

*Registered*  
**REGISTERED NUMBER:**  
**34237721**  
**ENGLAND AND WALES**

**KINGSTON RESTAURANTS LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE PERIOD ENDED**  
**31 DECEMBER 1998**



**KINGSTON RESTAURANTS LIMITED**  
**ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 1998**

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**KINGSTON RESTAURANTS LIMITED**  
**DIRECTORS AND ADVISERS**

DIRECTORS: G Michniewicz  
Mrs P Michniewicz  
D Tonge  
N Dunnington

SECRETARY: G Michniewicz

REGISTERED OFFICE: 39/41 Jameson Street  
HULL  
East Riding of Yorkshire

REGISTERED NUMBER: 34237721 England and Wales

AUDITORS: Townends  
Chartered Accountants and Registered Auditors  
Carlisle Street  
GOOLE  
East Riding of Yorkshire  
DN14 5DX

BANKERS: Royal Bank of Scotland  
27 Park Row  
LEEDS  
LS1 5QB

SOLICITORS: Rollit Farrell & Bladon  
Rowntree Wharf  
YORK

## KINGSTON RESTAURANTS LIMITED

### REPORT OF THE DIRECTORS

The directors present their annual report with the accounts of the company for the period ended 31 December 1998.

#### Principal Activity

The principal activity of the company in the period under review was the operation of quick service restaurants.

#### Review of the Business

The company commenced trading on 30 November 1997 following the acquisition of franchises over four McDonalds Restaurants in and around Kingston Upon Hull

The Board consider the results for the first period of operations to be satisfactory.

#### Directors

The directors in office in the period and their beneficial interests in the company's issued ordinary share capital were as follows:-

|                   | At 31 December 1998        |         |
|-------------------|----------------------------|---------|
|                   | Ordinary Shares of £1 Each |         |
|                   | 'A'                        | 'B'     |
| G Michniewicz     | -                          | 430,000 |
| Mrs P Michniewicz | -                          | -       |
| D Tonge           | -                          | -       |
| N Dunnington      | -                          | -       |

The company was incorporated on 2 September 1997 and subsequently changed its name to Kingston Restaurants Limited on 19 November 1997. All of the shares in issue were allotted on incorporation.

#### Year 2000 and introduction of the Euro

The Board have considered the risks and uncertainties relating to the company's business and operations of year 2000 compatibility and introduction of the Euro and its relationships with customers, suppliers and other relevant parties and have concluded there is no material exposure on the company relating to these issues.

#### Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## **KINGSTON RESTAURANTS LIMITED**

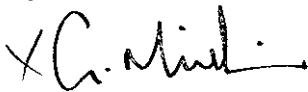
### **REPORT OF THE DIRECTORS**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

#### **Auditors**

The auditors, Townends, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

#### **Signed on Behalf of the Board of Directors**



**G Michniewicz**  
**Secretary**

**Approved by the Board on:** 3 February 1999

## **AUDITOR'S REPORT TO THE SHAREHOLDERS OF KINGSTON RESTAURANTS LIMITED**

We have audited the accounts on pages 5 to 14 which have been prepared in accordance with the accounting policies set out on page 8.

### **Respective Responsibilities of Directors and Auditors**

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**TOWNENDS**

**CHARTERED ACCOUNTANTS AND  
REGISTERED AUDITORS**

**CARLISLE STREET, GOOLE**

**DATE:** 12 February 1999

**KINGSTON RESTAURANTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED 31 DECEMBER 1998**

|                                                                                             | Notes | £         |
|---------------------------------------------------------------------------------------------|-------|-----------|
| TURNOVER                                                                                    | 1,2   | 5,562,857 |
| Cost of sales                                                                               |       | 1,689,680 |
|                                                                                             |       | <hr/>     |
| GROSS PROFIT                                                                                |       | 3,873,177 |
| Administrative expenses                                                                     |       | 3,618,448 |
|                                                                                             |       | <hr/>     |
| OPERATING PROFIT                                                                            | 3     | 254,729   |
| Profit (Loss) on disposal of fixed assets                                                   |       | (11,199)  |
| Interest receivable                                                                         |       | 12,466    |
| Interest payable                                                                            |       | (114,339) |
|                                                                                             |       | <hr/>     |
| PROFIT on ordinary activities before taxation                                               |       | 141,657   |
| Taxation                                                                                    | 5     | -         |
|                                                                                             |       | <hr/>     |
| PROFIT for the financial period after taxation and retained profit for the financial period |       | 141,657   |
|                                                                                             |       | <hr/>     |

**Continuing Operations**

The company was incorporated on 2 September 1997 and commenced trading on 30 November 1997.

