

REGISTERED NUMBER: *REG15202*
34237721
ENGLAND AND WALES

**KINGSTON RESTAURANTS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2000**



KINGSTON RESTAURANTS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

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KINGSTON RESTAURANTS LIMITED
DIRECTORS AND ADVISERS

DIRECTORS: G V Michniewicz
Mrs P A Michniewicz
D Tonge
N Dunnington (Resigned 28 March 2000)
J Atherton (Appointed 28 March 2000)

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
10 Silver Street
HULL
East Riding of Yorkshire
HU1 1JE

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 year ended 31 December 2000.

Principal Activity

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

Review of the Business

The Board consider the results for the year to be satisfactory.

Directors

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

	At 31 December 2000	
	Ordinary Shares of £1 Each	
	'A'	'B'
G V Michniewicz	-	430,000
Mrs P A Michniewicz	-	-
D Tonge	-	-
N Dunnington (Resigned 28 March 2000)	-	-
J Atherton (Appointed 28 March 2000)	-	-

Employment Policy

The company operates an equal opportunities policy with regard to recruitment and seeks to offer suitable work and training wherever practicable to persons with disabilities.

An open management policy is operated whereby all members of staff (including part-time and casual staff) are briefed regularly on matters affecting the company.

Year 2000 Compliance and the Euro

The company has experienced no significant computer or operating problems arising from the advent of the year 2000. There may be problems yet to be identified but the directors are confident of being able to deal promptly with any that may occur. Costs of dealing with year 2000 issue are expensed as incurred and are not deemed to be material.

The impact of the euro has also been considered generally by the company. Although the impact of the changeover to the euro is not currently anticipated to be significant.

KINGSTON RESTAURANTS LIMITED

REPORT OF THE DIRECTORS

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year 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 year. 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.

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

x  x

G V Michniewicz
Secretary

Approved by the Board on:

6/2/01

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

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 3, 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985



TOWNENDS

**CHARTERED ACCOUNTANTS AND
REGISTERED AUDITORS**

CARLISLE STREET, GOOLE

DATE: 8 February 2001

KINGSTON RESTAURANTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
TURNOVER	1,2	6,259,615	5,766,394
Cost of sales		2,032,322	1,729,539
GROSS PROFIT		4,227,293	4,036,855
Administrative expenses		4,058,576	3,833,897
OPERATING PROFIT	3	168,717	202,958
Loss on disposal of fixed assets		(61,018)	(72,707)
Interest receivable		14,605	10,336
Interest payable		(92,071)	(83,204)
PROFIT on ordinary activities before taxation		30,233	57,383
Taxation	5	(2,388)	(2,000)
PROFIT for the financial year after taxation		27,845	55,383
Dividends paid	6	(60,000)	(160,000)
Loss for the financial year		(32,155)	(104,617)
Retained profit at 1 January 2000		37,040	141,657
RETAINED PROFIT AT 31 DECEMBER 2000		4,885	37,040

Continuing Operations

Turnover and operating profit derive wholly from continuing operations.

Total Recognised Gains and Losses

The company has no recognised gains or losses other than the profit for the above two financial periods.

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 2000

	Notes	2000	1999
		£	£
FIXED ASSETS			
Intangible assets	7	1,084,409	1,148,487
Tangible assets	8	940,829	996,313
CURRENT ASSETS			
Stocks		80,766	55,305
Debtors	9	91,366	84,466
Cash at bank and in hand		398,829	500,751
		<u>570,961</u>	<u>640,522</u>
CREDITORS			
Amounts falling due within one year	10	712,561	757,644
NET CURRENT LIABILITIES		<u>(141,600)</u>	<u>(117,122)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,883,638</u>	<u>2,027,678</u>
CREDITORS			
Amounts falling due after more than one year	11	(1,018,753)	(1,130,638)
NET ASSETS		<u>864,885</u>	<u>897,040</u>
CAPITAL AND RESERVES			
Called up share capital	13	860,000	860,000
Profit and loss account		4,885	37,040
SHAREHOLDERS' FUNDS	14	<u>864,885</u>	<u>897,040</u>

Signed on Behalf of the Board of Directors

*  *

G V Michniewicz
 Director

Approved by the Board on: 6/2/01

KINGSTON RESTAURANTS LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000		1999	
		£	£	£	£
Net cash inflow from operating activities	15		271,821		478,252
RETURN ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		14,605		10,336	
Interest paid		(91,971)		(83,204)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(77,366)		(72,868)
TAXATION					
Corporation Tax			(2,088)		-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquired tangible fixed assets		(141,221)		(398,215)	
Proceeds received from disposal of tangible fixed assets		-		6,000	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(141,221)		(392,215)
			51,146		13,169
Equity dividends paid			(60,000)		(160,000)
FINANCING					
Capital element of hire purchase repayment		(13,500)		(10,122)	
New hire purchase agreement in the year		-		27,000	
Net bank loan advances/(repayments)		(79,567)		130,878	
			(93,067)		147,756
INCREASE/(DECREASE) IN CASH	16		(101,921)		925

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

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.

