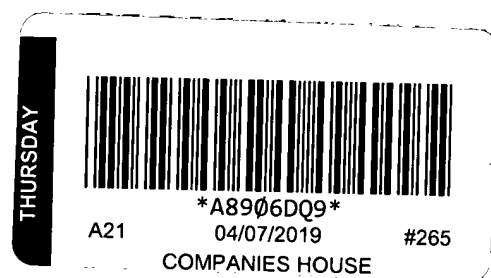


HBN Restaurants Limited
Financial Statements
31 December 2018



LAMONT PRIDMORE
Chartered Accountants & statutory auditor
31 Lonsdale Street
Carlisle
Cumbria
CA1 1BJ

HBN Restaurants Limited

Financial Statements

Year ended 31 December 2018

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HBN Restaurants Limited
Officers and Professional Advisers

The board of directors

Mr C J Nicholls
Mrs S M Nicholls

Company secretary

Mrs S M Nicholls

Registered office

Granary Cottage
Moorhouse
Carlisle
Cumbria
CA5 6EY

Auditor

Lamont Pridmore
Chartered Accountants & statutory auditor
31 Lonsdale Street
Carlisle
Cumbria
CA1 1BJ

HBN Restaurants Limited

Strategic Report

Year ended 31 December 2018

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company continued to operate as unlicensed restaurants during the year, during which the three additional branches acquired in the previous financial year were fully operational.

The directors report that profits on ordinary activities before taxation in 2018 increased to £1,780,311 from £1,683,319 achieved in 2017.

The company's turnover increased by 26.7% to £36,249,915 and gross profit remained strong at 37% as did operating profit at 5.2%.

Total comprehensive income for the year after taxation was £1,416,205 (2017: £1,380,288) out of which dividends of £672,700 were paid (2017: £624,233).

The company has maintained a positive liquidity position, with net current assets amounting to £1,394,489 at the year end date (2017: £2,031,052).

The company balance sheet at 31st December 2018 shows net assets of £4,497,067 (2017: £3,753,562).

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

	2018 £	2017 £
Turnover	36,249,915	28,605,802
Profit on ordinary activities before taxation	1,780,311	1,683,319
Gross profit %	37	38
Net current assets	1,394,489	2,031,052
Average number of employees	1,010	821
Turnover per employee	35,891	34,843

Customer satisfaction and service, supplier and product quality, employee relations and health and safety remain a priority. These are monitored on a regular basis to sustain and improve all current levels of performance.

The directors use a number of key performance indicators (KPIs) to assist them in the management of the business. The main KPIs are sales to target, cash at bank and gross profit.

FUTURE DEVELOPMENTS

Since the end of the financial year, the directors report that trading conditions have continued to remain favourable with increasing sales and profit margins and they look forward to future trading prospects with reasonable optimism.

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.

EMPLOYEE INVOLVEMENT

Employee numbers have increased during the year to an average of 1,010 (2017: 821). 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

HBN Restaurants Limited

Strategic Report *(continued)*

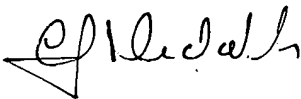
Year ended 31 December 2018

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. The company is opposed to all forms of unlawful and unfair discrimination: selection for employment, promotion, training or any other benefit is on the basis of aptitude and ability.


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.

This report was approved by the board of directors on 27 June 2019 and signed on behalf of the board by:



Mr C J Nicholls
Director



Mrs S M Nicholls
Director

Registered office:
Granary Cottage
Moorhouse
Carlisle
Cumbria
CA5 6EY

HBN Restaurants Limited

Directors' Report

Year ended 31 December 2018

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

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 12 to the financial statements.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HBN Restaurants Limited

Directors' Report *(continued)*

Year ended 31 December 2018

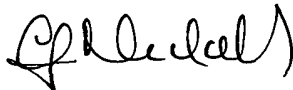
Auditor

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

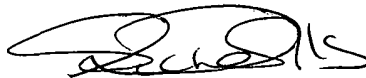
- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of 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 27 June 2019 and signed on behalf of the board by:



