

Company registration number: 03470157

Astrad Limited

Financial statements

31 March 2018

Astrad Limited

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Astrad Limited

Directors and other information

Director	Mr A R Sirkhot
Secretary	Mrs S Evenson
Company number	03470157
Registered office	Lea Road Wolverhampton West Midlands WV3 0LH
Auditor	Manex Accountants Ltd 9, Castle Court (2) Castlegate Way Dudley West Midlands DY1 4RH
Accountants	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 2018

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 company continues to operate in a highly competitive market, with consumer behaviour impacting the company's turnover, and the variability of commodity prices impacting profitability. However, during the period the company continued to deliver sound results.

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 continued sales growth during the period, with turnover increasing from £31.9m to £37.5m, reflecting a 17.6% increase over the previous year. The company's gross profit increased from £14.3m to £16.5m.

During the period the company continued its policy of investment in store refurbishments in line with the national McDonald's re-imaging strategy, totally refurbishing another three of its stores. The re-imaging strategy continued to have a positive impact on sales growth, which is in line with the directors' expectations and objectives.

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 consumer behaviour impacting on both 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.

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 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 due to the labour intensive nature of the business, with wage costs representing the largest cost to the business outside of food 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 29 November 2018 and signed on behalf of the board by:

Mr A R Sirkhot

Director

Astrad Limited

Director's report

Year ended 31 March 2018

The director presents his report and the financial statements of the company for the year ended 31 March 2018.

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 11 to the financial statements.

Future developments

The director aims to maintain the management policies which have resulted in the increased turnover and profitability of this trading period. He consider that the next 12 month period will show a further growth in sales from continuing operations, assisted by the continuing investment in the store re-imaging strategy.

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 way the company recruits and works is 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; 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 29 November 2018 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 2018

Opinion

I have audited the financial statements of Astrad Limited for the year ended 31 March 2018 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). 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. In my opinion the financial statements: - give a true and fair view of the state of the company's affairs as at 31 March 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

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.

Clinton Meehan BSC FCA

Manex Accountants Ltd

Chartered Accountants and Registered Auditors

9, Castle Court (2)

Castlegate Way

Dudley

West Midlands

DY1 4RH

29 November 2018

Astrad Limited**Statement of income and retained earnings****Year ended 31 March 2018**

	Note	2018 £	2017 £
Turnover	4	37,556,395	31,918,236
Cost of sales		(21,059,011)	(17,588,563)
Gross profit		<u>16,497,384</u>	<u>14,329,673</u>
Administrative expenses		(15,415,464)	(13,455,158)
Other operating income	5	14,414	18,688
Operating profit	6	<u>1,096,334</u>	<u>893,203</u>
Interest payable and similar expenses	9	(50,409)	(17,922)
Profit before taxation		<u>1,045,925</u>	<u>875,281</u>
Tax on profit	10	(257,160)	(227,304)
Profit for the financial year and total comprehensive income		<u>788,765</u>	<u>647,977</u>
Dividends declared and paid or payable during the year	11	(670,000)	(300,000)
Retained earnings at the start of the year		1,245,056	897,079
Retained earnings at the end of the year		<u>1,363,821</u>	<u>1,245,056</u>

All the activities of the company are from continuing operations.

Astrad Limited

Statement of financial position

31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	317,724	285,268
Tangible assets	13	6,867,237	5,222,134
Investments	14	15,000	15,000
		<u>7,199,961</u>	<u>5,522,402</u>
Current assets			
Stocks	15	161,785	157,563
Debtors	16	630,739	570,236
Cash at bank and in hand		2,439,969	1,050,802
		<u>3,232,493</u>	<u>1,778,601</u>
Creditors: amounts falling due within one year	17	(5,360,193)	(3,405,444)
Net current liabilities		<u>(2,127,700)</u>	<u>(1,626,843)</u>
Total assets less current liabilities		<u>5,072,261</u>	<u>3,895,559</u>
Creditors: amounts falling due after more than one year	18	(3,001,375)	(1,932,862)
Provisions for liabilities	19	(194,565)	(205,141)
Net assets		<u>1,876,321</u>	<u>1,757,556</u>
Capital and reserves			
Called up share capital	22	512,500	512,500
Profit and loss account	23	1,363,821	1,245,056
Shareholder funds		<u>1,876,321</u>	<u>1,757,556</u>

