

COMPANY REGISTRATION NUMBER: 03427721

Kingston Restaurants Limited

Financial Statements

For the year ended

31 December 2015

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Kingston Restaurants Limited

Financial Statements

Year ended 31 December 2015

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Kingston Restaurants Limited

Officers and Professional Advisers

The board of directors

G V Michniewicz
P A Michniewicz
H W Trickey
J Clark

Company secretary

G V Michniewicz

Registered office

39 - 41 Jameson Street
Hull
East Riding of Yorkshire
HU1 3JA

Auditor

Townends Accountants LLP
Chartered Accountants & Statutory Auditor
Carlisle Street
Goole
East Riding of Yorkshire
DN14 5DX

Bankers

HSBC
PO Box 105
33 Park Row
Leeds
West Yorkshire
LS1 1LD

Solicitors

Rollits
Rowntree Wharf
Navigation Road
York
YO1 9WE

Kingston Restaurants Limited

Strategic Report

Year ended 31 December 2015

Business review

The directors present a review of the development and performance of our business during the year and its position at the year-end. Our review is consistent with the size and nature of our business and is written in the context of risks and uncertainties we face.

The principal activity of the company during the year was the operation of quick service restaurants.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these including turnover, gross profit and operating profit.

During 2015 the company has continued to deliver sound results in a difficult business climate. Gross profit has increased by £2,165,342 (8.81%) and operating profit has increased by £606,349.

Turnover comprises sales from company franchised restaurants. Thanks to strong sales growth from all restaurants, during the year total company turnover has increased by £2,981,047 to £39,717,294. The ongoing restaurants' strategy has had a positive impact on sales growth, which is in line with the directors' expectations and objectives.

An integral part of our re-imaging strategy is through the involvement of the culture and development of our people. This ongoing process will help us overcome the challenges we face within the changing environment and circumstances.

During the year, we continued our policy of significant capital re-investment to improve and enhance our customers experience in our restaurants and this was further evidenced in the final quarter of 2015 when two of our restaurants were modernised to create the 'Experience of the Future' to improve the experience of both our customers and people by enabling an easy, enjoyable and personalised experience. Additionally, at the same time, the second generation of re-image refurbishment works were undertaken and completed at the same two restaurants - these works essentially refreshing the original re-image projects (principally of the dining areas) undertaken in earlier years.

Principal risks and uncertainties

The company operates in a highly competitive market. High street consumer behaviour impacts the company's turnover and variability of commodity prices impacts profitability.

The company is continually assessing all risks with an aim to mitigate any future threats this may have on the business.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control, hence we are constantly assessing our plans in line with the current environment.

Transition to FRS 102

During the period the company has adopted FRS 102 for the first time with a transition date of 1 January 2014. Further details of the effects of this are included in note 25.

Kingston Restaurants Limited

Strategic Report *(continued)*

Year ended 31 December 2015

This report was approved by the board of directors on 18/8/16..... and signed on behalf of the board by:



G V Michniewicz
Company Secretary

Registered office:
39 - 41 Jameson Street
Hull
East Riding of Yorkshire
HU1 3JA

Kingston Restaurants Limited

Directors' Report

Year ended 31 December 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

Directors

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

G V Michniewicz	
P A Michniewicz	
H W Trickey	(Appointed 6 May 2015)
J Clark	(Appointed 6 May 2015)
Mr T Kelly	(Resigned 1 April 2015)
Mr J Park	(Resigned 1 April 2015)

Dividends

Particulars of recommended dividends are detailed in note 10 to the financial statements.

Future developments

The level of business and the period end financial position remain satisfactory for the company and the directors are confident to be able to develop the business further in the future.

Employment of disabled persons

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. The policy of the company is to ensure that disabled applicants for employment are given full and fair consideration having regard for their particular aptitudes and abilities. Existing disabled employees are given equal access to training, career development and promotion opportunities within the company. In the event of employees becoming disabled whilst in the employment of the company, all reasonable means are explored to achieve retention in employment in the same or an alternative capacity.

Employee involvement

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 by means of regular store meetings and communications, together with staff appraisals and feedback sessions. In addition, there is a bulletin board in each restaurant where memoranda relating to company policy are displayed.

Kingston Restaurants Limited

Directors' Report *(continued)*

Year ended 31 December 2015

Financial instruments

The company's principal financial instruments comprise bank balances, trade creditors and loans to the company. The main purpose of these instruments is to raise funds for the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial statements is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdraft facilities at floating rates of interest.

