

COMPANY REGISTRATION NUMBER: 03427721

Kingston Restaurants Limited
Financial Statements
For the year ended
31 December 2016

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Kingston Restaurants Limited

Financial Statements

Year ended 31 December 2016

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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 P Betts
Company secretary	G V Michniewicz
Registered office	39 - 41 Jameson Street Hull East Riding of Yorkshire HU1 3JA
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
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 2016

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 2016 the company has continued to deliver sound results in a difficult business climate. Gross profit has increased by £2,527,398 (9.45%).

Turnover comprises sales from company franchised restaurants. Thanks to strong sales growth from all restaurants in 2016 and, following the acquisition of the new Anlaby Road restaurant in May 2016, the total company turnover has increased by £3,199,751 to £42,917,045. 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 evolution 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. This was evidenced throughout 2016 when four of our restaurants were modernised creating 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 four restaurants - these works essentially refreshing the original re-image projects (principally of the dining areas) undertaken in earlier years.

We remain on course to complete the 'Experience of the Future' and second generation of Re-images across all of our restaurants by 2018.

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.

Managements plan to address and mitigate these risks is included in our capital investment and store re-image strategy noted above which is designed to keep us at the forefront of developments in the quick service restaurant sector.

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.

Kingston Restaurants Limited

Strategic Report *(continued)*

Year ended 31 December 2016

This report was approved by the board of directors on 28.09.2017 and signed on behalf of the board by:



G V Michniewicz
Director

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

Kingston Restaurants Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Directors

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

G V Michniewicz

P A Michniewicz

H W Trickey

J P Betts

(Appointed 1 October 2016)

J Clark

(Resigned 1 October 2016)

Dividends

The company paid dividends during the year of £nil (2015 - £1,200,000).

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 2016

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, however the company is profitable and is expected to continue to grow. 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.

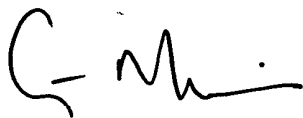
In accordance with s485 of the Companies Act 2006, the auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Kingston Restaurants Limited

Directors' Report (continued)

Year ended 31 December 2016

This report was approved by the board of directors on 28.09.2017 and signed on behalf of the board by:



G V Michniewicz
Director

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

Kingston Restaurants Limited

Directors' Responsibilities Statement

Year ended 31 December 2016

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.

Independent Auditor's Report to the Members of Kingston Restaurants Limited**Year ended 31 December 2016**

We have audited the financial statements of Kingston Restaurants Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and the 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Year ended 31 December 2016

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Ernst & Young LLP

Julie Carlyle (Senior Statutory Auditor)

For and on behalf of
Ernst & Young LLP
1 More London London
London
SE1 2AF

28 SEP 2017

Kingston Restaurants Limited

Statement of Comprehensive Income

Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	42,917,045	39,717,294
Cost of sales		<u>13,645,844</u>	<u>12,973,491</u>
Gross profit		29,271,201	26,743,803
Administrative expenses		28,173,711	24,765,378
Other operating income	5	<u>45,641</u>	<u>–</u>
Operating profit	6	1,143,131	1,978,425
Other interest receivable and similar income		5,899	2,012
Interest payable and similar expenses	9	<u>11,035</u>	<u>8,199</u>
Profit before taxation		1,137,995	1,972,238
Tax on profit	10	<u>264,358</u>	<u>432,824</u>
Profit for the financial year and total comprehensive income		<u>873,637</u>	<u>1,539,414</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 26 form part of these financial statements.

