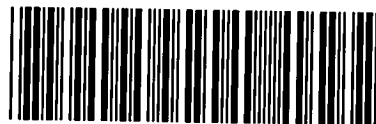


HBN Restaurants Limited
Financial Statements
31 December 2016

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HBN Restaurants Limited

Financial Statements

Year ended 31 December 2016

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HBN Restaurants Limited

Strategic Report

Year ended 31 December 2016

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company continued to operate as unlicensed restaurants during the year.

The directors report a net profit before tax of £1,203,915 compared to £1,192,852 for 2015.

The company's financial and other performance indicators during the year were as follows:

	2016 £	2015 £	% change £
Turnover	22,401,751	20,676,934	8
Profit on ordinary activities before taxation	1,203,915	1,192,852	1
Gross profit %	39	40	

The company's turnover increased by a satisfactory margin of 8% in the year.

Administrative overheads amounted to £7,413,203, an increase of £502,233 (7.3%) on last year.

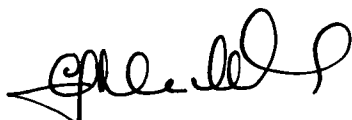
The profit for the year after taxation was £901,552, an increase of £45,029 (5.3%) on 2015.

The company Statement of Financial Position at 31st December 2016 shows net assets of £2,997,507 (2015 - £2,396,470).

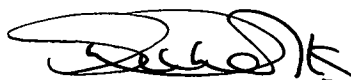
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company has various financial instruments such as the availability of bank facilities, and trade creditors that arise directly from its operations. No trading in financial instruments is undertaken. The directors review and agree policies for managing each financial instrument risk and consider the company's exposure to such risks is well controlled.

This report was approved by the board of directors on 11 July 2017 and signed on behalf of the board by:



Mr C J Nicholls
Director



Mrs S M Nicholls
Director

Registered office:
52-60 Scotch Street
Carlisle
Cumbria
CA3 8PN

HBN Restaurants Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Directors

The directors who served the company during the year were as follows:

Mr C J Nicholls
Mrs S M Nicholls

Dividends

Particulars of recommended dividends are detailed in note 11 to the financial statements.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

HBN Restaurants Limited

Directors' Report *(continued)*

Year ended 31 December 2016

Auditor

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

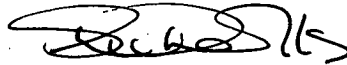
- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of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

A resolution to reappoint Lamont Pridmore as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 11 July 2017 and signed on behalf of the board by:



Mr C J Nicholls
Director



Mrs S M Nicholls
Director

Registered office:
52-60 Scotch Street
Carlisle
Cumbria
CA3 8PN

HBN Restaurants Limited

Independent Auditor's Report to the Members of HBN Restaurants Limited

Year ended 31 December 2016

We have audited the financial statements of HBN Restaurants Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HBN Restaurants Limited

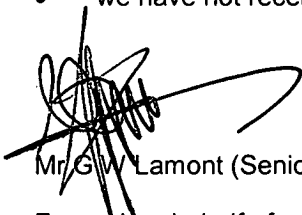
Independent Auditor's Report to the Members of HBN Restaurants Limited (continued)

Year ended 31 December 2016

Matters on which we are required to report by exception

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.



Mr G.W. Lamont (Senior Statutory Auditor)

For and on behalf of
Lamont Pridmore
Chartered Accountants & statutory auditor
31 Lonsdale Street
Carlisle
Cumbria
CA1 1BJ

11 July 2017

HBN Restaurants Limited
Statement of Comprehensive Income
Year ended 31 December 2016

		2016 £	2015 £
Turnover	Note 4	22,401,751	20,676,934
Cost of sales		<u>13,734,951</u>	<u>12,507,124</u>
Gross profit		8,666,800	8,169,810
Administrative expenses		<u>7,413,203</u>	6,910,970
Operating profit	5	1,253,597	1,258,840
Other interest receivable and similar income		1,327	722
Interest payable and similar expenses	9	<u>51,009</u>	<u>66,710</u>
Profit before taxation		1,203,915	1,192,852
Tax on profit	10	<u>302,363</u>	<u>336,329</u>
Profit for the financial year and total comprehensive income		<u>901,552</u>	<u>856,523</u>

All the activities of the company are from continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

HBN Restaurants Limited

Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	12	197,535	584,974
Tangible assets	13	3,200,998	3,081,062
Investments	14	10,000	10,000
		<u>3,408,533</u>	<u>3,676,036</u>
Current assets			
Stocks	15	67,537	73,693
Debtors	16	370,185	320,959
Cash at bank and in hand		3,886,227	3,000,735
		<u>4,323,949</u>	<u>3,395,387</u>
Creditors: amounts falling due within one year	17	<u>2,421,144</u>	<u>2,272,822</u>
Net current assets		<u>1,902,805</u>	<u>1,122,565</u>
Total assets less current liabilities		<u>5,311,338</u>	<u>4,798,601</u>
Creditors: amounts falling due after more than one year	18	1,904,151	2,002,490
Provisions			
Taxation including deferred tax	19	409,680	399,641
Net assets		<u>2,997,507</u>	<u>2,396,470</u>
Capital and reserves			
Called up share capital	23	100	100
Profit and loss account	24	2,997,407	2,396,370
Members funds		<u>2,997,507</u>	<u>2,396,470</u>

These financial statements were approved by the board of directors and authorised for issue on 11 July 2017, and are signed on behalf of the board by:



Mr C J Nicholls
Director



Mrs S M Nicholls
Director

Company registration number: 04184849

The notes on pages 10 to 19 form part of these financial statements.

