

REGISTERED NUMBER: 03283357 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2018**
for
Caspian Networks Limited

THURSDAY



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for the Year Ended 31 December 2018**

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Caspian Networks Limited

**Company Information
for the Year Ended 31 December 2018**

DIRECTORS:

Michael Denis Guerin
Alison Wendy Guerin

SECRETARY:

Alison Wendy Guerin

REGISTERED OFFICE:

McDonalds Restaurant
101-105 Horsefair
Bristol
BS1 3JR

REGISTERED NUMBER:

03283357 (England and Wales)

AUDITORS:

Parcell & Associates
Chartered Accountants
Registered Auditors
Aldreth
Pearcroft Road
Stonehouse
Gloucestershire
GL10 2JY

**Strategic Report
for the Year Ended 31 December 2018**

The directors present their strategic report for the year ended 31 December 2018.

REVIEW OF BUSINESS

The company currently operates thirteen restaurants under franchises granted by McDonald's Restaurants Limited. It employs over 1100 staff, having acquired a thirteenth store during the course of 2018

The company has had a very successful year, with sales of just over £41.6 million, compared with £36.7 million in 2017, resulting in gross profits of £27.9 million. Operating Profits before tax in the period amounted to just over £862,500.

Overall the financial position of the company is healthy with the balance sheet currently showing net assets of over £5.4 million, increased from £4.9 million in 2017.

KEY PERFORMANCE INDICATORS

Overall sales increased by 13.49% aided by the acquisition of the new store and on a head to head basis reflecting the 12 stores open in both 2017 and 2018 sales increased by 12.62%. Overheads have increased in proportion to the increased sales and number of stores. Costs have also increased in areas such as wages and the purchasing of food, meaning that gross profit as a percentage of sales has dropped by 2.11%. The business cash-flow is very healthy and the company is able to meet loan repayments.

FUTURE DEVELOPMENTS

The company plans to acquire more restaurants should the opportunity arise. No other major expenditure is anticipated, the company having completed its program of re-imaging.

**Strategic Report
for the Year Ended 31 December 2018**

PRINCIPAL RISKS AND UNCERTAINTIES

Economic risk:

We are optimistic about the economic future. Customer confidence is high and unemployment rates are falling. A cautious approach is still required as real disposable income is declining over the longer term as the cost of living continues to rise, despite interest rates remaining low. Principle risks are increasing commodity prices, adding pressure to margins, and significant upward movements in interest rates might also increase costs. The first mentioned risk is controlled by McDonald's collective purchasing initiatives. The level of borrowing is such that interest rate increases are manageable.

Regulatory risks:

The companies operations demand a high level of compliance within a wide range of regulatory requirements. In particular -

- * health and safety
- * hygiene procedures
- * employment laws
- * licensing

The above, along with a number of other areas, are monitored in detail by McDonalds, as being in the fast food industry brings a high level of regulatory concerns.

Consumer taste:

Any material change in the way the consumer views the fast food industry could have an adverse affect on the company. However, this can also work in the opposite direction and could assist the company to achieve growth. As a result the company focuses, in detail, on recognising demographic trends, ensuring innovation and ensuring that the company only use the freshest and highest quality products through it stores. The company have strict policies to ensure that all stores are maintaining the McDonalds ethos.

Competitors:

The fast food market is a very competitive market, with a high number of large competitors trading in the sector. In order to remain as one of the main players, McDonalds have dedicated teams who focus on ensuring they remain to be the leading company in the market. This will allow them to compete with other large fast food chains.

ON BEHALF OF THE BOARD:



Michael Denis Guerin - Director

24 July 2019

**Report of the Directors
for the Year Ended 31 December 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

DIVIDENDS

Interim dividends per share were paid as follows:

Ordinary A £1 shares	£80,000.00	- 3 September 2018
Ordinary B £1 shares	£90,000.00	- 3 September 2018

The directors recommend that no final dividends be paid.

The total distribution of dividends for the year ended 31 December 2018 will be £170,000.

