REGISTERED NUMBER: 03283357 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2019

for

Caspian Networks Limited

Contents of the Financial Statements
for the Year Ended 31 December 2019

Caspian Networks Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	Michael Denis Guerin Alison Wendy Guerin
SECRETARY:	Alison Wendy Guerin
REGISTERED OFFICE:	101-105 The 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 2019

The directors present their strategic report for the year ended 31 December 2019.

REVIEW OF BUSINESS
The company currently operates thirteen restaurants under franchises granted by McDonald's Restaurants Limited. It employs over 1500 staff, having acquired one store during the course of 2019 and closed another.

The company has had a very successful year, with sales of just over £47.9 million, compared with £41.6 million in 2018, resulting in gross profits of £31.9 million, helped by the store acquired in 2018 being open a full year, a new store being bought in 2019 and the closure of an unprofitable store. Operating Profits before tax in the period amounted to just over £1.3 million

Overall the financial position of the company is healthy with the balance sheet currently showing net assets of over £6.37 million, increased from £5.42 million in 2018.

KEY PERFORMANCE INDICATORS

Overall sales increased by 15% aided by the acquisition of the new store and on a head to head basis reflecting the 11 stores open in both 2018 and 2019 for a full 12 months, sales increased by 11.16%. 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 2.46%. 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.

PRINCIPAL RISKS AND UNCERTAINTIES
The company operates in a highly competitive market. High street consumer behaviour impacts the company's turnover and the variability of commodity prices impacts profitability.

The company is continually assessing all risks with an aim to mitigate any future threats these may have on the business.

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

Whilst the directors recognise the risks associated with Brexit, they believe that these risks will be mitigated by the strength of the McDonald's brand and the company's strong balance sheet.

Corona virus:
Corona virus is impacting the business and has resulted in both reduced turnover and profits, though it is too early to assess the extent of this. While the company has both reserves and banking facilities sufficient to weather a lengthy downturn, it has never the less taken a number of steps to minimise impact to the company. These include negotiating extended payment terms with its suppliers and the bank reduction of staff hours. It has also received the active assistance of the franchisor.

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.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control, hence we are constantly assessing our plans in line with the current environment.

Strategic Report
for the Year Ended 31 December 2019

SECTION 172(1) STATEMENT
The board of directors take into account the likely consequences of long-term decisions; build relationships with stakeholders; understand the importance of engaging with our employees; understand the impact of our operations on the communities within which we operate; and attribute importance to behaving as a responsible business.

The board of directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019. In particular by reference to the approval of our business plan, which is updated on an annual basis. Our business plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering high quality quick-service food.

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

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

ON BEHALF OF THE BOARD:

Michael Denis Guerin - Director

25 September 2020

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

DIVIDENDS
Interim dividends per share were paid as follows:

Ordinary A £1 shares	£1000.00	- 9 August 2019
Ordinary B £1 shares	£3400.00	- 9 August 2019

The directors recommend that no final dividends be paid.

The total distribution of dividends for the year ended 31 December 2019 will be £ 160,000 .

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 2019 to the date of this report.

Michael Denis Guerin
Alison Wendy Guerin

GOING CONCERN
The company is in a net current liabilities position at the balance sheet date, however this is a reflection of the nature of the fast food industry and not a reflection of the strength of the business. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 to 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.

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

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS
The board of directors take into account the likely consequences of long-term decisions; build relationships with stakeholders; understand the impact of our operations on the communities within which we operate; and attribute importance to behaving as a responsible business.

DISCLOSURE IN THE STRATEGIC REPORT

The Strategic Report includes a statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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:

Michael Denis Guerin - Director

25 September 2020

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 2019 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 2019 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 page six, 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 Walker (Senior Statutory Auditor)
for and on behalf of Parcell & Associates
Chartered Accountants
Registered Auditors
Aldreth
Pearcroft Road
Stonehouse
Gloucestershire
GL10 2JY

25 September 2020

Caspian Networks Limited (Registered number: 03283357)

Income Statement
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
TURNOVER		47,910,418	41,660,145
Cost of sales		15,978,355	13,748,215
GROSS PROFIT		31,932,063	27,911,930
Administrative expenses		30,522,200	27,004,319
OPERATING PROFIT	4	1,409,863	907,611
Interest receivable and similar income		707	2
		1,410,570	907,613
Interest payable and similar expenses	5	47,167	45,057
PROFIT BEFORE TAXATION		1,363,403	862,556
Tax on profit	6	256,411	192,703
PROFIT FOR THE FINANCIAL YEAR		1,106,992	669,853

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
PROFIT FOR THE YEAR		1,106,992	669,853
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,106,992	669,853

