

**Company registration number: 03470157**

**Astrad Limited**

**Financial statements**

**31 March 2019**

# **Astrad Limited**

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## **Astrad Limited**

### **Directors and other information**

<b>Director</b>	Mr A R Sirkhot
<b>Secretary</b>	Mrs S Evenson
<b>Company number</b>	03470157
<b>Registered office</b>	Lea Road Wolverhampton West Midlands WV3 0LH
<b>Auditor</b>	Manex Accountants Ltd 9, Castle Court (2) Castlegate Way Dudley West Midlands DY1 4RH
<b>Accountants</b>	Active Business Consultants 9, Castle Court (2) Castlegate Way Dudley West Midlands DY1 4RH

**Bankers**

HSBC plc  
PO Box 68  
130 New Street  
Birmingham  
B2 4JU

## **Astrad Limited**

### **Strategic report**

**Year ended 31 March 2019**

#### **Business review**

The director aims to present a review of the development and performance of the company during the year under review and its position at the year end. This review is consistent with the size and nature of the company and is written in the context of the risks and uncertainties it faces.

The principle activity of the company during the year was that of an operator of 12 McDonald's restaurant franchises, one of which closed during the year.

The company operates in a highly competitive market, with consumer behaviour impacting the company's turnover, and the variability of commodity prices impacting profitability. The company considers its key performance indicators are those that communicate the financial performance and strength of the company, including turnover, gross profit and operating profit. The company realised sales growth during the year, increasing from £37.5m to £41.4m, reflecting an increase of 8% over the previous year.

During the period the company continued its investment in the national McDonald's "Experience of the Future" and "Less is More" store refurbishment projects, with a further store refurbishment being carried out during the year. Convenience and technology are at the heart of the changes introduced, with the introduction of digital menu boards and tablets to help improve the customer's experience. The re-imaging strategy continues to have a positive impact on sales growth, which is in line with the directors' expectations and objectives.

The demand for home delivery foods ready to eat is increasing. The company will continue its partnership with UberEats to introduce the new McDelivery service in order to keep up with this particular market trend.

Given the straightforward nature of the business, the director is of the opinion that analysis using additional KPI's is not necessary for an understanding of the development, performance or position of the company.

## **Principal risks and uncertainties**

The management of the company and the nature of its trading strategy are subject to a number of risks, which are set out below. The company operates a thorough risk assessment and management process which involves a formal review of all the risks identified below and introducing processes to monitor and mitigate each risk, where possible.

As previously mentioned, the company operates in a highly competitive market with high levels of price sensitivity. Consumer behaviour can impact the company's turnover and profitability. The company mitigates this risk by adopting a policy of constantly assessing its pricing strategy with ongoing market research. Demand has increased during the year and the economic outlook has continued to improve.

The company remains exposed to periods of food cost inflation together with the variability of commodity prices, which both impact on the company's profitability. The company continually assesses any risks identified with the aim of mitigating the threats these may have on the company's operations and profitability. The company's supply chain is closely maintained by McDonald's, who are therefore able to negotiate effectively on behalf of franchisees in order to ensure better purchasing terms. This helps as much as possible to protect the company from risks associated with fluctuating food costs.

The company is also inherently exposed to pressures within the labour market and to wage cost inflation. Recent changes to the national minimum wage and increases in the minimum contributions for auto enrolment pensions have contributed towards the increase in wage costs. The company mitigates this risk by a policy of adopting remuneration and benefits packages designed to be competitive within the market as well as ensuring full compliance with labour market regulations, with employment policies to allow fulfilling career opportunities for all employees.

