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Registered
REGISTERED NUMBER:
34237721
ENGLAND AND WALES

KINGSTON RESTAURANTS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2001



KINGSTON RESTAURANTS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

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**KINGSTON RESTAURANTS LIMITED
DIRECTORS AND ADVISERS**

DIRECTORS:

G V Michniewicz
Mrs P A Michniewicz
D Tonge
J Atherton

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 2001.

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 2001	
	Ordinary Shares of £1 Each 'A'	'B'
G V Michniewicz	430,000	430,000
Mrs P A Michniewicz	-	-
D Tonge	-	-
J Atherton	-	-

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.

The Euro

The impact of the euro has been considered generally by the company. Although the impact of the changeover to the euro is not currently anticipated to be significant, this issue is being closely monitored.

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



G V Michniewicz
Secretary

Approved by the Board on: 11/3/02

AUDITOR'S REPORT TO THE SHAREHOLDERS OF KINGSTON RESTAURANTS LIMITED

We have audited the Financial Statements of Kingston Restaurants Limited for the year ended 31 December 2001 on page 5 to 15. These Financial Statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of Financial Statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statement give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of Opinion

We conducted our audit in accordance with United Kingdom 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 Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements 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 Financial Statements 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 Financial Statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.


TOWNENDS

**CHARTERED ACCOUNTANTS AND
REGISTERED AUDITORS
CARLISLE STREET, GOOLE**

DATE: 12 MARCH 2002

KINGSTON RESTAURANTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
TURNOVER	1,2	6,460,567	6,259,615
Cost of sales		(2,118,535)	(2,032,322)
GROSS PROFIT		4,342,032	4,227,293
Administrative expenses		(4,192,790)	(4,058,576)
OPERATING PROFIT	3	149,242	168,717
Loss on disposal of fixed assets		-	(61,018)
Interest receivable		6,948	14,605
Interest payable		(69,990)	(92,071)
PROFIT on ordinary activities before taxation		86,200	30,233
Taxation	5	(23,593)	(2,388)
PROFIT for the financial year after taxation		62,607	27,845
Dividends paid	6	(60,000)	(60,000)
Profit/(Loss) for the financial year		2,607	(32,155)
Retained profit at 1 January 2001		4,885	37,040
RETAINED PROFIT AT 31 DECEMBER 2001		7,492	4,885

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 2001

	Notes	2001	2000
		£	£
FIXED ASSETS			
Intangible assets	7	1,020,331	1,084,409
Tangible assets	8	846,898	940,829
Investment	9	5,000	-
CURRENT ASSETS			
Stocks		45,384	80,766
Debtors	10	93,736	91,366
Cash at bank and in hand		509,258	398,829
		<u>648,378</u>	<u>570,961</u>
CREDITORS			
Amounts falling due within one year	11	836,197	712,561
NET CURRENT LIABILITIES		<u>(187,819)</u>	<u>(141,600)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,684,410</u>	<u>1,883,638</u>
CREDITORS			
Amounts falling due after more than one year	12	(816,918)	(1,018,753)
NET ASSETS		<u>867,492</u>	<u>864,885</u>
CAPITAL AND RESERVES			
Called up share capital	14	860,000	860,000
Profit and loss account		7,492	4,885
SHAREHOLDERS' FUNDS	15	<u>867,492</u>	<u>864,885</u>

Signed on Behalf of the Board of Directors

G V Michniewicz

G V Michniewicz
Director

Approved by the Board on: 11/3/02

KINGSTON RESTAURANTS LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001		2000	
		£	£	£	£
Net cash inflow from operating activities	16		417,250		271,821
RETURN ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		6,948		14,605	
Interest paid		(71,090)		(91,971)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(64,142)		(77,366)
TAXATION					
Corporation Tax paid			(2,254)		(2,088)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquired tangible fixed assets		(32,715)		(141,221)	
Payment to acquire Trade Investment		(5,000)		-	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(37,715)		(141,221)
			313,139		51,146
Equity dividends paid			-		(60,000)
FINANCING					
Capital element of hire purchase repayment		(3,375)		(13,500)	
Bank loan repayments		(199,335)		(79,567)	
			(202,710)		(93,067)
INCREASE/(DECREASE) IN CASH	17		110,429		(101,921)

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2001

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% - 20% 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 2001

3. OPERATING PROFIT

The operating profit is stated after charging:-

	2001 £	2000 £
Depreciation of tangible fixed assets	146,646	135,687
Amortisation of intangible fixed assets	64,078	64,078
Operating lease charges	962,575	928,866
Auditor's remuneration	3,000	3,000
Directors' emoluments		
For services as directors (including social security and pension costs)	102,166	102,509

