

Auditor's 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 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.

BDO LLP

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

Date: 29 August 2019

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 2018

	Note	2018 £	2017 restated £
Turnover	3	4,699,565	4,724,343
Cost of sales		(1,216,176)	(1,343,396)
Gross profit		3,483,389	3,380,947
Administrative expenses		(2,056,980)	(2,003,513)
Operating profit	5	1,426,409	1,377,434
Interest receivable and similar income	7	-	-
Interest payable and similar charges	8	(4,182)	(4,339)
Profit before tax		1,422,227	1,373,095
Tax on profit	9	(274,280)	(278,043)
Profit and total comprehensive income for the year		1,147,947	1,095,052


The notes on pages 10 to 20 form part of these financial statements.

ChipsAway International Limited

Statement of financial position as at 31 December 2018

Company number: 02962763	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		70,171		67,290
Current assets					
Stocks	12	185,316		180,947	
Debtors:	13				
- amounts falling due within one year		1,660,496		4,970,414	
- amounts falling due after more than one year		54,846		55,838	
Cash at bank and in hand	14	264,984		326,928	
		<u>2,165,642</u>		<u>5,534,127</u>	
Creditors: amounts falling due within one year	15	<u>(1,768,442)</u>		<u>(2,038,402)</u>	
Net current assets			<u>397,200</u>		<u>3,495,725</u>
Total assets less current liabilities			<u>467,371</u>		<u>3,563,015</u>
Creditors: amounts falling due after more than one year	16		(39,643)		(45,131)
Provisions for liabilities					
Deferred tax	18		-		(14,384)
Net assets			<u>427,728</u>		<u>3,503,500</u>
Capital and reserves					
Called up share capital	19		4		4
Profit and loss account			427,724		3,503,496
Shareholders' funds			<u>427,728</u>		<u>3,503,500</u>

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


J C S Dent
Director

20/08/19

The notes on pages 10 to 20 form part of these financial statements.

ChipsAway International Limited

Statement of changes in equity for the year ended 31 December 2018

	Share capital £	Profit and loss account £	Total equity £
At 1 January 2018	4	3,503,496	3,503,500
Comprehensive income for the year			
Profit for the year	-	1,147,947	1,147,946
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,147,946	1,147,946
	<hr/>	<hr/>	<hr/>
Contributions by and distributions to owners			
Dividends: Equity capital	-	(4,223,718)	(4,223,718)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	(4,223,718)	(4,223,718)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	4	427,724	427,728
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Statement of changes in equity for the year ended 31 December 2017

	Share capital £	Profit and loss account £	Total equity £
At 1 January 2016	4	2,908,444	2,908,449
Comprehensive income for the year			
Profit for the year	-	1,095,052	1,095,052
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,095,052	1,095,052
	<hr/>	<hr/>	<hr/>
Contributions by and distributions to owners			
Dividends: Equity capital	-	(500,000)	(500,000)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	(500,000)	(500,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	4	3,503,496	3,503,500
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 10 to 20 form part of these financial statements.

ChipsAway International Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

ChipsAway International Limited 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 2018 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 2018 (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	-	over period of lease
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.

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.

ChipsAway International Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

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 2018 (*continued*)

1 Accounting policies (*continued*)

National advertising fund; prior year restatement

In addition to franchise fees, franchisees pay contributions which are collected by the Company for specific use within the national advertising fund. The Company operates the funds on behalf of the franchisees with the objective of driving revenues for the franchisees.

During the year the Company has changed its accounting policy with relation to the National Advertising Fund to bring it in line with fellow Group entities. National advertising funds are funds which are collected from franchisees under their franchise agreements and then spent on their behalf on advertising which benefits the underlying franchise networks. The management of the funds does not result in any profit or loss for the Company as all funds received are expended on behalf of the network. These have not previously been recognised as revenue.

In the current year the Directors have concluded that the Company will recognise the costs expended by the funds in the year within the costs of the business, and will recognise an equal amount as revenue, with any difference from the amount of cash received from our franchisees as accrued or deferred revenue within the balance sheet.

In the current period the inclusion of the fund expenditure as income has increased revenue by £536,574 (2017: £450,717) and has increased administration expenses by the same amount of £536,574 (2017: £450,717).

	Original numbers £	Adjustment £	Final numbers £
Year ended 31 December 2017			
Revenue	4,273,626	450,717	4,724,343
Cost of sales	(1,343,396)	-	(1,343,396)
Administrative expenses	(1,552,796)	(450,717)	(2,003,513)
Interest Payable	(4,339)	-	(4,339)
Tax expense	(278,043)	-	(278,043)
Profit after tax	1,095,052	-	1,095,052

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.

ChipsAway International Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Pensions

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

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.

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:

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. As at 31 December 2018 £100,828 (2017 - £130,785) had been recognised as a debtor, and £99,933 (2017 - £104,125) was not recognised.

National advertising fund accounting

Franchisees 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.

Whilst 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 is met and therefore the income and expenses of the fund are included in the Company statement of comprehensive income.

During the year, the fund expended a total of £536,574 (2017 - £450,717), which resulted in a surplus of £15,648 (2017 - £17,022), which has been recognised in other creditors.