## **Financial risk management and policies**

The company's principal financial instruments comprise bank balances, loans to the company, and trade creditors. The main purpose of these instruments is to provide funds for the company's operations. Their existence exposes the company to a number of financial risks, which have been considered and are managed as follows:

**Liquidity risk:** Liquidity risk is the risk that the company will have insufficient resources to meet its financial liabilities as they fall due. The company's strategy to managing liquidity risk is to ensure that the company has sufficient funds to meet all its potential liabilities as they fall due. In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdraft facilities at floating rates of interest. In respect of bank loans, although the interest rates are variable, monthly repayments are fixed. The liquidity risk is therefore managed by ensuring there are sufficient funds available to meet the monthly repayments. In respect of trade creditors, the liquidity risk is managed by ensuring sufficient funds are available to meet amounts due for payment.

**Operational risk:** Operational risk is the risk of a direct or indirect loss resulting from the inadequacies or failures of processes or controls due to technology, staff, organisation or external factors. To monitor and control operational risk, the company maintains a system of comprehensive policies and a control framework which is designed to provide a sound and well-controlled operational environment.

**Interest rate risk:** Interest rate risk is the risk that financial performance of the company will be adversely affected by adverse fluctuations on interest rates being charged to the company on its financial instruments, most noticeably bank loans and its bank overdraft facility. The interest rate risk is managed by the on-going monitoring and assessment of its borrowings and the interest rate charged.

**Price risk:** Price risk is the risk that financial performance of the company will be adversely affected by pricing charges. Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company sets its own prices within allowable variations.

**Credit risk:** Credit risk is the risk of a potential loss from a customer or counterparty default. Due to the nature of the company's trade, there is no exposure to credit risk.

**Currency risk:** Currency risk is the risk that financial performance of the company will be adversely affected by adverse fluctuations in foreign currencies used by the company. The company has no exposure to foreign currency risk.

This report was approved by the board of directors on 23 December 2019 and signed on behalf of the board by:

Mr A R Sirkhot

Director

## **Astrad Limited**

### **Director's report**

#### **Year ended 31 March 2019**

The director presents his report and the financial statements of the company for the year ended 31 March 2019.

#### **Director**

The director who served the company during the year was as follows:

Mr A R Sirkhot

#### **Dividends**

Particulars of recommended dividends are detailed in note 12 to the financial statements.

#### **Future developments**

The director is committed to increasing both the turnover and profitability of the company. The company will continue its policy of refurbishing its stores in line with the McDonald's national re-imaging strategy. The company will also continue to introduce the new McDelivery service at its restaurants in partnership with UberEats.

#### **Employment of disabled persons**

The company operates an equal opportunities policy with regard to recruitment and seeks to offer suitable work and training wherever practicable to persons with disabilities. The policy of the company is to ensure that disabled applicants for employment are given full and fair consideration having regard to their particular aptitudes and abilities. Existing disabled employees are given equal access to appropriate training, career development and promotion opportunities within the company. In the event of employees becoming disabled while in the employment of the company, all reasonable means are explored to achieve retention in employment in the same or an alternative capacity.



## **Employee involvement**

The company aims to promote a working environment free from unlawful harassment, victimisation, bullying and discrimination. The company regards all of its employees as members of a team where opinions are valued and everyone is regarded as equal in status and treated with fairness and respect. The company endeavours to ensure that no job applicant or existing employee is treated less favourably on the grounds of their gender, age, marital status, disability, race, colour, sexual orientation, nationality, ethnic origin, religion or belief and that nobody is disadvantaged by conditions, requirements or practices which cannot be shown to be just and fair. The company's recruitment procedures are intended to ensure that employees are selected, promoted and treated according to their ability and that everyone has an equal opportunity to receive training and development. The company communicates regularly with all employees on matters relating to its performance. Employees are encouraged to contribute to the decision making process through regular staff meetings held by the management of the company to discuss matters of concern. An open management policy is operated whereby all members of staff (including part-time and casual staff) are briefed regularly and kept informed on matters affecting the company by means of regular store meetings and communications, together with personal appraisals and feedback sessions.