**Total Recognised Gains and Losses**

The company has no recognised gains or losses other than the profit for the financial period.

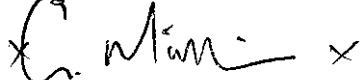
**Note of Historical Cost Profits and Losses**

There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

**KINGSTON RESTAURANTS LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 1998**

|                                              | Notes | £       | £           |
|----------------------------------------------|-------|---------|-------------|
| <b>FIXED ASSETS</b>                          |       |         |             |
| Intangible assets                            | 6     |         | 1,212,547   |
| Tangible assets                              | 7     |         | 783,870     |
| <b>CURRENT ASSETS</b>                        |       |         |             |
| Stocks                                       |       | 36,367  |             |
| Debtors                                      | 8     | 76,439  |             |
| Cash at bank and in hand                     |       | 499,826 |             |
|                                              |       | <hr/>   |             |
|                                              |       | 612,632 |             |
|                                              |       | <hr/>   |             |
| <b>CREDITORS</b>                             |       |         |             |
| Amounts falling due within one year          | 9     | 595,738 |             |
|                                              |       | <hr/>   |             |
| <b>NET CURRENT ASSETS</b>                    |       |         | 16,894      |
|                                              |       |         | <hr/>       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       |         | 2,013,311   |
| <b>CREDITORS</b>                             |       |         |             |
| Amounts falling due after more than one year | 10    |         | (1,011,654) |
|                                              |       |         | <hr/>       |
| <b>NET ASSETS</b>                            |       |         | 1,001,657   |
|                                              |       |         | <hr/>       |
| <b>CAPITAL AND RESERVES</b>                  |       |         |             |
| Called up share capital                      | 12    |         | 860,000     |
| Profit and loss account                      |       |         | 141,657     |
|                                              |       |         | <hr/>       |
| <b>SHAREHOLDERS' FUNDS</b>                   | 13    |         | 1,001,657   |
|                                              |       |         | <hr/>       |

Signed on Behalf of the Board of Directors

 x  
**G Michniewicz**  
 Director

 x  
**D Tonge**  
 Director

Approved by the Board on: 3 February 1999

**KINGSTON RESTAURANTS LIMITED**  
**CASHFLOW STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 1998**

|                                                                         | Notes | 1998<br>£   |
|-------------------------------------------------------------------------|-------|-------------|
| Net cash inflow from operating activities                               | 14    | 751,120     |
| RETURN ON INVESTMENTS AND SERVICING OF FINANCE                          |       |             |
| Interest received                                                       |       | 12,466      |
| Interest paid                                                           |       | (114,339)   |
|                                                                         |       | <hr/>       |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND<br>SERVICING OF FINANCE |       | 649,247     |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT                            |       |             |
| Payments to acquired tangible fixed assets                              |       | (892,809)   |
| Payments to acquire intangible fixed assets                             |       | (1,281,555) |
|                                                                         |       | <hr/>       |
| NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL<br>INVESTMENT    |       | (1,525,117) |
| FINANCING                                                               |       |             |
| Issue of ordinary share capital                                         |       | 860,000     |
|                                                                         |       | <hr/>       |
| INCREASE IN CASH                                                        | 15    | (665,117)   |
|                                                                         |       | <hr/>       |

**KINGSTON RESTAURANTS LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 1998**

**1. ACCOUNTING POLICIES**

**Basis of Accounting**

The accounts have been prepared under the historical cost convention.

**Turnover**

Turnover represents net invoiced sales of goods, excluding VAT.

**Tangible Fixed Assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:-

|                     |                                |
|---------------------|--------------------------------|
| Plant and Machinery | - 10% per annum                |
| Motor Vehicles      | - 25% reducing balance         |
| Computer Equipment  | - 33 $\frac{1}{3}$ % per annum |

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Deferred Taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

**Leased Assets**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

**Pension Costs**

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme.

**2. TURNOVER**

Turnover is wholly attributable to the United Kingdom.