In respect of loans these comprise of a bank loan. The interest rate on the loan is variable but the monthly repayments are fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Going concern

The company is in a net current liabilities position at the balance sheet date. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Research and development

The company does not carry out any independent or specific research and development. However, McDonalds Restaurants Limited and its associated companies carries out research and development on behalf of all franchisees. The company makes a contribution towards this through its existing payments to McDonalds Restaurants Limited.

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.

Kingston Restaurants Limited

Directors' Report *(continued)*

Year ended 31 December 2015

This report was approved by the board of directors on 18/8/16 and signed on behalf of the board by:



G V Michniewicz
Company Secretary

Registered office:
39 - 41 Jameson Street
Hull
East Riding of Yorkshire
HU1 3JA

Kingston Restaurants Limited

Directors' Responsibilities Statement

Year ended 31 December 2015

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.

Kingston Restaurants Limited

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

Year ended 31 December 2015

We have audited the financial statements of Kingston Restaurants Limited for the year ended 31 December 2015, on pages 10 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Kingston Restaurants Limited

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

Year ended 31 December 2015

Matters on which we are required to report by exception

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

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



Adrian Carroll (Senior Statutory Auditor)

For and on behalf of
Townends Accountants LLP
Chartered Accountants & Statutory Auditor
Carlisle Street
Goole
East Riding of Yorkshire
DN14 5DX

19 August 2016

Kingston Restaurants Limited

Income Statement

Year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	4	39,717,294	36,736,247
Cost of sales		<u>12,973,491</u>	<u>12,157,786</u>
Gross profit		26,743,803	24,578,461
Administrative expenses		<u>24,765,378</u>	<u>23,206,385</u>
Operating profit	5	1,978,425	1,372,076
Other interest receivable and similar income		<u>2,012</u>	1,407
Interest payable and similar charges	8	<u>8,199</u>	<u>150,766</u>
Profit on ordinary activities before taxation		1,972,238	1,222,717
Tax on profit on ordinary activities	9	<u>432,824</u>	<u>277,152</u>
Profit for the financial year		<u>1,539,414</u>	<u>945,565</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

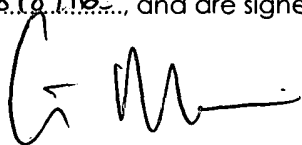
Kingston Restaurants Limited

Statement of Financial Position

31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	11	1,546,853	1,651,690
Tangible assets	12	3,385,766	3,171,021
		<u>4,932,619</u>	<u>4,822,711</u>
Current assets			
Stocks	13	122,762	158,928
Debtors	14	490,727	416,000
Cash at bank and in hand		2,927,702	2,300,099
		<u>3,541,191</u>	<u>2,875,027</u>
Creditors: amounts falling due within one year	15	<u>3,889,121</u>	<u>3,302,068</u>
Net current liabilities		<u>347,930</u>	<u>427,041</u>
Total assets less current liabilities		<u>4,584,689</u>	<u>4,395,670</u>
Creditors: amounts falling due after more than one year	16	173,389	324,594
Provisions			
Taxation including deferred tax	18	183,369	182,559
Net assets		<u>4,227,931</u>	<u>3,888,517</u>
Capital and reserves			
Called up share capital	21	860,000	860,000
Profit and loss account	22	3,367,931	3,028,517
Shareholders funds		<u>4,227,931</u>	<u>3,888,517</u>

These financial statements were approved by the board of directors and authorised for issue on 18/8/16, and are signed on behalf of the board by:



G V Michniewicz
Director

Company registration number: 03427721

The notes on pages 14 to 27 form part of these financial statements.

Kingston Restaurants Limited

Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2014	860,000	2,082,952	2,942,952
Profit for the year		945,565	945,565
Total comprehensive income for the year	–	945,565	945,565
At 31 December 2014	860,000	3,028,517	3,888,517
Profit for the year		1,539,414	1,539,414
Total comprehensive income for the year	–	1,539,414	1,539,414
Dividends paid and payable	10	– (1,200,000)	(1,200,000)
Total investments by and distributions to owners		– (1,200,000)	(1,200,000)
At 31 December 2015	<u>860,000</u>	<u>3,367,931</u>	<u>4,227,931</u>

The notes on pages 14 to 27 form part of these financial statements.