These financial statements were approved by the board of directors and authorised for issue on 29 November 2018
, 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 2018**

	2018	2017
	£	£
Cash flows from operating activities		
Profit for the financial year	788,765	647,977
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,309,057	931,003
Amortisation of intangible assets	87,022	89,532
Interest payable and similar expenses	50,409	17,922
Tax on profit	257,160	227,304
Accrued expenses/(income)	(441,808)	(466,568)
<i>Changes in:</i>		
Stocks	(4,222)	(16,259)
Trade and other debtors	(60,503)	200,020
Trade and other creditors	2,044,898	(519,779)
	<hr/>	<hr/>
Cash generated from operations	4,030,778	1,111,152
Interest paid	(50,409)	(17,922)
Tax paid	(208,085)	(212,605)
	<hr/>	<hr/>
Net cash from operating activities	3,772,284	880,625
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of tangible assets	(2,973,019)	(2,294,855)
Proceeds from sale of tangible assets	18,859	-
Purchase of intangible assets	(119,478)	(49,220)
Purchase of other investments	-	(1,250)
	<hr/>	<hr/>
Net cash used in investing activities	(3,073,638)	(2,345,325)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from borrowings	1,446,692	1,460,548
Proceeds from loans from group undertakings	(86,171)	83,540
Equity dividends paid	(670,000)	(300,000)
	<hr/>	<hr/>
Net cash from financing activities	690,521	1,244,088
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,389,167	(220,612)
Cash and cash equivalents at beginning of year	1,050,802	1,271,414
	<hr/>	<hr/>

Cash and cash equivalents at end of year

2,439,969

1,050,802

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Astrad Limited

Notes to the financial statements

Year ended 31 March 2018

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, being at the 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, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively. 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, being the franchise term. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed to be ten years.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

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
Other intangible assets	-	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, 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 unlisted investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

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. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

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.

Debt instruments are subsequently measured at amortised cost.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

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:

	2018	2017
	£	£
Sale of goods	36,868,880	31,278,149
Sales of non-product items	687,515	640,087
	<u>37,556,395</u>	<u>31,918,236</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

	2018	2017
	£	£
Other operating income	14,414	18,688
	<u>14,414</u>	<u>18,688</u>

6. Operating profit

Operating profit is stated after charging/(crediting):

	2018	2017
	£	£
Amortisation of intangible assets	87,022	89,532
Depreciation of tangible assets	1,309,057	931,003
Operating lease rentals	6,582,540	5,723,119
Fees payable for the audit of the financial statements	3,500	3,500
	<u>8,002,119</u>	<u>6,757,154</u>

7. Staff costs

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

	2018	2017
Restaurant crew	869	863
Management and administration	45	45
	<u>914</u>	<u>908</u>

The aggregate payroll costs incurred during the year were:

	2018	2017
	£	£
Wages and salaries	10,971,096	9,411,899
Social security costs	489,636	391,408
Other pension costs	63,405	55,427
	<u>11,524,137</u>	<u>9,858,734</u>

8. Directors remuneration

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

	2018	2017
	£	£
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. Interest payable and similar expenses

	2018	2017
	£	£
Bank loans and overdrafts	50,244	17,922
Other interest payable and similar expenses	165	-
	<u>50,409</u>	<u>17,922</u>

10. Tax on profit

Major components of tax expense

	2018 £	2017 £
Current tax:		
UK current tax expense	267,746	207,616
Adjustments in respect of previous periods	(10)	-
	<hr/>	<hr/>
Total UK current tax	267,736	207,616
Deferred tax:		
Origination and reversal of timing differences	(10,576)	19,688
	<hr/>	<hr/>
Tax on profit	257,160	227,304
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Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19.00 % (2017: 20.00%).