Mr C J Nicholls
Director



Mrs S M Nicholls
Director

Registered office:
Granary Cottage
Moorhouse
Carlisle
Cumbria
CA5 6EY

HBN Restaurants Limited

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

Year ended 31 December 2018

Opinion

We have audited the financial statements of HBN Restaurants Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, 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 our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

HBN Restaurants Limited

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

(continued)

Year ended 31 December 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the 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, and for such internal control as the directors determine 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

HBN Restaurants Limited

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

(continued)

Year ended 31 December 2018

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 directors.
- Conclude on the appropriateness of the directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

HBN Restaurants Limited

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

Year ended 31 December 2018

We 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 we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



Graham Lamont FCA FCCA AIMC ACIS FRSA MCMI (Senior Statutory Auditor)

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

27 June 2019

HBN Restaurants Limited
Statement of Comprehensive Income
Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	36,249,915	28,605,802
Cost of sales		<u>22,843,035</u>	<u>17,687,167</u>
Gross profit		13,406,880	10,918,635
Administrative expenses		<u>11,527,405</u>	<u>9,198,108</u>
Operating profit	5	1,879,475	1,720,527
Other interest receivable and similar income	9	4,377	42
Interest payable and similar expenses	10	<u>103,541</u>	<u>37,250</u>
Profit before taxation		1,780,311	1,683,319
Tax on profit	11	<u>364,106</u>	<u>303,031</u>
Profit for the financial year and total comprehensive income		<u>1,416,205</u>	<u>1,380,288</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 23 form part of these financial statements.

HBN Restaurants Limited
Statement of Financial Position
31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	313,381	590,572
Tangible assets	14	6,561,872	6,403,584
Investments	15	13,750	13,750
		<u>6,889,003</u>	<u>7,007,906</u>
Current assets			
Stocks	16	102,025	125,467
Debtors	17	421,973	474,161
Cash at bank and in hand		5,136,043	5,621,847
		<u>5,660,041</u>	<u>6,221,475</u>
Creditors: amounts falling due within one year	18	<u>4,265,552</u>	<u>4,190,423</u>
Net current assets		<u>1,394,489</u>	<u>2,031,052</u>
Total assets less current liabilities		<u>8,283,492</u>	<u>9,038,958</u>
Creditors: amounts falling due after more than one year	19	3,370,898	4,860,277
Provisions			
Taxation including deferred tax	20	415,527	425,119
Net assets		<u>4,497,067</u>	<u>3,753,562</u>
Capital and reserves			
Called up share capital	24	100	100
Profit and loss account	25	4,496,967	3,753,462
Shareholders funds		<u>4,497,067</u>	<u>3,753,562</u>

These financial statements were approved by the board of directors and authorised for issue on 27 June 2019, 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 14 to 23 form part of these financial statements.

HBN Restaurants Limited
Statement of Changes in Equity
Year ended 31 December 2018

		Called up share capital £	Profit and loss account £	Total £
At 1 January 2017		100	2,997,407	2,997,507
Profit for the year			1,380,288	1,380,288
Total comprehensive income for the year		—	1,380,288	1,380,288
Dividends paid and payable	12	—	(624,233)	(624,233)
Total investments by and distributions to owners		—	(624,233)	(624,233)
At 31 December 2017		100	3,753,462	3,753,562
Profit for the year			1,416,205	1,416,205
Total comprehensive income for the year		—	1,416,205	1,416,205
Dividends paid and payable	12	—	(672,700)	(672,700)
Total investments by and distributions to owners		—	(672,700)	(672,700)
At 31 December 2018		<u>100</u>	<u>4,496,967</u>	<u>4,497,067</u>

The notes on pages 14 to 23 form part of these financial statements.