## **Financial instruments**

The company's principal financial instruments comprise bank balances, loans to the company, and trade creditors. The main purpose of these instruments is to provide funds for the company's operations. Their existence exposes the company to a number of financial risks, which are detailed in the Strategic Report under financial risk management and policies.

## **Disclosure of information in the strategic report.**

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the company has set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

## **Director's responsibilities statement**

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him 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.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and -
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 23 December 2019 and signed on behalf of the board by:

Mr A R Sirkhot

Director

## **Astrad Limited**

### **Independent auditor's report to the member of**

## **Astrad Limited**

**Year ended 31 March 2019**

### **Opinion**

I have audited the financial statements of Astrad Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In my opinion, the financial statements: - give a true and fair view of the state of the company's affairs as at 31 March 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**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. I am independent of the company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the FRC's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 my auditor's report thereon. The director is responsible for the other information. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

I have nothing to report in this regard.

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

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report has 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, I have not identified material misstatements in the strategic report or the director's report. I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion: - adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by me; or - the financial statements are not in agreement with the accounting records and the returns; or - certain disclosures of director's remuneration specified by law are not made; or - I have not received all the information and explanations I require for my audit.

### **Responsibilities of directors**

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

My 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 my 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. As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also: - Identify and assess the risks of material misstatement of the financial statements, whether due to

fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director. - Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, we are required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **Use of my report**

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

Clinton Meehan BSC FCA

Manex Accountants Ltd

Chartered Accountants and Registered Auditors

9, Castle Court (2)

Castlegate Way

Dudley

West Midlands

DY1 4RH

23 December 2019

**Astrad Limited****Statement of income and retained earnings****Year ended 31 March 2019**

	<b>Note</b>	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
<b>Turnover</b>	<b>4</b>	41,431,174	37,556,395
Cost of sales		( 23,611,582 )	( 21,059,011 )
		<u>17,819,592</u>	<u>16,497,384</u>
<b>Gross profit</b>			
Administrative expenses		( 17,310,956 )	( 15,415,464 )
Other operating income	<b>5</b>	11,309	14,414
		<u>519,945</u>	<u>1,096,334</u>
<b>Operating profit</b>	<b>6</b>		
Other interest receivable and similar income	<b>9</b>	15	-
Interest payable and similar expenses	<b>10</b>	( 68,679 )	( 50,409 )
		<u>451,281</u>	<u>1,045,925</u>
<b>Profit before taxation</b>			
Tax on profit	<b>11</b>	( 157,107 )	( 257,160 )
		<u>294,174</u>	<u>788,765</u>
<b>Profit for the financial year and total comprehensive income</b>			
Dividends declared and paid or payable during the year	<b>12</b>	( 535,000 )	( 670,000 )
<b>Retained earnings at the start of the year</b>		1,363,821	1,245,056
		<u>1,122,995</u>	<u>1,363,821</u>
<b>Retained earnings at the end of the year</b>			

All the activities of the company are from continuing operations.

**Astrad Limited**

**Statement of financial position**

**31 March 2019**

	Note	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Intangible assets	13	266,075		317,724	
Tangible assets	14	6,383,419		6,867,237	
Investments	15	13,750		15,000	
			6,663,244		7,199,961
<b>Current assets</b>					
Stocks	16	139,578		161,785	
Debtors	17	557,417		630,861	
Cash at bank and in hand		1,693,095		2,439,969	
		2,390,090		3,232,615	
<b>Creditors: amounts falling due within one year</b>					
	18	( 4,694,977)		( 5,360,315)	
<b>Net current liabilities</b>					
			( 2,304,887)		( 2,127,700)
<b>Total assets less current liabilities</b>					
			4,358,357		5,072,261
<b>Creditors: amounts falling due after more than one year</b>					
	19	( 2,516,394)		( 3,001,375)	
<b>Provisions for liabilities</b>					
	20	( 206,468)		( 194,565)	
<b>Net assets</b>					
			1,635,495		1,876,321
<b>Capital and reserves</b>					
Called up share capital	23	512,500		512,500	
Profit and loss account	24	1,122,995		1,363,821	
<b>Shareholder funds</b>					
			1,635,495		1,876,321