Kingston Restaurants Limited

Statement of Cash Flows

Year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	1,539,414	945,565
<i>Adjustments for:</i>		
Depreciation of tangible assets	694,597	672,662
Amortisation of intangible assets	104,837	104,828
Other interest receivable and similar income	(2,012)	(1,407)
Interest payable and similar charges	8,199	150,766
Loss on disposal of tangible assets	10,920	421
Tax on profit on ordinary activities	432,824	277,152
Accrued (income)/expenses	(296,504)	106,081
<i>Changes in:</i>		
Stocks	36,166	(30,668)
Trade and other debtors	(74,727)	(26,277)
Trade and other creditors	940,944	(47,187)
Cash generated from operations	3,394,658	2,151,936
Interest paid	(8,199)	(150,766)
Interest received	2,012	1,407
Tax paid	(346,987)	(272,655)
Net cash from operating activities	3,041,484	1,729,922
Cash flows from investing activities		
Purchase of tangible assets	(920,262)	(724,624)
Net cash used in investing activities	(920,262)	(724,624)
Cash flows from financing activities		
Proceeds from borrowings	489,000	-
Repayments of borrowings	(782,619)	(738,792)
Dividends paid	(1,200,000)	-
Net cash used in financing activities	(1,493,619)	(738,792)
Net increase in cash and cash equivalents	627,603	266,506
Cash and cash equivalents at beginning of year	2,300,099	2,033,593
Cash and cash equivalents at end of year	2,927,702	2,300,099

The notes on pages 14 to 27 form part of these financial statements.

Kingston Restaurants Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 39 - 41 Jameson Street, Hull, East Riding of Yorkshire, HU1 3JA.

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

(a) 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 measured at fair value through profit or loss.

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

(b) Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 25.

(c) Changes in accounting estimates

FRS 102 requires all intangible assets to have a finite useful life. Previously, in view of the perceived durability of the 'McDonald's' brand name, the directors had adopted a policy of stating goodwill at original cost and applying impairment reviews on an annual basis. This policy is no longer acceptable under FRS 102. Having considered the requirements of FRS 102 the directors consider that attributing a useful economic life to purchased goodwill of 20 years, the typical term of a restaurant franchise, is appropriate in all the circumstances. Consequently the accounting policy has been amended to reflect this. The financial effect of this amendment to an accounting estimate has been to include an amortisation charge of £75,023 in 2014 and 2015.

(d) 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.

Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Goodwill and intangible assets

Goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.

The company establishes an estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on the term of the franchise of each operating restaurant.

Plant and equipment

The company's accounting policy for plant and equipment assets is set out in note 2(l). Estimated useful lives of plant and equipment are based on management's judgement and historical experience with similar assets.

(e) Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from sale of goods is recognised at the point of sale to the customer.

(f) Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to be paid or recovered 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 at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

3. Accounting policies (continued)

(g) Operating leases

The company's restaurant premises are leased from McDonald's Restaurants Limited under non-cancellable operating leases with expiry terms of more than five years. The rental payments are calculated on a monthly basis and are substantially based on annual sales income generated.

(h) Goodwill and intangible assets

Amounts classified as 'goodwill' in the financial statements relates to the amount invoiced in respect of franchise rights in connection with the acquisition of operating restaurants, and is separate to the amount identified and invoiced as plant and equipment.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

(i) 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	-	5% straight line
Franchise fees & SDLT	-	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.

(j) Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

(k) 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 and machinery	-	5 - 20 years straight line
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Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

(l) 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 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.

(m) 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.

(n) 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.

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

3. Accounting policies (continued)

(o) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

(p) 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:

	2015	2014
	£	£
Sale of goods	<u>39,717,294</u>	<u>36,736,247</u>

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

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

5. Operating profit

Operating profit or loss is stated after charging:

	2015	2014
	£	£
Amortisation of intangible assets	104,837	104,828
Depreciation of tangible assets	694,597	672,662
Loss on disposal of tangible assets	10,920	421
Cost of stocks recognised as an expense	<u>12,973,491</u>	<u>12,157,786</u>

6. Auditor's remuneration

	2015	2014
	£	£
Fees payable for the audit of the financial statements	<u>7,800</u>	<u>7,800</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>9,394</u>	<u>10,075</u>

7. Staff costs

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

	2015	2014
	No.	No.
Restaurant staff	1,141	1,148
Office and management	<u>50</u>	<u>49</u>
	<u>1,191</u>	<u>1,197</u>

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

	2015	2014
	£	£
Wages and salaries	10,435,148	9,678,530
Social security costs	450,018	434,879
Other pension costs	<u>49,116</u>	<u>42,932</u>
	<u>10,934,282</u>	<u>10,156,341</u>

No directors were remunerated for their services by Kingston Restaurants Limited (2014 - £nil).