	2018 £	2017 £
Profit before taxation	1,045,925	875,281
	<hr/>	<hr/>
Profit multiplied by rate of tax	198,726	175,056
Adjustments in respect of prior periods	(10)	-
Effect of expenses not deductible for tax purposes	-	788
Effect of capital allowances and depreciation	73,525	39,675
Deferred revenue claim	(4,505)	(7,903)
Deferred taxation provision	(10,576)	19,688
	<hr/>	<hr/>
Tax on profit	257,160	227,304
	<hr/>	<hr/>

11. Dividends

Equity dividends

	2018 £	2017 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	670,000	300,000
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12. Intangible assets

	Goodwill £	Licence fees £	Stamp duty £	Total £
Cost				
At 1 April 2017	1,409,580	360,000	66,173	1,835,753
Additions	-	90,000	29,478	119,478
Disposals	-	(90,000)	-	(90,000)
At 31 March 2018	1,409,580	360,000	95,651	1,865,231
Amortisation				
At 1 April 2017	1,314,893	219,670	15,922	1,550,485
Charge for the year	65,680	16,560	4,782	87,022
Disposals	-	(90,000)	-	(90,000)
At 31 March 2018	1,380,573	146,230	20,704	1,547,507
Carrying amount				
At 31 March 2018	29,007	213,770	74,947	317,724
At 31 March 2017	94,687	140,330	50,251	285,268

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.

13. Tangible assets

	Plant and equipment £	Office equipment £	Total £
Cost			
At 1 April 2017	12,495,711	38,565	12,534,276
Additions	2,968,189	4,830	2,973,019
Disposals	(2,742,973)	(3,813)	(2,746,786)
At 31 March 2018	12,720,927	39,582	12,760,509
Depreciation			
At 1 April 2017	7,282,697	29,445	7,312,142
Charge for the year	1,301,750	7,307	1,309,057
Disposals	(2,724,114)	(3,813)	(2,727,927)
At 31 March 2018	5,860,333	32,939	5,893,272
Carrying amount			
At 31 March 2018	6,860,594	6,643	6,867,237
At 31 March 2017	5,213,014	9,120	5,222,134

14. Investments

	Other investments other than loans £	Total £
Cost		
At 1 April 2017 and 31 March 2018	15,000	15,000
Impairment		
At 1 April 2017 and 31 March 2018	-	-
Carrying amount		
At 31 March 2018	15,000	15,000
At 31 March 2017	15,000	15,000

15. Stocks

	2018	2017
	£	£
Stocks of food, packaging and non-products	161,785	157,563
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16. Debtors

	2018	2017
	£	£
Trade debtors	1,179	4,730
Prepayments	609,060	547,006
Other debtors	20,500	18,500
	<hr/>	<hr/>
	630,739	570,236
	<hr/>	<hr/>

17. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	1,043,385	665,206
Trade creditors	2,515,244	737,563
Amounts owed to group undertakings	(122)	86,049
Accruals	922,417	1,364,225
Corporation tax	267,267	207,616
Social security and other taxes	609,969	342,787
Other creditors	2,033	1,998
	<hr/>	<hr/>
	5,360,193	3,405,444
	<hr/>	<hr/>

18. Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Bank loans and overdrafts	3,001,375	1,932,862
	<hr/>	<hr/>

19. Provisions

	Deferred tax (note 20)	Total
	£	£
At 1 April 2017	205,141	205,141
Additions	(10,576)	(10,576)
At 31 March 2018	194,565	194,565

20. Deferred tax

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

	2018	2017
	£	£
Included in provisions (note 19)	194,565	205,141

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

	2018	2017
	£	£
Accelerated capital allowances	194,565	205,141

Deferred taxation is based on a corporation tax rate of 20% (2016:20%).

21. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £ 63,405 (2017: £ 55,427).

22. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No	£	No	£
Ordinary shares shares of £ 1.00 each	512,500	512,500	512,500	512,500

23. Reserves

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

24. 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	1,519,188	1,636,450
Later than 1 year and not later than 5 years	5,004,612	3,283,452
Later than 5 years	13,095,025	5,520,748
	<u>19,618,825</u>	<u>10,440,650</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.

25. Related party transactions

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

	Transaction value		Balance owed by/(owed to)	
	2018	2017	2018	2017
	£	£	£	£
Penn Enterprises Ltd	670,000	300,000	122	(86,049)

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.

26. Key management personnel

There are no key management personal other than the director.

27. 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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