RESEARCH AND DEVELOPMENT

The company does not carry out any independent research and development. However the franchisor, McDonalds' Restaurants Limited, carries out its own research and development on behalf of all franchisees. The company makes a contribution towards this through its existing payments to the franchisor.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

Michael Denis Guerin
Alison Wendy Guerin

EMPLOYMENT OF DISABLED PERSONS

The company operates a policy of giving full & fair consideration to employment applications from disabled persons.

PROVISION OF INFORMATION TO EMPLOYEES

The company has a system for providing employees with information of concern to them. It also consults employees on a regular basis so that their views can be taken into account in making decisions affecting them. It regularly explains to employees the financial and economic factors affecting the performance of the company and makes them aware of the provision of training, career development and employment of disabled employees.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

**Report of the Directors
for the Year Ended 31 December 2018**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

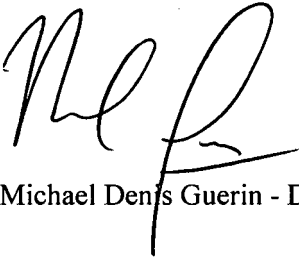
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Parcell & Associates, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'Michael Denis Guerin', written over a horizontal line.

Michael Denis Guerin - Director

24 July 2019

Report of the Independent Auditors to the Members of Caspian Networks Limited

Opinion

We have audited the financial statements of Caspian Networks Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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. We have nothing to report in this regard.

Report of the Independent Auditors to the Members of Caspian Networks Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of
Caspian Networks Limited**

Use of our report

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



Nicholas Parcell (Senior Statutory Auditor)
for and on behalf of Parcell & Associates
Chartered Accountants
Registered Auditors
Aldreth
Pearcroft Road
Stonehouse
Gloucestershire
GL10 2JY

24 July 2019

**Income Statement
for the Year Ended 31 December 2018**

	Notes	31.12.18 £	31.12.17 £
TURNOVER		41,660,145	36,709,343
Cost of sales		13,748,215	11,508,947
GROSS PROFIT		27,911,930	25,200,396
Administrative expenses		27,004,319	23,635,849
OPERATING PROFIT	4	907,611	1,564,547
Interest receivable and similar income		2	8
		907,613	1,564,555
Interest payable and similar expenses	5	45,057	31,007
PROFIT BEFORE TAXATION		862,556	1,533,548
Tax on profit	6	192,703	317,696
PROFIT FOR THE FINANCIAL YEAR		669,853	1,215,852

The notes form part of these financial statements

**Other Comprehensive Income
for the Year Ended 31 December 2018**

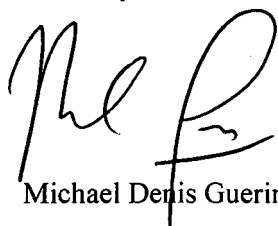
	Notes	31.12.18 £	31.12.17 £
PROFIT FOR THE YEAR		669,853	1,215,852
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>669,853</u>	<u>1,215,852</u>

The notes form part of these financial statements

Balance Sheet
31 December 2018

	Notes	31.12.18 £	31.12.17 £
FIXED ASSETS			
Intangible assets	8	1,948,691	1,727,086
Tangible assets	9	7,304,990	6,744,758
Investments	10	17,500	16,250
		<u>9,271,181</u>	<u>8,488,094</u>
CURRENT ASSETS			
Stocks	11	169,551	156,188
Debtors	12	384,923	286,559
Cash at bank and in hand		2,784,678	2,373,156
		<u>3,339,152</u>	<u>2,815,903</u>
CREDITORS			
Amounts falling due within one year	13	4,774,165	4,097,825
NET CURRENT LIABILITIES		<u>(1,435,013)</u>	<u>(1,281,922)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,836,168</u>	<u>7,206,172</u>
CREDITORS			
Amounts falling due after more than one year	14	(2,003,047)	(1,877,001)
PROVISIONS FOR LIABILITIES	18	(409,229)	(405,132)
NET ASSETS		<u><u>5,423,892</u></u>	<u><u>4,924,039</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	100	100
Retained earnings	20	5,423,792	4,923,939
SHAREHOLDERS' FUNDS		<u><u>5,423,892</u></u>	<u><u>4,924,039</u></u>