4. STAFF COSTS

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

	2001 £	2000 £
Wages and salaries	1,691,399	1,586,047
Social Security costs	74,708	75,932
Other pension costs	16,941	9,765
	1,783,048	1,671,744
The average weekly number of employees during the period was made up as follows:-		
Restaurant staff	310	279
Office and management	15	16
	325	295

5. TAXATION

	2001 £	2000 £
Based on the result for the year		
Corporation tax @ 20%	24,000	2,300
Prior year adjustment	(47)	88
	23,953	2,388

KINGSTON RESTAURANT LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2001

6. DIVIDEND

	2001	2000
	£	£
Dividend on ordinary shares - paid	-	60,000

7. INTANGIBLE FIXED ASSETS

	Goodwill	Franchise	Total
	£	Fees	£
		£	
COST			
At 1 January 2001	1,191,555	90,000	1,281,555
Additions	-	-	-
At 31 December 2001	1,191,555	90,000	1,281,555
AMORTISATION			
At 1 January 2001	183,301	13,845	197,146
Charge for the year	59,578	4,500	64,078
At 31 December 2001	242,879	18,345	261,224
NET BOOK VALUE			
At 31 December 2001	948,676	71,655	1,020,331
At 31 December 2000	1,008,254	76,155	1,084,409

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 2001

8. TANGIBLE FIXED ASSETS

	Plant, Machinery & Vehicles £
COST	
At 1 January 2001	1,238,969
Additions	52,715
At 31 December 2001	1,291,684
DEPRECIATION	
At 1 January 2001	298,140
Charge for year	146,646
At 31 December 2001	444,786
NET BOOK VALUE	
At 31 December 2001	846,898
At 31 December 2000	940,829

9. INVESTMENT

	2001 £	2000 £
Trade investment at cost	5,000	-

10. DEBTORS

	2001 £	2000 £
Prepayments	53,736	51,366
Other debtors	40,000	40,000
	93,736	91,366

Other debtors are in respect of repayable security deposits falling due after more than one year.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2001

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loan (secured)	200,000	197,500
Hire purchase obligations	-	3,375
Debt due within one year	200,000	200,875
Trade creditors	221,260	219,537
Taxation and social security	197,579	169,411
Corporation tax	24,000	2,300
Accruals	133,358	120,438
Proposed dividend	60,000	-
	836,197	712,561

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

	2001 £	2000 £
Bank loan (secured)	816,918	1,018,753
DEBT DUE AFTER MORE THAN ONE YEAR		
- Repayable between 1-2 years	200,000	197,500
- Repayable between 2-5 years	810,000	780,000
- Repayable after 5 years	6,918	238,753

The bank loan, the aggregate total of which amounts to £1,016,918 is repayable in monthly instalments of £22,504 representing capital and interest.

13. DEFERRED TAXATION

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

	Provided 2001 £	2000 £	Unprovided 2001 £	2000 £
Capital allowances in advance of depreciation less available trading losses	-	-	91,477	85,266

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2001

14. CALLED UP SHARE CAPITAL

	2001 £	2000 £
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

15. SHAREHOLDERS' FUNDS

Reconciliation of Movements on Shareholders' Funds

	2001 £	2000 £
Profit for the year after taxation	62,607	27,845
Dividends paid or proposed	(60,000)	(60,000)
	2,607	(32,155)
Opening shareholders funds at 1 January 2001	864,885	897,040
Closing shareholders' funds at 31 December 2001	867,492	864,885

KINGSTON RESTAURANTS LIMITED
NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2001

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	149,242	168,717
Depreciation and amortisation	210,724	199,765
Decrease/(Increase) in stocks	35,382	(25,461)
Decrease/(Increase) in debtors	(2,370)	(6,900)
Increase/(Decrease) in creditors	24,272	(64,300)
NET CASH INFLOW FROM OPERATING ACTIVITIES	417,250	271,821

17. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2001 £	Cash Flow £	At 31 December 2001 £
Cash in hand and at bank	398,829	110,429	509,258
Bank loan	(1,216,254)	199,335	(1,016,919)
	(817,425)	309,764	(507,661)

18. 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 (2000 - £9,360).

Lease Commitments - Operating Leases

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 2001

19. 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:-

	2001 £	2000 £
Rent	959,209	925,555
Advertising	273,440	287,522
Service charges	308,688	298,749
	1,541,337	1,511,826

At 31 December 2001, the company owed McDonalds Restaurants Limited £135,094 (2000 - £126,503) in respect of the provision of these services.

There is no ultimate controlling party.