8. Interest payable and similar charges

	2015	2014
	£	£
Interest on banks loans and overdrafts	<u>8,199</u>	<u>150,766</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

9. Tax on profit on ordinary activities

Major components of tax expense

	2015 £	2014 £
Current tax:		
UK current tax expense	432,052	294,024
Adjustments in respect of prior periods	(38)	—
Total current tax	<u>432,014</u>	<u>294,024</u>
Deferred tax:		
Origination and reversal of timing differences	810	(16,872)
Tax on profit on ordinary activities	<u>432,824</u>	<u>277,152</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).

	2015 £	2014 £
Profit on ordinary activities before taxation	1,972,238	1,222,717
Profit on ordinary activities by rate of tax	399,378	262,884
Adjustment to tax charge in respect of prior periods	(38)	—
Effect of expenses not deductible for tax purposes	21,229	22,538
Effect of capital allowances and depreciation	11,517	8,696
Other short term timing differences	(72)	(94)
Movement in deferred tax provision	810	(16,872)
Tax on profit on ordinary activities	<u>432,824</u>	<u>277,152</u>

10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2015 £	2014 £
Equity dividends on 'A' ordinary shares	600,000	—
Equity dividends on 'B' ordinary shares	600,000	—
	<u>1,200,000</u>	<u>—</u>

Dividends proposed after the year end and not recognised as a liability:

	2015 £	2014 £
Equity dividends on 'A' ordinary shares	—	100,000
Equity dividends on 'B' ordinary shares	—	100,000
	<u>—</u>	<u>200,000</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

11. Intangible assets

	Goodwill £	Franchise Fees & SDLT £	Total £
Cost			
At 1 Jan 2015 and 31 Dec 2015	<u>1,500,468</u>	<u>530,970</u>	<u>2,031,438</u>
Amortisation			
At 1 January 2015	150,046	229,702	379,748
Charge for the year	75,023	29,814	104,837
At 31 December 2015	<u>225,069</u>	<u>259,516</u>	<u>484,585</u>
Carrying amount			
At 31 December 2015	<u>1,275,399</u>	<u>271,454</u>	<u>1,546,853</u>
At 31 December 2014	<u>1,350,422</u>	<u>301,268</u>	<u>1,651,690</u>

Amortisation of intangible assets is included in administrative expenses.

12. Tangible assets

	Plant and machinery £	Total £
Cost		
At 1 January 2015	6,714,986	6,714,986
Additions	920,262	920,262
Disposals	(24,688)	(24,688)
At 31 December 2015	<u>7,610,560</u>	<u>7,610,560</u>
Depreciation		
At 1 January 2015	3,543,965	3,543,965
Charge for the year	694,597	694,597
Disposals	(13,768)	(13,768)
At 31 December 2015	<u>4,224,794</u>	<u>4,224,794</u>
Carrying amount		
At 31 December 2015	<u>3,385,766</u>	<u>3,385,766</u>
At 31 December 2014	<u>3,171,021</u>	<u>3,171,021</u>

Capital commitments

	2015 £	2014 £
Contracted for but not provided for in the financial statements	<u>930,000</u>	<u>—</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

13. Stocks

	2015	2014
	£	£
Finished goods and goods for resale	<u>122,762</u>	<u>158,928</u>

14. Debtors

	2015	2014
	£	£
Prepayments	34,409	133,476
Other debtors	<u>456,318</u>	<u>282,524</u>
	<u>490,727</u>	<u>416,000</u>

The debtors above include the following amounts falling due after more than one year:

	2015	2014
	£	£
Other debtors	<u>364,422</u>	<u>222,768</u>

15. Creditors: amounts falling due within one year

	2015	2014
	£	£
Bank loans and overdrafts	159,166	301,580
Trade creditors	2,190,295	1,196,441
Accruals	563,178	859,682
Corporation tax	238,052	153,025
Social security and other taxes	<u>738,430</u>	<u>791,340</u>
	<u>3,889,121</u>	<u>3,302,068</u>

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

	2015	2014
	£	£
Bank loans and overdrafts	<u>173,389</u>	<u>324,594</u>

The bank loan is unsecured and interest is charged at 1% over bank base rate. Loan repayments are made in equal monthly instalments and at 31 December 2015 the loan is wholly repayable within 5 years.

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

17. Deferred tax

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

	2015	2014
	£	£
Included in provisions (note 18)	<u>183,369</u>	<u>182,559</u>

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

	2015	2014
	£	£
Accelerated capital allowances	<u>183,369</u>	<u>182,559</u>

The reversal of deferred tax liabilities expected to occur during the year commencing 1 January 2016 is not expected to be material.