HBN Restaurants Limited
Statement of Changes in Equity
Year ended 31 December 2016

		Called up share capital £	Profit and loss account £	Total £
At 1 January 2015		100	1,825,331	1,825,431
Profit for the year		—	856,523	856,523
Total comprehensive income for the year		—	856,523	856,523
Dividends paid and payable	11	—	(285,484)	(285,484)
Total investments by and distributions to owners		—	(285,484)	(285,484)
At 31 December 2015		100	2,396,370	2,396,470
Profit for the year		—	901,552	901,552
Total comprehensive income for the year		—	901,552	901,552
Dividends paid and payable	11	—	(300,515)	(300,515)
Total investments by and distributions to owners		—	(300,515)	(300,515)
At 31 December 2016		<u>100</u>	<u>2,997,407</u>	<u>2,997,507</u>

The notes on pages 10 to 19 form part of these financial statements.

HBN Restaurants Limited

Statement of Cash Flows

Year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	901,552	856,523
<i>Adjustments for:</i>		
Depreciation of tangible assets	623,907	424,859
Amortisation of intangible assets	387,439	387,438
Other interest receivable and similar income	(1,327)	(722)
Interest payable and similar expenses	51,009	66,710
Loss on disposal of tangible assets	141,052	108,183
Tax on profit	302,363	336,329
Accrued (income)/expenses	(17,367)	23,814
<i>Changes in:</i>		
Stocks	6,156	8,995
Trade and other debtors	(49,226)	(318,543)
Trade and other creditors	(15,816)	(60,293)
Cash generated from operations	2,329,742	1,833,293
Interest paid	(51,009)	(66,710)
Interest received	1,327	722
Tax paid	(247,658)	(84,783)
Net cash from operating activities	<u>2,032,402</u>	<u>1,682,522</u>
Cash flows from investing activities		
Purchase of tangible assets	(884,896)	(1,315,635)
Proceeds from sale of tangible assets	1	21,367
Net cash used in investing activities	<u>(884,895)</u>	<u>(1,294,268)</u>
Cash flows from financing activities		
Proceeds from borrowings	38,500	437,797
Dividends paid	(300,515)	(285,484)
Net cash (used in)/from financing activities	<u>(262,015)</u>	<u>152,313</u>
Net increase in cash and cash equivalents	885,492	540,567
Cash and cash equivalents at beginning of year	3,000,735	2,460,168
Cash and cash equivalents at end of year	<u>3,886,227</u>	<u>3,000,735</u>

The notes on pages 10 to 19 form part of these financial statements.

HBN Restaurants Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Granary Cottage, Moorhouse, Carlisle, Cumbria CA5 6EY.

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

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

The preparation of the financial statements requires the use of estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Any estimate that has a degree of uncertainty or where judgement has been exercised in a particular area is expressly disclosed within the relevant accounting policy.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised at the point of sale at the restaurants.

Income tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Operating leases *(continued)*

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

Goodwill

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated 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	- 20% straight line
Franchise Fee	- 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

All fixed assets are initially recorded at cost.

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 & Machinery	- 5 - 10 years straight line
Fixtures & Fittings	- 3 - 10 years straight line
Equipment	- 5 years straight line

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

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.

For the purposes of impairment testing, 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 stock to its 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 as a finance cost in profit or loss in the period it arises.

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2016 £	2015 £
Sale of goods	<u>22,401,751</u>	<u>20,676,934</u>

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

5. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Amortisation of intangible assets	387,439	387,439
Depreciation of tangible assets	623,907	424,859
Loss on disposal of tangible assets	<u>141,052</u>	<u>108,183</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

6. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>7,000</u>	<u>7,000</u>

7. Staff costs

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

	2016 No.	2015 No.
Management staff	2	2
Operational staff	<u>595</u>	<u>557</u>
	<u>597</u>	<u>559</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £	2015 £
Wages and salaries	5,831,151	5,043,600
Social security costs	246,104	213,788
Other pension costs	<u>80,000</u>	<u>80,000</u>
	<u>6,157,255</u>	<u>5,337,388</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2016 £	2015 £
Remuneration	24,983	25,505
Company contributions to defined contribution pension plans	<u>80,000</u>	<u>80,000</u>
	<u>104,983</u>	<u>105,505</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016 No.	2015 No.
Defined contribution plans	<u>2</u>	<u>2</u>

9. Interest payable and similar expenses

	2016 £	2015 £
Interest on bank loan and overdrafts	<u>51,009</u>	<u>66,710</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

