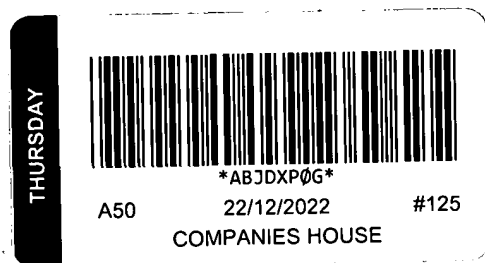


Company registration number: 05420213

**DNP Restaurants Ltd
Trading as McDonald's**

Financial statements

31 December 2021



DNP Restaurants Ltd

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DNP Restaurants Ltd

Directors and other information

Director	Mr D. Padmore
Secretary	J. Padmore
Company number	05420213
Registered office	Ravenside Retail Park Bexhill on Sea East Sussex TN40 2JS
Auditor	Manex Accountants Ltd 9 Castle Court (2) Castlegate Way Dudley West Midlands DY1 4RH
Accountants	Windsors Rybridge Ltd 9 Castle Court (2) Castlegate Way Dudley West Midlands DY1 4RH
Bankers	HSBC plc Park Edward Road Eastbourne East Sussex BN23 8AS

DNP Restaurants Ltd

Strategic report Year ended 31 December 2021

Business review

The director aims to present a review of the development and performance of the company during the year under review and its position at the year end. This review is consistent with the size and nature of the company and is written in the context of the risks and uncertainties it faces.

The principal activity of the company during the year was that of an operator of 8 McDonald's restaurant franchises.

It is the strategy of the company to refurbish restaurants periodically to keep them fresh and inviting to our customers. The company continued to benefit from its investment in the national McDonald's store refurbishment projects and continues to update and improve its restaurants. The re-imaging strategy continued to have a positive impact on sales growth, which is in line with the directors' expectations and objectives. In addition, substantial investment has been made during the year in new digital drive thru signage, which has been installed at several restaurants.

The demand for home delivery foods ready to eat has increased. The company will continue its partnership with UberEats and Just Eat to offer the McDelivery service to our customers. Customers can now also use the "My McDonald's" app to order food for delivery. The company will continue to push delivery and digital offerings.

The profit for the year, before taxation, amounted to £3,028,574. This compares to a profit before tax of £961,597 in the previous year. The director is pleased to report the profitability of the business. The company has positive cashflows and the balance sheet shows net assets of £2,004,888, an increase of £1,634,786 on 2020. Sales increased by 47.90%, from £21.88m to £32.36m. Gross profit increased by 8.11% from 34.85% in 2020 to 42.96%. Operating profit for the year amounted to £3,092,554 compared to £1,042,903 in 2020.

Given the straightforward nature of the business, the director is of the opinion that analysis using additional KPI's is not necessary for an understanding of the development, performance, or position of the company.

DNP Restaurants Ltd

Strategic report (continued) Year ended 31 December 2021

Principle risks and uncertainties

The management of the company and the nature of its trading strategy are subject to several risks, which are set out below. The company operates a thorough risk assessment and management process which involves a formal review of all the risks identified below and introducing processes to monitor and mitigate each risk, where possible.

The company operates in a highly competitive market with high levels of price sensitivity. Consumer behaviour can impact the company's turnover and profitability. The company mitigates this risk by adopting a policy of constantly assessing its pricing strategy with ongoing market research. Demand has increased during the year.

The company remains exposed to periods of general inflation and food cost inflation together with the variability of commodity prices, which impact on the company's profitability. The company continually assesses any risks identified with the aim of mitigating the threats these may have on the company's operations and profitability. The company's supply chain is closely maintained by McDonald's, who are therefore able to negotiate effectively on behalf of franchisees to ensure better purchasing terms. This helps as much as possible to protect the company from risks associated with fluctuating food costs.