18. Provisions

	Deferred tax (note 17)
	£
At 1 January 2015	182,559
Additions	810
At 31 December 2015	<u>183,369</u>

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £49,116 (2014: £42,932).

20. Financial instruments

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

	2015	2014
	£	£
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>3,418,429</u>	<u>2,716,099</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>4,062,510</u>	<u>3,626,662</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

20. Financial instruments (continued)

Financial assets measured at amortised cost comprise cash at bank, prepayments and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, bank loans, corporation tax, VAT, other tax and social security, and accruals.

21. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No.	£	No.	£
'A' Ordinary shares of £1 each	430,000	430,000	430,000	430,000
'B' Ordinary shares of £1 each	430,000	430,000	430,000	430,000
	<u>860,000</u>	<u>860,000</u>	<u>860,000</u>	<u>860,000</u>

22. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

23. Operating leases

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

	2015	2014
	£	£
Later than 5 years	<u>6,200,000</u>	<u>5,325,000</u>

The company's restaurant premises are leased from McDonalds Restaurants Limited under non-cancellable operating leases expiring after more than five years. It is not possible to quantify the commitments due under the leases because of the variable basis of the rental payments, which are substantially based on annual sales income generated. The directors estimate that the total annual rental payments for the year to 31 December 2016 will be in the region of £6,200,000.

Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

24. 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:-

Rent - £5,480,190 (2014 - £5,090,087), advertising - £1,806,333 (2014 - £1,678,337) and service charges - £1,943,876 (2014 - £1,797,676).

In addition to the above, the company also made payments totalling £444,870 (net) (2014 - £161,845 (net)) to McDonalds Restaurants Limited in respect of reimagining certain of the company's restaurants.

During the year, the company paid dividends totalling £600,000 to McDonalds Restaurants Limited, a shareholder.

At 31 December 2015, the company owed McDonalds Restaurants Limited £1,245,681 (net) (2014 - £546,703 (net)) in respect of the provision of these services.

During the year the company paid dividends totalling £600,000 to Mr G V Michniewicz, a shareholder and director.

During the year the company paid Wicz Limited, a company in which G V and P A Michniewicz are shareholders and directors, £584,177 (2014 - £573,365) for various services. At the balance sheet date £4,945 was due from Wicz Limited (2014 - £1,234 due from Wicz Limited).

All transactions were conducted on normal commercial terms.

There is no ultimate controlling party.

25. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 January 2014.

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

25. Transition to FRS 102 (continued)

Reconciliation of equity

	1 January 2014			31 December 2014		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Fixed assets	4,951,021	(75,023)	4,875,998	4,972,757	(150,046)	4,822,711
Current assets	2,551,576	–	2,551,576	2,875,027	–	2,875,027
Creditors: amounts falling due within one year	(3,659,801)	–	(3,659,801)	(3,302,068)	–	(3,302,068)
Net current liabilities	(1,108,225)	–	(1,108,225)	(427,041)	–	(427,041)
Total assets less current liabilities	3,842,796	(75,023)	3,767,773	4,545,716	(150,046)	4,395,670
Creditors: amounts falling due after more than one year	(625,390)	–	(625,390)	(324,594)	–	(324,594)
Provisions	(199,431)	–	(199,431)	(182,559)	–	(182,559)
Net assets	3,017,975	(75,023)	2,942,952	4,038,563	(150,046)	3,888,517
Capital and reserves	3,017,975	(75,023)	2,942,952	4,038,563	(150,046)	3,888,517

Reconciliation of profit or loss for the year

	Year ended 31 December 2014		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Turnover	36,736,247	–	36,736,247
Cost of sales	(12,157,786)	–	(12,157,786)
Gross profit	24,578,461	–	24,578,461
Administrative expenses	(23,131,362)	(75,023)	(23,206,385)
Operating profit	1,447,099	(75,023)	1,372,076
Other interest receivable and similar income	1,407	–	1,407
Interest payable and similar charges	(150,766)	–	(150,766)
Tax on profit on ordinary activities	(277,152)	–	(277,152)
Profit for the financial year	1,020,588	(75,023)	945,565

Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

25. Transition to FRS 102 *(continued)*

Under previous UK GAAP, the company undertook an annual review for impairment of goodwill. Under FRS 102, the company is required to amortise goodwill over its useful economic life which the directors have deemed to be 20 years (the franchise period). The impact is to increase amortisation by £75,023 at 31 December 2013 and 31 December 2014 respectively.