**KINGSTON RESTAURANT LIMITED**  
**NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 1998**

**3. OPERATING PROFIT**

The operating profit is stated after charging:-

|                                                                         | £       |
|-------------------------------------------------------------------------|---------|
| Depreciation of tangible fixed assets                                   | 99,036  |
| Amortisation of intangible fixed assets                                 | 69,008  |
| Operating lease charges                                                 | 863,311 |
| Auditor's remuneration                                                  | 3,000   |
|                                                                         | <hr/>   |
| Directors' emoluments                                                   |         |
| For services as directors (including social security and pension costs) | 103,208 |
|                                                                         | <hr/>   |

**4. STAFF COSTS**

Staff costs, including directors remuneration, were as follows:-

|                                                                                   | £         |
|-----------------------------------------------------------------------------------|-----------|
| Wages and salaries                                                                | 1,374,170 |
| Social Security costs                                                             | 74,574    |
| Other pension costs                                                               | 9,422     |
|                                                                                   | <hr/>     |
|                                                                                   | 1,458,166 |
|                                                                                   | <hr/>     |
| The average weekly number of employees during the period was made up as follows:- |           |
| Restaurant staff                                                                  | 231       |
| Office and management                                                             | 16        |
|                                                                                   | <hr/>     |
|                                                                                   | 247       |
|                                                                                   | <hr/>     |

**5. TAXATION**

|                                  | £     |
|----------------------------------|-------|
| Based on the profit for the year |       |
| Corporation tax                  | -     |
|                                  | <hr/> |

**KINGSTON RESTAURANT LIMITED**  
**NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 1998**

**6. INTANGIBLE FIXED ASSETS**

|                       | <b>Goodwill</b> | <b>Franchise</b> |              |
|-----------------------|-----------------|------------------|--------------|
|                       | <b>£</b>        | <b>Fees</b>      | <b>Total</b> |
|                       |                 | <b>£</b>         | <b>£</b>     |
| <b>COST</b>           |                 |                  |              |
| Additions             | 1,191,555       | 90,000           | 1,281,555    |
|                       | <hr/>           | <hr/>            | <hr/>        |
| At 31 December 1998   | 1,191,555       | 90,000           | 1,281,555    |
|                       | <hr/>           | <hr/>            | <hr/>        |
| <b>AMORTISATION</b>   |                 |                  |              |
| Charge for the year   | 64,162          | 4,846            | 69,008       |
|                       | <hr/>           | <hr/>            | <hr/>        |
| At 31 December 1998   | 64,162          | 4,846            | 69,008       |
|                       | <hr/>           | <hr/>            | <hr/>        |
| <b>NET BOOK VALUE</b> |                 |                  |              |
| At 31 December 1998   | 1,127,393       | 85,154           | 1,212,547    |
|                       | <hr/>           | <hr/>            | <hr/>        |

Goodwill and Franchise Fees are amortised on a straight line basis over 20 years, the useful economic life as estimated by the Directors.

**7. TANGIBLE FIXED ASSETS**

|                       | <b>Plant,<br/>Machinery<br/>&amp; Vehicles</b> |
|-----------------------|------------------------------------------------|
|                       | <b>£</b>                                       |
| <b>COST</b>           |                                                |
| Additions             | 896,809                                        |
| Disposals             | (13,903)                                       |
|                       | <hr/>                                          |
| At 31 December 1998   | 882,906                                        |
|                       | <hr/>                                          |
| <b>DEPRECIATION</b>   |                                                |
| Charge for year       | 99,036                                         |
|                       | <hr/>                                          |
| At 31 December 1998   | 99,036                                         |
|                       | <hr/>                                          |
| <b>NET BOOK VALUE</b> |                                                |
| At 31 December 1998   | 783,870                                        |
|                       | <hr/>                                          |

**KINGSTON RESTAURANTS LIMITED**  
**NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 1998**

**8. DEBTORS**

|                               | £      |
|-------------------------------|--------|
| Other debtors and prepayments | 76,439 |
|                               | <hr/>  |

Other debtors include an amount of £40,000 falling due after more than one year.

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                          | £       |
|--------------------------|---------|
| Bank loan                | 153,289 |
|                          | <hr/>   |
| Debt due within one year | 153,289 |
| Trade creditors          | 179,563 |
| Other creditors          | 262,886 |
|                          | <hr/>   |
|                          | 595,738 |
|                          | <hr/>   |

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                                   | £         |
|-----------------------------------|-----------|
| Bank loan                         | 1,011,654 |
|                                   | <hr/>     |
| DEBT DUE AFTER MORE THAN ONE YEAR |           |
| - Repayable between 1-2 years     | 153,289   |
| - Repayable between 2-5 years     | 713,156   |
| - Repayable in 5 years or more    | 298,498   |
|                                   | <hr/>     |

The bank loan, the aggregate total of which amounts to £1,164,943 is repayable in monthly instalments of £21,107 representing capital and interest commencing December 1997.