The financial statements were approved by the Board of Directors on 24 July 2019 and were signed on its behalf by:



Michael Denis Guerin - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	100	3,878,087	3,878,187
Changes in equity			
Dividends	-	(170,000)	(170,000)
Total comprehensive income	-	1,215,852	1,215,852
Balance at 31 December 2017	100	4,923,939	4,924,039
Changes in equity			
Dividends	-	(170,000)	(170,000)
Total comprehensive income	-	669,853	669,853
Balance at 31 December 2018	100	5,423,792	5,423,892

**Cash Flow Statement
for the Year Ended 31 December 2018**

	Notes	31.12.18 £	31.12.17 £
Cash flows from operating activities			
Cash generated from operations	1	2,818,217	3,002,239
Interest paid		(45,057)	(31,007)
Tax paid		(360,000)	(491,599)
Net cash from operating activities		<u>2,413,160</u>	<u>2,479,633</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(352,988)	(30,000)
Purchase of tangible fixed assets		(1,808,257)	(2,399,189)
Purchase of fixed asset investments		(1,250)	-
Sale of tangible fixed assets		-	46,094
Interest received		2	8
Net cash from investing activities		<u>(2,162,493)</u>	<u>(2,383,087)</u>
Cash flows from financing activities			
New loans in year		1,000,000	1,912,685
Loan repayments in year		(643,801)	(1,327,395)
Amount introduced by directors		170,000	170,000
Amount withdrawn by directors		(195,344)	(413,661)
Equity dividends paid		(170,000)	(170,000)
Net cash from financing activities		<u>160,855</u>	<u>171,629</u>
Increase in cash and cash equivalents		<u>411,522</u>	<u>268,175</u>
Cash and cash equivalents at beginning of year	2	<u>2,373,156</u>	<u>2,104,981</u>
Cash and cash equivalents at end of year	2	<u><u>2,784,678</u></u>	<u><u>2,373,156</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2018**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.12.18	31.12.17
	£	£
Profit before taxation	862,556	1,533,548
Depreciation charges	1,379,408	1,122,966
Profit on disposal of fixed assets	-	(8,863)
Finance costs	45,057	31,007
Finance income	(2)	(8)
	<u>2,287,019</u>	<u>2,678,650</u>
Increase in stocks	(13,363)	(35,131)
(Increase)/decrease in trade and other debtors	(98,364)	28,444
Increase in trade and other creditors	642,925	330,276
	<u>2,818,217</u>	<u>3,002,239</u>
Cash generated from operations	2,818,217	3,002,239

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>2,784,678</u>	<u>2,373,156</u>

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>2,373,156</u>	<u>2,104,981</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2018**

1. STATUTORY INFORMATION

Caspian Networks Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Turnover

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

Intangible assets

Franchise rights & fees, being the amounts paid on acquisition of restaurants are being written off evenly over the terms of the franchise agreements or, in the case of restaurants acquired mid term, written off over 20 years. The 20 year write off period for any restaurants purchased mid term is on the basis that, on expiry of the existing 20 year franchise agreements, the company will be granted further 20 year franchises. The franchisor operates a formal "new term process" which sets out requirements for granting of a new term and the director does not anticipate any difficulty in meeting these requirements.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- at varying rates on cost
Plant and machinery	- 15% on reducing balance and at varying rates on cost
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance

Stocks

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

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to each asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted cost of the future holiday entitlement so accrued at the Balance Sheet date.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

2. ACCOUNTING POLICIES - continued

Financial instruments

The Company only enters into basic financial instruments that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares

For financial assets measured at amortised cost, the impairment cost is measured at the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the assets effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract

For assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument

Dividends

Equity dividends are recognised when they legally become payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management are required to make certain estimates and judgements. The key estimates and judgements are as follows:

Depreciation and residual values

The director has reviewed the asset lives and associated residual values of all fixed asset classes, and has concluded that asset lives and residual values are appropriate

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

3. EMPLOYEES AND DIRECTORS

	31.12.18	31.12.17
	£	£
Wages and salaries	11,914,430	10,458,017
Social security costs	565,123	506,746
Other pension costs	171,063	136,823
	<u>12,650,616</u>	<u>11,101,586</u>

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

	31.12.18	31.12.17
Production staff	1,090	959
Office and management	47	44
	<u>1,137</u>	<u>1,003</u>

	31.12.18	31.12.17
	£	£
Directors' remuneration	<u>27,000</u>	<u>16,000</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2	2
Money purchase schemes	<u>2</u>	<u>2</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.18	31.12.17
	£	£
Hire of plant and machinery	2,929	2,130
Other operating leases	4,935,347	4,471,127
Depreciation - owned assets	1,248,025	990,015
Profit on disposal of fixed assets	-	(8,863)
Franchise rights & fees amortisation	131,383	132,951
Auditors' remuneration	11,930	13,926
Auditors' remuneration for non audit work	<u>6,543</u>	<u>5,362</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.18	31.12.17
	£	£
Bank interest	<u>45,057</u>	<u>31,007</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

6. TAXATION

Analysis of the tax charge

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

	31.12.18 £	31.12.17 £
Current tax:		
UK corporation tax	188,606	288,378
Deferred tax	4,097	29,318
Tax on profit	<u>192,703</u>	<u>317,696</u>

UK corporation tax has been charged at 19% (2017 - 19.25%).

Reconciliation of total tax charge included in profit and loss

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

	31.12.18 £	31.12.17 £
Profit before tax	<u>862,556</u>	<u>1,533,548</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	163,886	295,208
Effects of:		
Expenses not deductible for tax purposes	237	-
Capital allowances in excess of depreciation	-	(5,124)
Depreciation in excess of capital allowances	24,483	-
Deferred tax charge	4,097	29,318
Profit/loss on disposal of fixed assets	-	(1,706)
Total tax charge	<u>192,703</u>	<u>317,696</u>

7. DIVIDENDS

	31.12.18 £	31.12.17 £
Ordinary A shares of £1 each		
Interim	80,000	80,000
Ordinary B shares of £1 each		
Interim	90,000	90,000
	<u>170,000</u>	<u>170,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

8. INTANGIBLE FIXED ASSETS

	Franchise rights & fees £
COST	
At 1 January 2018	3,170,846
Additions	352,988
At 31 December 2018	<u>3,523,834</u>
AMORTISATION	
At 1 January 2018	1,443,760
Amortisation for year	131,383
At 31 December 2018	<u>1,575,143</u>
NET BOOK VALUE	
At 31 December 2018	<u>1,948,691</u>
At 31 December 2017	<u>1,727,086</u>

9. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2018	65,411	11,633,487	170,067	67,805	11,936,770
Additions	14,990	1,793,267	-	-	1,808,257
At 31 December 2018	<u>80,401</u>	<u>13,426,754</u>	<u>170,067</u>	<u>67,805</u>	<u>13,745,027</u>
DEPRECIATION					
At 1 January 2018	15,670	5,000,715	165,457	10,170	5,192,012
Charge for year	4,066	1,229,514	884	13,561	1,248,025
At 31 December 2018	<u>19,736</u>	<u>6,230,229</u>	<u>166,341</u>	<u>23,731</u>	<u>6,440,037</u>
NET BOOK VALUE					
At 31 December 2018	<u>60,665</u>	<u>7,196,525</u>	<u>3,726</u>	<u>44,074</u>	<u>7,304,990</u>
At 31 December 2017	<u>49,741</u>	<u>6,632,772</u>	<u>4,610</u>	<u>57,635</u>	<u>6,744,758</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. **FIXED ASSET INVESTMENTS**

	Unlisted investments £
COST	
At 1 January 2018	16,250
Additions	1,250
	<u> </u>
At 31 December 2018	17,500
	<u> </u>
NET BOOK VALUE	
At 31 December 2018	17,500
	<u> </u>
At 31 December 2017	16,250
	<u> </u>

Fixed asset investments consists of £17,500 (2017-£16,250) ordinary shares of £1 each in Fries Holding Company Limited, a company registered in Guernsey. The investments are included in the accounts at cost.