The notes form part of these financial statements

Balance Sheet
31 December 2019

	Notes	31.12.19 £	31.12.19 £	31.12.18 £	31.12.18 £
FIXED ASSETS					
Intangible assets	8		1,831,807		1,948,691
Tangible assets	9		7,960,111		7,304,990
Investments	10		18,750		17,500
			9,810,668		9,271,181
CURRENT ASSETS					
Stocks	11	219,308		169,551	
Debtors	12	536,492		447,957	
Cash at bank and in hand		2,741,101		2,784,678	
		3,496,901		3,402,186	
CREDITORS					
Amounts falling due within one year	13	5,271,314		4,837,199	
NET CURRENT LIABILITIES			(1,774,413)		(1,435,013)
TOTAL ASSETS LESS CURRENT LIABILITIES			8,036,255		7,836,168
CREDITORS					
Amounts falling due after more than one year	14		(1,170,209)		(2,003,047)
PROVISIONS FOR LIABILITIES	18		(495,162)		(409,229)
NET ASSETS			6,370,884		5,423,892
CAPITAL AND RESERVES					
Called up share capital	19		100		100
Retained earnings	20		6,370,784		5,423,792
SHAREHOLDERS' FUNDS			6,370,884		5,423,892

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2020 and were signed on its behalf by:

Michael Denis Guerin - Director

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	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
Changes in equity			
Dividends	-	(160,000)	(160,000)
Total comprehensive income	-	1,106,992	1,106,992
Balance at 31 December 2019	100	6,370,784	6,370,884

Cash Flow Statement
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
Cash flows from operating activities			
Cash generated from operations	1	3,444,335	2,818,217
Interest paid		(47,167)	(45,057)
Tax paid		(269,999)	(360,000)
Net cash from operating activities		3,127,169	2,413,160
Cash flows from investing activities			
Purchase of intangible fixed assets		(30,000)	(352,988)
Purchase of tangible fixed assets		(2,202,645)	(1,808,257)
Purchase of fixed asset investments		(1,250)	(1,250)
Sale of tangible fixed assets		106,617	-
Interest received		707	2
Net cash from investing activities		(2,126,571)	(2,162,493)
Cash flows from financing activities			
New loans in year		(817,658)	1,000,000
Loan repayments in year		-	(643,801)
Amount introduced by directors		160,000	170,000
Amount withdrawn by directors		(226,517)	(195,344)
Equity dividends paid		(160,000)	(170,000)
Net cash from financing activities		(1,044,175)	160,855
(Decrease)/increase in cash and cash equivalents		(43,577)	411,522
Cash and cash equivalents at beginning of year	2	2,784,678	2,373,156
Cash and cash equivalents at end of year	2	2,741,101	2,784,678

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2019

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

	31.12.19	31.12.18
	£	£
Profit before taxation	1,363,403	862,556
Depreciation charges	1,522,402	1,379,408
Loss on disposal of fixed assets	65,389	-
Finance costs	47,167	45,057
Finance income	(707)	(2)
	2,997,654	2,287,019
Increase in stocks	(49,757)	(13,363)
Decrease/(increase) in trade and other debtors	10,986	(98,364)
Increase in trade and other creditors	485,452	642,925
Cash generated from operations	3,444,335	2,818,217

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 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	2,741,101	2,784,678

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	2,784,678	2,373,156

Notes to the Cash Flow Statement
for the Year Ended 31 December 2019

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.19	Cash flow	At 31.12.19
	£	£	£
Net cash			
Cash at bank and in hand	2,784,678	(43,577)	2,741,101
	2,784,678	(43,577)	2,741,101
Debt			
Debts falling due within 1 year	(811,216)	(15,180)	(826,396)
Debts falling due after 1 year	(2,003,047)	832,838	(1,170,209)
	(2,814,263)	817,658	(1,996,605)
Total	(29,585)	774,081	744,496

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.

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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.

continued...

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 shareholdersat 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

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3. EMPLOYEES AND DIRECTORS

	31.12.19	31.12.18
	£	£
Wages and salaries	13,373,939	11,914,430
Social security costs	642,886	565,123
Other pension costs	229,561	171,063
	14,246,386	12,650,616

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

	31.12.19	31.12.18
Production staff	1,316	1,090
Office and management	51	47
	1,367	1,137

	31.12.19	31.12.18
	£	£
Directors' remuneration	27,000	27,000

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

Money purchase schemes	2	2

4. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.19	31.12.18
	£	£
Hire of plant and machinery	5,769	2,929
Other operating leases	5,634,533	4,935,347
Depreciation - owned assets	1,375,518	1,248,025
Loss on disposal of fixed assets	65,389	-
Franchise rights & fees amortisation	146,884	131,383
Auditors' remuneration	16,108	11,930
Other non- audit services	9,785	6,543

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.19	31.12.18
	£	£
Bank interest	47,167	45,057

continued...