Kingston Restaurants Limited

Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	12	1,484,231	1,546,853
Tangible assets	13	<u>5,761,256</u>	<u>3,385,766</u>
		7,245,487	4,932,619
Current assets			
Stocks	14	147,035	122,762
Debtors	15	1,399,521	490,727
Cash at bank and in hand		<u>1,858,367</u>	<u>2,927,702</u>
		3,404,923	3,541,191
Creditors: amounts falling due within one year	16	<u>(3,879,303)</u>	<u>(3,889,121)</u>
Net current liabilities		(474,380)	(347,930)
Total assets less current liabilities		6,771,107	4,584,689
Creditors: amounts falling due after more than one year	17	(1,467,634)	(173,389)
Provisions			
Taxation including deferred tax	18	<u>(201,905)</u>	<u>(183,369)</u>
Net assets		<u>5,101,568</u>	<u>4,227,931</u>
Capital and reserves			
Called up share capital	22	860,000	860,000
Profit and loss account	23	<u>4,241,568</u>	<u>3,367,931</u>
Shareholders funds		<u>5,101,568</u>	<u>4,227,931</u>

These financial statements were approved by the board of directors and authorised for issue on 18.09.2017 and are signed on behalf of the board by:



G V Michniewicz
Director

Company registration number: 03427721

Kingston Restaurants Limited

Statement of Changes in Equity

Year ended 31 December 2016

		Called up share capital £	Profit and loss account £	Total £
At 1 January 2015		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	11	–	(1,200,000)	(1,200,000)
Total investments by and distributions to owners		–	(1,200,000)	(1,200,000)
At 31 December 2015		860,000	3,367,931	4,227,931
Profit for the year			873,637	873,637
Total comprehensive income for the year		–	873,637	873,637
At 31 December 2016		<u>860,000</u>	<u>4,241,568</u>	<u>5,101,568</u>

The notes on pages 14 to 26 form part of these financial statements.

Kingston Restaurants Limited

Statement of Cash Flows

Year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	873,637	1,539,414
<i>Adjustments for:</i>		
Depreciation of tangible assets	892,524	694,597
Amortisation of intangible assets	106,215	104,837
Other interest receivable and similar income	(5,899)	(2,012)
Interest payable and similar expenses	11,035	8,199
Loss on disposal of tangible assets	52,236	10,920
Tax on profit	264,358	432,824
Accrued expenses/(income)	293,238	(296,504)
<i>Changes in:</i>		
Stocks	(24,273)	36,166
Trade and other debtors	(908,794)	(74,727)
Trade and other creditors	313,757	940,944
Cash generated from operations	1,868,034	3,394,658
Interest paid	(11,035)	(8,199)
Interest received	5,899	2,012
Tax paid	(416,052)	(346,987)
Net cash from operating activities	<u>1,446,846</u>	<u>3,041,484</u>
Cash flows from investing activities		
Purchase of tangible assets	(3,331,143)	(920,262)
Proceeds from sale of tangible assets	10,893	-
Purchase of intangible assets	(43,593)	-
Net cash used in investing activities	<u>(3,363,843)</u>	<u>(920,262)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,250,000	489,000
Repayments of borrowings	(402,338)	(782,619)
Dividends paid	-	(1,200,000)
Net cash from/(used in) financing activities	<u>847,662</u>	<u>(1,493,619)</u>
Net (decrease)/increase in cash and cash equivalents	(1,069,335)	627,603
Cash and cash equivalents at beginning of year	2,927,702	2,300,099
Cash and cash equivalents at end of year	<u>1,858,367</u>	<u>2,927,702</u>

The notes on pages 14 to 26 form part of these financial statements.

Kingston Restaurants Limited

Notes to the Financial Statements

Year ended 31 December 2016

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) 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. 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 notes 3(i-k). Estimated useful lives of plant and equipment are based on management's judgement and historical experience with similar assets.

(c) 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.

Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Revenue recognition *(continued)*

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

(d) Current and deferred 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.

(e) Deferred income

Deferred income relates to contributions received in connection with the purchase of tangible fixed assets and is recognised at the fair value of the asset received or receivable.

Deferred income is measured using the accrual model.

Under the accrual model, deferred income relating to assets is recognised in income on a systematic basis over the expected useful life of the asset. Where part of the contribution relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

(f) 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. The aggregate benefit of lease incentives is recognised on a straight line basis over the lease term.