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 2018 (*continued*)

4 Employees

	2018 £	2017 £
Staff costs consist of:		
Wages and salaries	559,854	523,980
Social security costs	53,518	48,549
Pension costs	6,735	-
	<u>620,107</u>	<u>572,529</u>

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

	Number	Number
Administration	15	14
Sales	2	2
Warehouse	2	2
Training and development	2	2
	<u>21</u>	<u>20</u>

5 Operating profit

	2018 £	2017 £
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	46,150	52,055

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

	2018 £	2017 £
Bank interest	-	-

8 Interest payable and similar charges

	2018 £	2017 £
Finance lease interest	4,182	4,339

ChipsAway International Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

9 Taxation

	2018 £	2017 £
<i>Corporation tax</i>		
Current tax on profits for the year	173,778	-
Group relief	117,586	308,558
Adjustments in respect of previous periods	-	(30,515)
	<u> </u>	<u> </u>
Total current tax	291,364	278,043
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(17,084)	-
	<u> </u>	<u> </u>
Total deferred tax	(17,084)	-
	<u> </u>	<u> </u>
Taxation on profit on ordinary activities	274,280	278,043
	<u> </u>	<u> </u>

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 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	1,422,227	1,373,095
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	270,223	264,321
Effects of:		
Expenses not deductible for tax purposes	8,699	44,237
Adjustments in respect of previous periods	-	(30,515)
Accelerated capital allowances	(4,642)	-
	<u> </u>	<u> </u>
Total tax charge for the year	274,280	278,043
	<u> </u>	<u> </u>

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 2018 (*continued*)

10 Dividends

	2018 £	2017 £
Ordinary shares		
Dividend paid of £105,593 (2017 - £12,500.00) per share	4,223,718	500,000

11 Tangible assets

	Leasehold property improvements £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>					
At 1 January 2018	105,189	135,508	62,910	87,210	390,817
Additions	-	25,956	16,168	6,907	49,031
Disposals	-	-	-	-	-
At 31 December 2018	105,189	161,464	79,078	94,117	439,848
<i>Depreciation</i>					
At 1 January 2018	93,708	83,768	61,733	84,318	323,527
Charge for the year	6,820	33,584	1,956	3,790	46,150
Disposals	-	-	-	-	-
At 31 December 2018	100,528	117,352	63,689	88,108	369,677
<i>Net book value</i>					
At 31 December 2018	4,661	44,112	15,389	6,009	70,171
At 31 December 2017	11,481	51,740	1,177	2,892	67,290

The net book value of tangible fixed assets includes an amount of £42,796 (2017 - £49,375) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £33,591 (2017 - £34,745).

ChipsAway International Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

12 Stocks

	2018 £	2017 £
Stocks	<u>185,316</u>	<u>180,947</u>

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 £633,266 (2017 - £653,767).

An impairment gain of £547 (2017 - £3,895) 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 £10,205 (2017 - £10,752).

13 Debtors

	2018 £	2017 £
Due within one year:		
Trade debtors	464,514	186,990
Amounts owed by Group undertakings	956,290	4,502,447
Prepayments and accrued income	100,465	95,840
Other debtors	136,527	185,137
Deferred Tax	2,700	-
	<u>1,660,496</u>	<u>4,970,414</u>
Due after more than one year:		
Trade debtors	<u>54,846</u>	<u>55,838</u>

The impairment loss recognised within the statement of comprehensive income for the year in respect of bad and doubtful trade and other debtors was £35,066 (2017 - £32,790).

14 Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>264,984</u>	<u>326,928</u>

ChipsAway International Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

15 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	376,233	248,553
Amounts owed to Group undertakings	308,811	1,087,162
Group relief	122,542	251,559
Corporation tax	156,694	-
Taxation and social security	298,559	127,465
Obligations under finance lease and hire purchase contracts	26,583	33,316
Other creditors	402,098	214,041
Accruals and deferred income	76,922	76,306
	<u>1,768,442</u>	<u>2,038,402</u>

Other creditors include amounts owed by the Company in respect of the national advertising fund of £15,648 (2017 - creditor of £17,022).

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

16 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Obligations under finance leases and hire purchase contracts	<u>39,643</u>	<u>45,131</u>

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

Finance leases maturing in more than one year but not more than two years is £12,186 (2017: £17,928), and finance leases maturing in more than two years but not more than five years is £27,455 (2017: £27,203).

17 Financial Instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at amortised cost	<u>1,877,161</u>	<u>5,257,340</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,352,832)</u>	<u>(1,704,509)</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 2018 (*continued*)

18 Deferred taxation

	2018 £	
At 1 January 2018		(14,384)
Charged to profit and loss account		17,084
		<hr/>
At 31 December 2018		2,700
		<hr/>
The provision for deferred taxation is made up as follows:	2018 £	2017 £
Origination and reversal of timing differences	2,700	(14,384)
	<hr/>	<hr/>

19 Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
40 Ordinary shares of £0.10 each	4	4
	<hr/>	<hr/>

20 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 £6,735 (2017 - £Nil).

21 Ultimate parent Company

The company's ultimate parent company is Franchise Brands plc, a company incorporated in the United Kingdom.

The consolidated accounts are available to the public and can be obtained from the group's registered office at Ashwood Court, Springwood Close, Tytherington Business Park, Macclesfield, SK10 2XF.