HBN Restaurants Limited

Statement of Cash Flows

Year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,416,205	1,380,288
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,105,901	808,263
Amortisation of intangible assets	277,191	425,162
Other interest receivable and similar income	(4,377)	(42)
Interest payable and similar expenses	103,541	37,250
Loss on disposal of tangible assets	–	14,214
Tax on profit	364,106	303,031
Accrued expenses	49,905	64,496
<i>Changes in:</i>		
Stocks	23,442	(57,930)
Trade and other debtors	52,188	(103,976)
Trade and other creditors	68,301	755,485
Cash generated from operations	3,456,403	3,626,241
Interest paid	(103,541)	(37,250)
Interest received	4,377	42
Tax paid	(305,482)	(284,683)
Net cash from operating activities	<u>3,051,757</u>	<u>3,304,350</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,264,189)	(4,015,551)
Proceeds from sale of tangible assets	–	(9,512)
Purchase of intangible assets	–	(818,199)
Purchases of other investments	–	(3,750)
Net cash used in investing activities	<u>(1,264,189)</u>	<u>(4,847,012)</u>
Cash flows from financing activities		
Proceeds from borrowings	–	5,193,102
Repayments of borrowings	(1,600,672)	(1,290,587)
Dividends paid	(672,700)	(624,233)
Net cash (used in)/from financing activities	<u>(2,273,372)</u>	<u>3,278,282</u>
Net (decrease)/increase in cash and cash equivalents	(485,804)	1,735,620
Cash and cash equivalents at beginning of year	5,621,847	3,886,227
Cash and cash equivalents at end of year	<u>5,136,043</u>	<u>5,621,847</u>

The notes on pages 14 to 23 form part of these financial statements.

HBN Restaurants Limited
Notes to the Financial Statements
Year ended 31 December 2018

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.

Taxation

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 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.

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

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

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

Investments

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

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Investments *(continued)*

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 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 2018

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.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Sale of goods	<u>36,249,915</u>	<u>28,605,802</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:

	2018 £	2017 £
Amortisation of intangible assets	18,357	14,903
Depreciation of tangible assets	1,105,901	808,263
Impairment of intangible assets recognised in:		
Administrative expenses	258,834	410,259
Loss on disposal of tangible assets	<u>-</u>	<u>14,214</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

6. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	<u>7,200</u>	<u>7,000</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	1,050	1,000
Other non-audit services	<u>10,000</u>	<u>9,750</u>
	<u>11,050</u>	<u>10,750</u>

7. Staff costs

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

	2018 No.	2017 No.
Management staff	2	2
Operational staff	<u>1,008</u>	<u>819</u>
	<u>1,010</u>	<u>821</u>

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

	2018 £	2017 £
Wages and salaries	9,473,510	7,463,998
Social security costs	387,272	319,839
Other pension costs	<u>156,991</u>	<u>160,504</u>
	<u>10,017,773</u>	<u>7,944,341</u>

8. Directors' remuneration

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

	2018 £	2017 £
Remuneration	26,217	25,567
Company contributions to defined contribution pension plans	<u>20,000</u>	<u>80,000</u>
	<u>46,217</u>	<u>105,567</u>

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

	2018 No.	2017 No.
Defined contribution plans	<u>2</u>	<u>2</u>

9. Other interest receivable and similar income

	2018 £	2017 £
Interest on cash and cash equivalents	<u>4,377</u>	<u>42</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

10. Interest payable and similar expenses

	2018 £	2017 £
Interest on banks loans and overdrafts	<u>103,541</u>	<u>37,250</u>

11. Tax on profit

Major components of tax expense

	2018 £	2017 £
Current tax:		
UK current tax expense	373,698	287,592
Deferred tax:		
Origination and reversal of timing differences	(9,592)	15,439
Tax on profit	<u>364,106</u>	<u>303,031</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19%).