(g) 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.

Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Goodwill and intangible assets *(continued)*

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.

(h) Intangible assets

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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(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.

Kingston Restaurants Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

(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.

(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.

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

3. Accounting policies (continued)

(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:

	2016 £	2015 £
Sale of goods	<u>42,917,045</u>	<u>39,717,294</u>

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

5. Other operating income

	2016 £	2015 £
Amortisation of deferred income	<u>45,641</u>	<u>-</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Amortisation of intangible assets	106,215	104,837
Depreciation of tangible assets	892,524	694,597
Loss on disposal of tangible assets	52,236	10,920
Cost of stocks recognised as an expense	13,645,844	12,973,491
Operating lease rentals	<u>5,944,834</u>	<u>5,480,190</u>

7. Auditor's remuneration

	2016 £	2015 £
Fees payable to Ernst & Young LLP		
Fees payable for the audit of the financial statements	<u>30,000</u>	<u>-</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

7. Auditor's remuneration (continued)

	2016 £	2015 £
Fees payable to Townends Accountants LLP		
Fees payable for the audit of the financial statements	<u>-</u>	<u>7,800</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>-</u>	<u>9,394</u>

8. Staff costs

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

	2016 No.	2015 No.
Restaurant staff	1,211	1,141
Office and management	<u>56</u>	<u>50</u>
	<u>1,267</u>	<u>1,191</u>

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

	2016 £	2015 £
Wages and salaries	11,815,255	10,435,148
Social security costs	532,111	450,018
Other pension costs	<u>57,478</u>	<u>49,116</u>
	<u>12,404,844</u>	<u>10,934,282</u>

No directors were remunerated for their services by Kingston Restaurants Limited (2015 - £nil). The company pays Wicz Limited for the provision of management services. Details are provided in note 25.

9. Interest payable and similar expenses

	2016 £	2015 £
Interest on banks loans and overdrafts	<u>11,035</u>	<u>8,199</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

10. Tax on profit

Major components of tax expense

	2016 £	2015 £
Current tax:		
UK current tax expense	245,822	432,052
Adjustments in respect of prior periods	-	(38)
Total current tax	<u>245,822</u>	<u>432,014</u>
Deferred tax:		
Origination and reversal of timing differences	18,536	810
Tax on profit	<u>264,358</u>	<u>432,824</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £	2015 £
Profit on ordinary activities before taxation	1,137,995	1,972,238
Profit on ordinary activities by rate of tax	227,472	399,378
Adjustment to tax charge in respect of prior periods	-	(38)
Effect of expenses not deductible for tax purposes	7,600	21,157
Effect of capital allowances and depreciation	29,286	12,327
Tax on profit	<u>264,358</u>	<u>432,824</u>

Company tax rates have reduced to 19% from 1 April 2017 and are set to reduce further to 17% from 1 April 2020, as provided by the Finance Act 2016.

11. Dividends

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

	2016 £	2015 £
Equity dividends on 'A' ordinary shares	-	600,000
Equity dividends on 'B' ordinary shares	-	600,000
	<u>-</u>	<u>1,200,000</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

12. Intangible assets

	Goodwill £	Franchise Fees & SDLT £	Total £
Cost			
At 1 January 2016	1,500,468	530,970	2,031,438
Additions	–	43,593	43,593
At 31 December 2016	1,500,468	574,563	2,075,031
Amortisation			
At 1 January 2016	225,069	259,516	484,585
Charge for the year	75,023	31,192	106,215
At 31 December 2016	300,092	290,708	590,800
Carrying amount			
At 31 December 2016	1,200,376	283,855	1,484,231
At 31 December 2015	1,275,399	271,454	1,546,853

Amortisation of intangible assets is included in administrative expenses.