11. **STOCKS**

	31.12.18 £	31.12.17 £
Food stock	125,026	123,807
Paper stock	24,241	23,660
Non product stock	20,284	8,721
	<u> </u>	<u> </u>
	169,551	156,188
	<u> </u>	<u> </u>

An impairment loss of £nil (2017: £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Stock recognised in cost of sales during the year as an expense was £13,748,215 (2017: £11,508,947)

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.18 £	31.12.17 £
Trade debtors	4,148	398
Other debtors	126,862	71,525
Prepayments	253,913	214,636
	<u> </u>	<u> </u>
	384,923	286,559
	<u> </u>	<u> </u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£	£
Bank loans and overdrafts (see note 15)	811,216	581,063
Trade creditors	1,698,077	1,503,035
Tax	(63,034)	108,360
Social security and other taxes	125,977	121,737
VAT	1,050,002	852,198
Other creditors	462,061	328,813
Directors' current accounts	186,690	212,034
Accrued expenses	503,176	390,585
	<u>4,774,165</u>	<u>4,097,825</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.18	31.12.17
	£	£
Bank loans (see note 15)	<u>2,003,047</u>	<u>1,877,001</u>

15. LOANS

An analysis of the maturity of loans is given below:

	31.12.18	31.12.17
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>811,216</u>	<u>581,063</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>811,216</u>	<u>581,063</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>1,180,013</u>	<u>1,295,938</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loan over 5 years	<u>11,818</u>	<u>-</u>

The loans are due for repayment in equal monthly instalments with terms as stated above. They are unsecured with interest charged at 1.2% above the Bank of England base rates.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

16. LEASING AGREEMENTS

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

	31.12.18	31.12.17
	£	£
Within one year	1,165,872	1,016,340
Between one and five years	3,707,669	3,565,373
In more than five years	7,774,840	6,105,477
	<u>12,648,381</u>	<u>10,687,190</u>

Lease payments recognised as an expense in the year totalled £4,935,347 (2017: £4,471,127).

The Company's restaurant premises are leased from McDonalds Restaurants Limited under non-cancellable operating leases with expiry terms of more than five years. Rent is calculated as a percentage of sales above base, the above operating lease commitment only relates to base rent. Each restaurant pays its own unique base rent based on its circumstances, with the remainder of the rent being based on the performance of the restaurant.

17. FINANCIAL INSTRUMENTS

Financial Assets	31.12.18	31.12.17
	£	£
Financial assets as an equity instrument	17,500	16,250
Financial assets that are debt instruments measured at amortised cost	2,885,396	2,438,669
	<u>2,902,896</u>	<u>2,454,919</u>
Financial Liabilities	5,664,268	4,892,531
	<u>5,664,268</u>	<u>4,892,531</u>

18. PROVISIONS FOR LIABILITIES

	31.12.18	31.12.17
	£	£
Deferred tax	<u>409,229</u>	<u>405,132</u>
		Deferred tax
		£
Balance at 1 January 2018		405,132
Provided during year		<u>4,097</u>
Balance at 31 December 2018		<u>409,229</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	31.12.18	31.12.17
Number:	Class:		£	£
75	Ordinary A	£1	75	75
25	Ordinary B	£1	25	25
			<u>100</u>	<u>100</u>

20. RESERVES

	Retained earnings £
At 1 January 2018	4,923,939
Profit for the year	669,853
Dividends	(170,000)
At 31 December 2018	<u>5,423,792</u>

21. ULTIMATE CONTROLLING PARTY

The controlling party is Michael Denis Guerin.