These financial statements were approved by the board of directors and authorised for issue on 23 December 2019  
, and are signed on behalf of the board by:

Mr A R Sirkhot

Director

Company registration number: 03470157

**Astrad Limited****Statement of cash flows****Year ended 31 March 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	294,174	788,765
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,378,937	1,309,057
Amortisation of intangible assets	35,227	87,022
Other interest receivable and similar income	( 15)	-
Interest payable and similar expenses	68,679	50,409
Gain/(loss) on disposal of tangible assets	38,362	-
Gain/(loss) on disposal of Intangible assets	( 13,578)	-
Tax on profit	157,107	257,160
Accrued expenses/(income)	( 341,260)	( 441,808)
<i>Changes in:</i>		
Stocks	22,207	( 4,222)
Trade and other debtors	73,444	( 60,625)
Trade and other creditors	( 242,472)	2,044,898
Cash generated from operations	1,470,812	4,030,656
Interest paid	( 68,679)	( 50,409)
Interest received	15	-
Tax paid	( 267,761)	( 208,085)
Net cash from operating activities	1,134,387	3,772,162
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	( 1,006,813)	( 2,973,019)
Proceeds from sale of tangible assets	73,332	18,859
Purchase of intangible assets	-	( 119,478)
Proceeds from sale of intangible assets	30,000	-
Proceeds from sale of other investments	1,250	-
Net cash used in investing activities	( 902,231)	( 3,073,638)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	( 444,030)	1,446,692
Proceeds from loans from group undertakings	-	( 86,049)
Equity dividends paid	( 535,000)	( 670,000)
Net cash (used in)/from financing activities	( 979,030)	690,643

<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 746,874)</b>	<b>1,389,167</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,439,969</b>	<b>1,050,802</b>

Cash and cash equivalents at end of year	1,693,095	2,439,969
	<u>          </u>	<u>          </u>

# **Astrad Limited**

## **Notes to the financial statements**

**Year ended 31 March 2019**

### **1. General information**

The company is a private company limited by shares, registered in England. The address of the registered office is McDonalds Restaurant, Lea Road, Wolverhampton, West Midlands, WV3 0LH.

### **2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

### **3. Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer, usually at point of sale to the customer; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

#### **Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income,. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### **Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### **Goodwill**

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business. Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

## **Intangible assets**

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	5 % straight line
Licence fees	-	5 % straight line
Stamp duty	-	5 % straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

## **Tangible assets**

tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and equipment	-	14.29 % straight line
Office equipment	-	10 % straight line
Motor vehicles	-	25 % straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

## **Fixed asset investments**

Fixed asset investments are recorded at cost.

## **Impairment**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

## Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

## Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

## Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

## Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

## 4. Turnover

Turnover arises from:

	2019	2018
	£	£
Sale of goods	40,760,581	36,868,880
Sales of non-product items	670,593	687,515
	<u>41,431,174</u>	<u>37,556,395</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.



## 5. Other operating income

	2019	2018
	£	£
Other operating income	11,309	14,414
	<u>          </u>	<u>          </u>

## 6. Operating profit

Operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Amortisation of intangible assets	35,227	87,022
Depreciation of tangible assets	1,378,937	1,309,057
(Gain)/loss on disposal of tangible assets	38,362	-
(Gain)/loss on disposal of intangible assets	( 13,578)	-
Cost of stocks recognised as an expense	13,489,111	11,907,143
Operating lease rentals	7,361,725	6,582,540
Fees payable for the audit of the financial statements	3,500	3,500
	<u>          </u>	<u>          </u>

## 7. Staff costs

The average number of persons employed by the company during the year, including the director, amounted to:

	2019	2018
Restaurant crew	843	869
Management and administration	43	45
	<u>          </u>	<u>          </u>
	886	914
	<u>          </u>	<u>          </u>