6. TAXATION

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

	31.12.19	31.12.18
	£	£
Current tax:		
UK corporation tax	170,478	188,606
Deferred tax	85,933	4,097
Tax on profit	256,411	192,703

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.19	31.12.18
	£	£
Profit before tax	1,363,403	862,556
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	259,047	163,886
Effects of:		
Expenses not deductible for tax purposes	297	237
Capital allowances in excess of depreciation	(101,290)	-
Depreciation in excess of capital allowances	-	24,483
Deferred tax charge	85,933	4,097
Profit/loss on disposal of fixed assets	12,424	-
Total tax charge	256,411	192,703

7. DIVIDENDS

	31.12.19	31.12.18
	£	£
Ordinary A shares of £1 each		
Interim	75,000	80,000
Ordinary B shares of £1 each		
Interim	85,000	90,000
	160,000	170,000

continued...

8. INTANGIBLE FIXED ASSETS

	Franchise rights & fees £
COST	
At 1 January 2019	3,523,834
Additions	30,000
At 31 December 2019	3,553,834
AMORTISATION	
At 1 January 2019	1,575,143
Amortisation for year	146,884
At 31 December 2019	1,722,027
NET BOOK VALUE	
At 31 December 2019	1,831,807
At 31 December 2018	1,948,691

9. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2019	80,401	13,426,754	170,067	67,805	13,745,027
Additions	19,153	2,183,492	-	-	2,202,645
Disposals	-	(469,483)	-	-	(469,483)
At 31 December 2019	99,554	15,140,763	170,067	67,805	15,478,189
DEPRECIATION					
At 1 January 2019	19,736	6,230,229	166,341	23,731	6,440,037
Charge for year	5,156	1,356,098	703	13,561	1,375,518
Eliminated on disposal	-	(297,477)	-	-	(297,477)
At 31 December 2019	24,892	7,288,850	167,044	37,292	7,518,078
NET BOOK VALUE					
At 31 December 2019	74,662	7,851,913	3,023	30,513	7,960,111
At 31 December 2018	60,665	7,196,525	3,726	44,074	7,304,990

continued...

10. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 January 2019	17,500
Additions	1,250
At 31 December 2019	18,750
NET BOOK VALUE	
At 31 December 2019	18,750
At 31 December 2018	17,500

Fixed asset investments consists of 18,750 (2018-17,500) 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

	31.12.19 £	31.12.18 £
Food stock	167,118	125,026
Paper stock	33,983	24,241
Non product stock	18,207	20,284
	219,308	169,551

An impairment loss of £nil (2018: £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 £15,978,355 (2018: £13,748,215)

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19 £	31.12.18 £
Trade debtors	392	4,148
Other debtors	146,908	126,862
Tax	162,555	63,034
Prepayments	226,637	253,913
	536,492	447,957

continued...

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Bank loans and overdrafts (see note 15)	826,396	811,216
Trade creditors	1,283,448	1,698,077
Social security and other taxes	134,209	125,977
VAT	1,338,310	1,050,002
Other creditors	537,144	462,061
Directors' current accounts	120,173	186,690
Accrued expenses	1,031,634	503,176
	5,271,314	4,837,199

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

	31.12.19	31.12.18
	£	£
Bank loans (see note 15)	1,170,209	2,003,047

15. LOANS

An analysis of the maturity of loans is given below:

	31.12.19	31.12.18
	£	£
Amounts falling due within one year or on demand:		
Bank loans	826,396	811,216
Amounts falling due between one and two years:		
Bank loans - 1-2 years	732,134	811,216
Amounts falling due between two and five years:		
Bank loans - 2-5 years	438,075	1,180,013
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loan over 5 years	-	11,818

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.

continued...

16. LEASING AGREEMENTS

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

	31.12.19	31.12.18
	£	£
Within one year	1,435,087	1,165,872
Between one and five years	4,451,122	3,707,669
In more than five years	11,428,816	7,774,840
	17,315,025	12,648,381

Lease payments recognised as an expense in the year totalled £5,634,533 (2018: £4,935,347).

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	31.12.19	31.12.18
	£	£
Financial assets as an equity instrument	18,750	17,500
Financial assets that are debt instruments measured at amortised cost	2,872,064	2,885,396
	2,890,814	2,902,896

Financial Liabilities	4,969,005	5,664,268
	4,969,005	5,664,268

18. PROVISIONS FOR LIABILITIES

	31.12.19	31.12.18
	£	£
Deferred tax	495,162	409,229

	Deferred tax
	£
Balance at 1 January 2019	409,229
Provided during year	85,933
Balance at 31 December 2019	495,162

continued...

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.19 £	31.12.18 £
75	Ordinary A	£1	75	75
25	Ordinary B	£1	25	25
			100	100

20. RESERVES

	Retained earnings £
At 1 January 2019	5,423,792
Profit for the year	1,106,992
Dividends	(160,000)
At 31 December 2019	6,370,784

21. RELATED PARTY DISCLOSURES

During the year, total dividends of £160,000 were paid to the directors .

22. ULTIMATE CONTROLLING PARTY

The controlling party is Michael Denis Guerin.