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 2000

3. OPERATING PROFIT

The operating profit is stated after charging:-

	2000 £	1999 £
Depreciation of tangible fixed assets	135,687	111,373
Amortisation of intangible fixed assets	64,078	55,756
Operating lease charges	928,866	907,845
Auditor's remuneration	3,000	3,000
Directors' emoluments		
For services as directors (including social security and pension costs)	102,509	100,930

4. STAFF COSTS

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

	2000 £	1999 £
Wages and salaries	1,586,047	1,449,093
Social Security costs	75,932	70,180
Other pension costs	9,765	10,843
	1,671,744	1,530,116
The average weekly number of employees during the period was made up as follows:-		
Restaurant staff	279	240
Office and management	16	16
	295	256

5. TAXATION

Based on the result for the year

	2000 £	1999 £
Corporation tax @ 10%, 20% and 21%	2,300	2,000
Prior year adjustment	88	-
	2,388	2,000

KINGSTON RESTAURANT LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

6. DIVIDEND

	2000 £	1999 £
Dividend on ordinary shares - paid (6.98p per share)	60,000	160,000

7. INTANGIBLE FIXED ASSETS

	Goodwill £	Franchise Fees £	Total £
COST			
At 1 January 2000	1,191,555	90,000	1,281,555
Additions	-	-	-
	1,191,555	90,000	1,281,555
At 31 December 2000	1,191,555	90,000	1,281,555
AMORTISATION			
At 1 January 2000	123,723	9,345	133,068
Charge for the year	59,578	4,500	64,078
	183,301	13,845	197,146
At 31 December 2000	183,301	13,845	197,146
NET BOOK VALUE			
At 31 December 2000	1,008,254	76,155	1,084,409
	1,067,832	80,655	1,148,487
At 31 December 1999	1,067,832	80,655	1,148,487

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

KINGSTON RESTAURANT LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

8. TANGIBLE FIXED ASSETS

	Plant, Machinery & Vehicles £
COST	
At 1 January 2000	1,187,746
Additions	141,221
Disposals	(89,998)
At 31 December 2000	1,238,969
DEPRECIATION	
At 1 January 2000	191,433
Charge for year	135,687
On disposals	(28,980)
At 31 December 2000	298,140
NET BOOK VALUE	
At 31 December 2000	940,829
At 31 December 1999	996,313

The net book value of plant and machinery includes £22,500 (1999 - £28,500) in respect of assets held under hire purchase. Depreciation in respect of such assets amounted to £6,000 for the year (1999 - £4,500).

9. DEBTORS

	2000 £	1999 £
Other debtors and prepayments	91,366	84,466

Other debtors include an amount of £40,000 in respect of repayable security deposits falling due after more than one year.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loan (secured)	197,500	168,606
Hire purchase obligations	3,375	13,452
Debt due within one year	200,875	182,058
Trade creditors	219,537	253,606
Other creditors	292,149	321,980
	712,561	757,644

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank loan (secured)	1,018,753	1,127,215
Hire purchase obligations	-	3,423
	1,018,753	1,130,638
DEBT DUE AFTER MORE THAN ONE YEAR		
- Repayable between 1-2 years	197,500	168,606
- Repayable between 2-5 years	780,000	971,880
- Repayable in 5 years or more	238,754	155,335

The bank loan, the aggregate total of which amounts to £1,216,254 is repayable in monthly instalments of £22,504 representing capital and interest.

12. DEFERRED TAXATION

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

	Provided		Unprovided	
	2000 £	1999 £	2000 £	1999 £
Capital allowances in advance of depreciation less available trading losses	-	-	85,266	69,223

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

13. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
430,000 'A' Ordinary shares of £1 each	430,000	430,000
430,000 'B' Ordinary shares of £1 each	430,000	430,000
	860,000	860,000
Allotted, called up and fully paid		
430,000 'A' Ordinary shares of £1 each	430,000	430,000
430,000 'B' Ordinary shares of £1 each	430,000	430,000
	860,000	860,000

14. SHAREHOLDERS' FUNDS

Reconciliation of Movements on Shareholders' Funds

	2000 £	1999 £
Profit for the year after taxation	27,845	55,383
Dividends paid	(60,000)	(160,000)
	(32,155)	(104,617)
Opening shareholders funds at 1 January 2000	897,040	1,001,657
Closing shareholders' funds at 31 December 2000	864,885	897,040

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

15 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	168,717	202,958
Depreciation and amortisation	199,765	167,129
Increase in stocks	(25,461)	(18,938)
Increase in debtors	(6,900)	(8,027)
Increase/(decrease) in creditors	(64,300)	135,130
NET CASH INFLOW FROM OPERATING ACTIVITIES	271,821	478,252

16. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2000 £	Cash Flow £	At 31 December 2000 £
Cash in hand and at bank	500,751	(101,921)	398,830
Bank loan	(1,295,821)	79,567	(1,216,254)
	(795,070)	(22,354)	(817,424)

17. 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 £9,360 (1999 - £9,339).

Lease Commitments - Operating Leases

At 31 December 2000, the company had annual commitments of £8256 under non-cancellable operating leases expiring:-

Within one year	£1,422
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The company's restaurant premises are leased from McDonalds Restaurants Limited on operating leases expiring after more than five years. Rentals are substantially based on annual sales income generated.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2000

18. 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:-

	2000 £	1999 £
Rent	925,555	829,345
Advertising	287,522	288,320
Service charges	298,749	289,894
	1,511,826	1,407,559

At 31 December 2000, the company owed McDonalds Restaurants Limited £126,503 (1999 - £120,854) in respect of the provision of these services.

There is no ultimate controlling party.