13. Tangible assets

	Plant and machinery £	Total £
Cost		
At 1 January 2016	7,610,560	7,610,560
Additions	3,331,143	3,331,143
Disposals	(740,619)	(740,619)
At 31 December 2016	10,201,084	10,201,084
Depreciation		
At 1 January 2016	4,224,794	4,224,794
Charge for the year	892,524	892,524
Disposals	(677,490)	(677,490)
At 31 December 2016	4,439,828	4,439,828
Carrying amount		
At 31 December 2016	5,761,256	5,761,256
At 31 December 2015	3,385,766	3,385,766

Capital commitments

	2016 £	2015 £
Contracted for but not provided for in the financial statements	–	930,000

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

14. Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>147,035</u>	<u>122,762</u>

15. Debtors

	2016 £	2015 £
Prepayments	50,178	29,464
Other debtors	<u>1,349,343</u>	<u>461,263</u>
	<u>1,399,521</u>	<u>490,727</u>

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

	2016 £	2015 £
Other debtors	<u>1,087,863</u>	<u>364,422</u>

16. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts	531,409	159,166
Trade creditors	1,485,920	2,190,295
Accruals and deferred income	952,468	563,178
Corporation tax	67,822	238,052
Social security and other taxes	841,684	738,430
	<u>3,879,303</u>	<u>3,889,121</u>

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

	2016 £	2015 £
Bank loans and overdrafts	648,808	173,389
Accruals and deferred income	<u>818,826</u>	<u>-</u>
	<u>1,467,634</u>	<u>173,389</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 2016 the loan is wholly repayable within 5 years.

18. Provisions

	Deferred tax (note 19) £
At 1 January 2016	183,369
Additions	<u>18,536</u>
At 31 December 2016	<u>201,905</u>

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

19. Deferred tax

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

	2016	2015
	£	£
Included in provisions (note 18)	<u>201,905</u>	<u>183,369</u>

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

	2016	2015
	£	£
Accelerated capital allowances	<u>201,905</u>	<u>183,369</u>

The reversal of deferred tax liabilities expected to occur during the year commencing 1 January 2017 is not expected to be material.

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £57,478 (2015: £49,116).

21. Financial instruments

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

	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>3,257,888</u>	<u>3,418,429</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>5,346,937</u>	<u>4,062,510</u>

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, accruals and deferred income.

Kingston Restaurants Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

22. Called up share capital

Issued, called up and fully paid

	2016		2015	
	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>

23. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

24. Operating leases

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

	2016	2015
	£	£
Not later than 1 year	6,500,000	6,200,000
Later than 1 year and not later than 5 years	26,000,000	24,800,000
Later than 5 years	32,500,000	31,000,000
	<u>65,000,000</u>	<u>62,000,000</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 rental payments over the whole lease term will be in the region of £65,000,000.

Kingston Restaurants Limited**Notes to the Financial Statements (continued)****Year ended 31 December 2016****25. 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 - £5,944,834 (2015 - £5,480,190), advertising - £1,949,911 (2015 - £1,806,333) and service charges - £2,103,261 (2015 - £1,943,876).

In addition to the above, the company also made payments totalling £2,065,166 (net) (2015 - £444,870 (net)) to McDonalds Restaurants Limited in respect of re-imaging certain of the company's restaurants.

During the year, the company paid dividends totalling £Nil (2015 - £600,000) to McDonalds Restaurants Limited, a shareholder.

At 31 December 2016, McDonalds Restaurants Limited owed the company £338,003 (net) (2015 - £1,245,681 (net) owed to McDonalds) in respect of the provision of these services.

During the year the company paid dividends totalling £Nil (2015 - £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, £611,767 (2015 - £584,177) for various services. At the balance sheet date £240,860 (net) was due to Wicz Limited (2015 - £4,945 due from Wicz Limited).

All transactions were conducted on normal commercial terms.

In the opinion of the directors, there is no ultimate controlling party as the company has a joint venture agreement in place.