The aggregate payroll costs incurred during the year were:

	2019	2018
	£	£
Wages and salaries	12,104,990	10,971,096
Social security costs	551,568	489,636
Other pension costs	107,068	63,405
	<u>          </u>	<u>          </u>
	12,763,626	11,524,137
	<u>          </u>	<u>          </u>

## 8. Directors remuneration

The director's aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	12,000	12,000
Company contributions to pension schemes in respect of qualifying services	3,600	3,600
	<u>15,600</u>	<u>15,600</u>

## 9. Other interest receivable and similar income

	2019	2018
	£	£
Other interest receivable and similar income	15	-
	<u>15</u>	<u>-</u>

## 10. Interest payable and similar expenses

	2019	2018
	£	£
Bank loans and overdrafts	68,679	50,244
Other interest payable and similar expenses	-	165
	<u>68,679</u>	<u>50,409</u>

## 11. Tax on profit

### Major components of tax expense

	2019 £	2018 £
<b>Current tax:</b>		
UK current tax expense	145,204	267,746
Adjustments in respect of previous periods	-	( 10)
	<hr/>	<hr/>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	11,903	( 10,576)
	<hr/>	<hr/>
<b>Tax on profit</b>	<b>157,107</b>	<b>257,160</b>
	<hr/>	<hr/>

### Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19.00 % (2018: 19.00%).

	2019 £	2018 £
Profit before taxation	451,281	1,045,925
	<hr/>	<hr/>
Profit multiplied by rate of tax	85,743	198,726
Adjustments in respect of prior periods	-	( 10)
Effect of expenses not deductible for tax purposes	191	-
Effect of capital allowances and depreciation	59,270	73,525
Deferred revenue claim	-	( 4,505)
Deferred taxation provision	11,903	(10,576)
	<hr/>	<hr/>
Tax on profit	<b>157,107</b>	<b>257,160</b>
	<hr/>	<hr/>

## 12. Dividends

### Equity dividends

	2019 £	2018 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	535,000	670,000
	<hr/>	<hr/>

### 13. Intangible assets

	Goodwill £	Licence fees £	Stamp duty £	Total £
<b>Cost</b>				
At 1 April 2018	1,409,580	360,000	95,651	1,865,231
Disposals	-	( 30,000)	( 5,829)	( 35,829)
<b>At 31 March 2019</b>	<b>1,409,580</b>	<b>330,000</b>	<b>89,822</b>	<b>1,829,402</b>
<b>Amortisation</b>				
At 1 April 2018	1,380,573	146,230	20,704	1,547,507
Charge for the year	12,892	17,625	4,710	35,227
Disposals	-	( 16,250)	( 3,157)	( 19,407)
<b>At 31 March 2019</b>	<b>1,393,465</b>	<b>147,605</b>	<b>22,257</b>	<b>1,563,327</b>
<b>Carrying amount</b>				
<b>At 31 March 2019</b>	<b>16,115</b>	<b>182,395</b>	<b>67,565</b>	<b>266,075</b>
At 31 March 2018	29,007	213,770	74,947	317,724

Goodwill is being amortised over twenty years, being the term of the franchise agreement. In the opinion of the director, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the products acquired as part of that business.

### 14. Tangible assets

	Plant and equipment £	Office equipment £	Total £
<b>Cost</b>			
At 1 April 2018	12,720,927	39,582	12,760,509
Additions	1,005,233	1,580	1,006,813
Disposals	( 330,162)	-	( 330,162)
<b>At 31 March 2019</b>	<b>13,395,998</b>	<b>41,162</b>	<b>13,437,160</b>
<b>Depreciation</b>			
At 1 April 2018	5,860,333	32,939	5,893,272
Charge for the year	1,374,370	4,567	1,378,937
Disposals	( 218,468)	-	( 218,468)
<b>At 31 March 2019</b>	<b>7,016,235</b>	<b>37,506</b>	<b>7,053,741</b>
<b>Carrying amount</b>			
<b>At 31 March 2019</b>	<b>6,379,763</b>	<b>3,656</b>	<b>6,383,419</b>