10. Tax on profit

Major components of tax expense

	2016 £	2015 £
Current tax:		
UK current tax expense	292,324	194,119
Deferred tax:		
Origination and reversal of timing differences	10,039	142,210
Tax on profit	302,363	336,329

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £	2015 £
Profit on ordinary activities before taxation	1,203,915	1,192,852
Profit on ordinary activities by rate of tax	240,783	241,519
Effect of capital allowances and depreciation	61,580	95,142
Marginal relief	–	(332)
Tax on profit	302,363	336,329

11. Dividends

	2016 £	2015 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	300,515	285,484

12. Intangible assets

	Goodwill £	Franchise Fee £	Total £
Cost			
At 1 Jan 2016 and 31 Dec 2016	1,879,949	228,975	2,108,924
Amortisation			
At 1 January 2016	1,445,407	78,543	1,523,950
Charge for the year	375,990	11,449	387,439
At 31 December 2016	1,821,397	89,992	1,911,389
Carrying amount			
At 31 December 2016	58,552	138,983	197,535
At 31 December 2015	434,542	150,432	584,974

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

13. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 January 2016	2,572,891	2,304,547	35,366	4,912,804
Additions	374,759	498,060	12,077	884,896
Disposals	(220,014)	(508,702)	(11,831)	(740,547)
At 31 December 2016	2,727,636	2,293,905	35,612	5,057,153
Depreciation				
At 1 January 2016	1,198,262	605,569	27,911	1,831,742
Charge for the year	286,084	329,366	8,457	623,907
Disposals	(175,961)	(411,703)	(11,830)	(599,494)
At 31 December 2016	1,308,385	523,232	24,538	1,856,155
Carrying amount				
At 31 December 2016	1,419,251	1,770,673	11,074	3,200,998
At 31 December 2015	1,374,629	1,698,978	7,455	3,081,062

14. Investments

	Other investments other than loans £
Cost	
At 1 Jan 2016 and 31 Dec 2016	10,000
Impairment	
At 1 Jan 2016 and 31 Dec 2016	—
Carrying amount	
At 31 December 2016	10,000

15. Stocks

	2016 £	2015 £
Raw materials and consumables	67,537	73,693

16. Debtors

	2016 £	2015 £
Trade debtors	—	2,020
Directors loan account	296,148	255,151
Other debtors - s455 tax	74,037	63,788
	370,185	320,959

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

17. Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank loans and overdrafts	730,249	593,410
Trade creditors	643,347	882,099
Accruals and deferred income	250,621	267,988
Corporation tax	302,573	257,907
Social security and other taxes	494,354	271,418
	<u>2,421,144</u>	<u>2,272,822</u>

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

	2016	2015
	£	£
Bank loans and overdrafts	<u>1,904,151</u>	<u>2,002,490</u>

Included in amounts repayable over 5 years is a loan taken out to finance the acquisition of new stores and the improvements to stores, either new or existing. This is being repaid in monthly instalments.

19. Provisions

	Deferred tax (note 20) £
At 1 January 2016	399,641
Additions	10,039
At 31 December 2016	<u>409,680</u>

20. Deferred tax

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

	2016	2015
	£	£
Included in provisions (note 19)	<u>409,680</u>	<u>399,641</u>

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

	2016	2015
	£	£
Accelerated capital allowances	<u>409,680</u>	<u>399,641</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £80,000 (2015: £80,000).

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2016 £	2015 £
Loan commitments measured at cost less impairment		
Loan commitments measured at cost less impairment	<u>2,634,399</u>	<u>2,595,920</u>

23. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

24. Reserves

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

25. Operating leases

As lessee

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

	2016 £	2015 £
Not later than 1 year	2,810,000	2,700,000
Later than 1 year and not later than 5 years	14,050,000	13,350,000
Later than 5 years	<u>21,000,000</u>	<u>22,000,000</u>
	<u>37,860,000</u>	<u>38,050,000</u>

The above leases relate to the amounts payable to McDonalds for operating leases for the restaurants used by the business. The annual amount payable is £2,806,771 (2015 - £2,672,269) which is all expensed in the Statement of Comprehensive Income in the year incurred. The leases vary in length with the average term being 9.5 years for the company.

As lessor

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

	2016 £	2015 £
Later than 1 year and not later than 5 years	<u>2,450</u>	<u>2,450</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

26. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

2016				
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
Mr C J Nicholls	<u>255,151</u>	<u>203,997</u>	<u>(163,000)</u>	<u>296,148</u>
2015				
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
Mr C J Nicholls	<u>—</u>	<u>255,151</u>	<u>—</u>	<u>255,151</u>

The maximum overdrawn amount on the directors loan during the year was £296,148 (2015 - £255,151).

27. Related party transactions

The company was under the control of Mr C J Nicholls throughout the current and previous year. Mr C J Nicholls is the managing director and majority shareholder.

During the year dividends amounting to £300,515 (2015 - £285,484) were paid to the directors.

During the year the company made net loans to the directors, Mr C Nicholls and Mrs S M Nicholls totalling £40,997 (2015 - £255,151). £296,148 (2015 - 255,151) remained owing to the company at the year end.