**11. DEFERRED TAXATION**

Deferred Taxation provided in the accounts and that unprovided are as follows:-

|                                                                                                   | Provided<br>£ | Unprovided<br>£ |
|---------------------------------------------------------------------------------------------------|---------------|-----------------|
| Capital allowances in advance of depreciation less trading losses available to be carried forward | -             | 42,807          |
|                                                                                                   | <hr/>         | <hr/>           |

**KINGSTON RESTAURANTS LIMITED**  
**NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 1998**

**12. CALLED UP SHARE CAPITAL**

|                                        | £       |
|----------------------------------------|---------|
| Authorised                             |         |
| 430,000 'A' Ordinary shares of £1 each | 430,000 |
| 430,000 'B' Ordinary shares of £1 each | 430,000 |
|                                        | <hr/>   |
|                                        | 860,000 |
|                                        | <hr/>   |
| Allotted, called up and fully paid     |         |
| 430,000 'A' Ordinary shares of £1 each | 430,000 |
| 430,000 'B' Ordinary shares of £1 each | 430,000 |
|                                        | <hr/>   |
|                                        | 860,000 |
|                                        | <hr/>   |

All of the shares were allotted in the period at an aggregate value of £860,000.

**13. SHAREHOLDERS' FUNDS**

**Reconciliation of Movements on Shareholders' Funds**

|                                                 | £         |
|-------------------------------------------------|-----------|
| Profit for the financial period after taxation  | 141,657   |
| Allotment of shares                             | 860,000   |
|                                                 | <hr/>     |
| Closing shareholders' funds at 31 December 1998 | 1,001,657 |
|                                                 | <hr/>     |

**14. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|                               | £        |
|-------------------------------|----------|
| Operating profit              | 243,530  |
| Depreciation and amortisation | 168,044  |
| Loss on sale of fixed assets  | 11,199   |
| Increase in stocks            | (36,367) |
| Increase in debtors           | (76,439) |
| Increase in creditors         | 441,153  |
|                               | <hr/>    |
|                               | 751,120  |
|                               | <hr/>    |

**KINGSTON RESTAURANTS LIMITED**  
**NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 1998**

**15. ANALYSIS OF CHANGES IN NET DEBT**

|                          | <b>Cash<br/>Flows<br/>£</b> | <b>At<br/>31/12/98<br/>£</b> |
|--------------------------|-----------------------------|------------------------------|
| Cash in hand and at bank | 499,826                     | 499,826                      |
| Bank loan                | (1,164,943)                 | (1,164,943)                  |
|                          | <hr/>                       | <hr/>                        |
|                          | (665,117)                   | (665,117)                    |
|                          | <hr/>                       | <hr/>                        |

**16. COMMITMENTS**

**Pension Commitments**

The company operates a defined contribution pension scheme on behalf of its directors. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are paid based upon the recommendations of a qualified actuary. The annual commitment under this scheme is for contributions of £8,470.

**Lease Commitments - Operating Leases**

At 31 December 1998, the company had annual commitments of £13,005 under non-cancellable operating leases which expire within two to five years.

The company's operating premises are leased from McDonalds Restaurants Limited. Rentals are substantially based on sales income generated.

**17. RELATED PARTY TRANSACTIONS**

During the year the company purchased services from McDonalds Restaurants Limited, which owns 430,000 'A' ordinary shares of £1 each in the company. The purchases were made on a normal commercial trading basis and were made up as follows:-

|                 | <b>£</b>  |
|-----------------|-----------|
| Rent            | 776,571   |
| Advertising     | 269,054   |
| Service charges | 278,657   |
|                 | <hr/>     |
|                 | 1,324,282 |
|                 | <hr/>     |

**KINGSTON RESTAURANTS LIMITED**  
**NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 1998**

The company also acquired the goodwill and equipment of three McDonalds Restaurants at St Andrew's Quay, Hull, Hedon Road, Hull and Willerby, Nr Hull from McDonalds Restaurants Limited and the goodwill and equipment of the McDonalds Restaurant at Jameson Street, Hull from McDonalds Laska, a Partnership operated by G V and P A Michniewicz, directors of the company, on 29 November 1997 as follows:-

|           | <b>From McDonalds<br/>Restaurants Limited</b> | <b>From G V and P A<br/>Michniewicz</b> |
|-----------|-----------------------------------------------|-----------------------------------------|
|           | <b>£</b>                                      | <b>£</b>                                |
| Equipment | 591,109                                       | 254,086                                 |
| Goodwill  | 565,641                                       | 625,914                                 |

The company also paid £90,000 in franchise fees to McDonalds Restaurants Limited.

At 31 December 1998 the company owed McDonalds Restaurants Limited £101,641.

There is no ultimate controlling party.