At 31 March 2018

6,860,594

6,643

6,867,237

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## 15. Investments

	Investments other than loans £	Total £
<b>Cost</b>		
At 1 April 2018	15,000	15,000
Disposals	( 1,250)	( 1,250)
<b>At 31 March 2019</b>	<b>13,750</b>	<b>13,750</b>
<b>Impairment</b>		
<b>At 1 April 2018 and 31 March 2019</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>		
<b>At 31 March 2019</b>	<b>13,750</b>	<b>13,750</b>
At 31 March 2018	15,000	15,000

## 16. Stocks

	2019 £	2018 £
Stocks of food, packaging and non-products	139,578	161,785

## 17. Debtors

	2019 £	2018 £
Trade debtors	18,534	1,179
Amounts owed by group undertakings	122	122
Prepayments	519,011	609,060
Other debtors	19,750	20,500
	<b>557,417</b>	<b>630,861</b>

**18. Creditors: amounts falling due within one year**

	<b>2019</b>	2018
	<b>£</b>	£
Bank loans and overdrafts	1,083,775	1,043,385
Trade creditors	1,619,539	2,515,244
Accruals	581,157	922,417
Corporation tax	144,710	267,267
Social security and other taxes	875,059	609,969
Director loan accounts	561	-
Other creditors	390,176	2,033
	<b>4,694,977</b>	<b>5,360,315</b>

**19. Creditors: amounts falling due after more than one year**

	<b>2019</b>	2018
	<b>£</b>	£
Bank loans and overdrafts	2,516,394	3,001,375

**20. Provisions**

	Deferred tax (note 21)	<b>Total</b>
	<b>£</b>	<b>£</b>
At 1 April 2018	194,565	194,565
Additions	11,903	11,903
<b>At 31 March 2019</b>	<b>206,468</b>	<b>206,468</b>

## 21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£	£
Included in provisions (note 20)	206,468	194,565
	<hr/>	<hr/>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	206,468	194,565
	<hr/>	<hr/>

Deferred taxation is based on a corporation tax rate of 19% (2018:19%).

## 22. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £ 107,068 (2018: £ 63,405 ).

## 23. Called up share capital

### Issued, called up and fully paid

	2019		2018	
	No	£	No	£
Ordinary shares shares of £ 1.00 each	512,500	512,500	512,500	512,500
	<hr/>	<hr/>	<hr/>	<hr/>

## 24. Reserves

Profit and loss account: This reserve records retained earnings and accumulated losses.



## 25. Operating leases

### The company as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	£	£
Not later than 1 year	1,676,736	1,519,188
Later than 1 year and not later than 5 years	5,185,308	5,004,612
Later than 5 years	13,681,529	13,095,025
	<u>20,543,573</u>	<u>19,618,825</u>

The company's restaurant premises are leased from McDonald's Restaurants Limited under non-cancellable operating leases, with expiry terms of more than five years. The lease charge for each store consists of a base rent, and a percentage rent based on food and drink sales. As such it is not possible to quantify the total commitments due under these leases due to the variable basis of the rental payments; the costs shown above are therefore based only on the store base rent charges.

## 26. Related party transactions

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Penn Enterprises Ltd	535,000	670,000	122	122

Penn Enterprises Ltd is the holding company of Astrad Ltd, holding 100% of the issued share capital of Astrad Ltd. During the year the only transactions between the two company's were the payment of dividends from Astrad Ltd to Penn Enterprises Ltd as detailed above.

## 27. Key management personnel

There are no key management personal other than the director.

## **28. Controlling party**

The ultimate controlling party is Mr A Sirkhot, being the sole director and shareholder of the holding company, Penn Enterprises Limited.

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