	2018 £	2017 £
Profit on ordinary activities before taxation	<u>1,780,311</u>	<u>1,683,319</u>
Profit on ordinary activities by rate of tax	336,952	319,737
Effect of capital allowances and depreciation	27,154	(16,706)
Tax on profit	<u>364,106</u>	<u>303,031</u>

12. Dividends

	2018 £	2017 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>672,700</u>	<u>624,233</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

13. Intangible assets

	Goodwill £	Franchise Fee £	Total £
Cost			
At 1 January 2018 and 31 December 2018	2,559,980	367,143	2,927,123
Amortisation			
At 1 January 2018	2,231,656	104,895	2,336,551
Charge for the year	258,834	18,357	277,191
At 31 December 2018	2,490,490	123,252	2,613,742
Carrying amount			
At 31 December 2018	69,490	243,891	313,381
At 31 December 2017	328,324	262,248	590,572

14. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 January 2018	4,934,814	3,754,186	35,590	8,724,590
Additions	284,201	956,344	23,644	1,264,189
At 31 December 2018	5,219,015	4,710,530	59,234	9,988,779
Depreciation				
At 1 January 2018	1,400,313	906,803	13,890	2,321,006
Charge for the year	494,561	604,023	7,317	1,105,901
At 31 December 2018	1,894,874	1,510,826	21,207	3,426,907
Carrying amount				
At 31 December 2018	3,324,141	3,199,704	38,027	6,561,872
At 31 December 2017	3,534,501	2,847,383	21,700	6,403,584

15. Investments

	Other investments other than loans £
Cost	
At 1 January 2018 and 31 December 2018	13,750
Impairment	
At 1 January 2018 and 31 December 2018	-
Carrying amount	
At 31 December 2018	13,750
At 31 December 2017	13,750

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

16. Stocks

	2018	2017
	£	£
Raw materials and consumables	<u>102,025</u>	<u>125,467</u>

17. Debtors

	2018	2017
	£	£
Trade debtors	2,069	14,440
Prepayments and accrued income	40,380	16,602
Directors loan account	287,598	351,193
Other debtors - s455 tax	91,926	91,926
	<u>421,973</u>	<u>474,161</u>

18. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	1,565,345	1,676,638
Trade creditors	1,072,303	1,042,141
Accruals and deferred income	365,022	315,117
Corporation tax	373,698	305,482
Social security and other taxes	889,184	851,045
	<u>4,265,552</u>	<u>4,190,423</u>

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

	2018	2017
	£	£
Bank loans and overdrafts	<u>3,370,898</u>	<u>4,860,277</u>

Included within creditors: amounts falling due after more than one year is an amount of £368,781 (2017: £455,007) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

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.

20. Provisions

	Deferred tax (note 21)
	£
At 1 January 2018	425,119
Additions	(9,592)
At 31 December 2018	<u>415,527</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

21. Deferred tax

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

	2018 £	2017 £
Included in provisions (note 20)	<u>415,527</u>	<u>425,119</u>

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

	2018 £	2017 £
Accelerated capital allowances	<u>415,527</u>	<u>425,119</u>

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £136,991 (2017: £80,504).

23. Financial instruments

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

	2018 £	2017 £
Loan commitments measured at cost less impairment		
Loan commitments measured at cost less impairment	<u>4,936,242</u>	<u>6,536,914</u>

24. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

25. Reserves

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

26. Operating leases

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

	2018 £	2017 £
Not later than 1 year	4,830,000	3,700,000
Later than 1 year and not later than 5 years	18,785,000	14,550,000
Later than 5 years	44,750,000	32,500,000
	<u>68,365,000</u>	<u>50,750,000</u>

HBN Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

26. Operating leases *(continued)*

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 £4,827,150 (2017 - £3,697,298) which is all expensed in the Statement of Comprehensive Income in the year incurred. The leases vary in length with the average term being 11.5 years for the company.

27. Directors' advances, credits and guarantees

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

2018				
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
Mr C J Nicholls	<u>351,193</u>	<u>—</u>	<u>(63,595)</u>	<u>287,598</u>
2017				
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
Mr C J Nicholls	<u>296,148</u>	<u>122,338</u>	<u>(67,293)</u>	<u>351,193</u>

The maximum overdrawn amount on the directors loan during the year was £351,193 (2017 - £351,193).

28. 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 £672,700 (2017 - £624,233) were paid to the directors.

During the year Mr C Nicholls and Mrs S M Nicholls made repayments to the company totalling £63,595. £287,598 (2017 - £351,193) remained owing to the company at the year end. This loan is unsecured and interest free with no fixed date for repayment.