The company is also inherently exposed to pressures within the labour market and to wage cost inflation. Increases to the national minimum wage and national living wage in 2022 will see wage costs increase. However, given the success of the company, we will continue to invest in our people. The company mitigates this risk by a policy of adopting remuneration and benefits packages designed to be competitive within the market as well as ensuring full compliance with labour market regulations, with employment policies to allow fulfilling career opportunities for all employees.

Increased volatility, uncertainty and cost pressures in the UK energy market have resulted in an increase in utility costs. To manage and mitigate the risk, McDonald's has entered into several Power Purchase Agreements (PPAs) to increase the company's renewable energy capacity.

The other main risk area is that of regulatory risk, including health and safety and food hygiene. The company's operations are constantly reviewed by McDonald's to ensure a high level of compliance.

DNP Restaurants Ltd

Strategic report (continued) Year ended 31 December 2021

Financial risk management and policies

The company's principal financial instruments comprise bank balances, loans to the company, and trade creditors. The main purpose of these instruments is to provide funds for the company's operations. Their existence exposes the company to several financial risks, which have been considered and are managed as follows:

Liquidity risk: Liquidity risk is the risk that the company will have insufficient resources to meet its financial liabilities as they fall due. The company's strategy to managing liquidity risk is to ensure that the company has sufficient funds to meet all its potential liabilities as they fall due. In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility using overdraft facilities at floating rates of interest. In respect of bank loans, although the interest rates are variable, monthly repayments are fixed. The liquidity risk is therefore managed by ensuring there are sufficient funds available to meet the monthly repayments. In respect of trade creditors, the liquidity risk is managed by ensuring sufficient funds are available to meet amounts due for payment.

Operational risk: Operational risk is the risk of a direct or indirect loss resulting from the inadequacies or failures of processes or controls due to technology, staff, organisation, or external factors. To monitor and control operational risk, the company maintains a system of comprehensive policies and a control framework which is designed to provide a sound and well-controlled operational environment.

Interest rate risk: Interest rate risk is the risk that financial performance of the company will be adversely affected by adverse fluctuations on interest rates being charged to the company on its financial instruments, most noticeably bank loans and its bank overdraft facility. The interest rate risk is managed by the on-going monitoring and assessment of its borrowings and the interest rate charged.

Price risk: Price risk is the risk that financial performance of the company will be adversely affected by pricing charges. Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company sets its own prices within allowable variations. Cash flow and liquidity exposure is therefore directly related to prices and turnover.

DNP Restaurants Ltd

**Strategic report (continued)
Year ended 31 December 2021**

Section 172(1) statement

The director believes they have acted in a way they consider in good faith and to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Companies Act).

The success of the Company is the driving factor behind all decisions made by the Director. Decision making processes are structured to enable the Director to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium, and long term.

Our people are key to our success. That is why we work hard to create jobs and opportunities for all our people, regardless of gender, age, or life stage. Understanding how our people feel about McDonald's is vital. It helps us ensure that we are giving them the right support to achieve their potential and to serve our customers well. We undertake quarterly surveys with all restaurant crew and managers to drive the conversation about how they feel at work. We also conduct regular "Love to Listen" surveys to check how satisfied our employees are with their jobs.

Our customers are the reason for our existence, and we therefore strive to provide high quality food with superior service in a clean and welcoming environment, at a great value.

Long-term commitments with our suppliers have enabled them to grow with us and drive positive change within their own businesses. The company recognises that relationships with suppliers are important to its long-term success and is briefed on supply feedback and issues on a regular basis.

The director carefully considers the impact of the business on communities and the environments in which the company operates. We collect litter dropped in the local area around our restaurants. Recycling units are installed around our restaurants and our paper cups are sent to specialist recycling centres in the UK. Our new paper straws are now 100% recyclable. Our cooking oil is recycled to convert it to biodiesel. We are aware of our responsibility in this area, and 2022 will see the introduction of more initiatives.

In all our activities the director requires that our employees and suppliers conduct business with the highest ethical and professional standards by adhering to our Standards of Business Conduct set by McDonald's Corporation.

This report was approved by the board of directors on 1 December 2022 and signed on behalf of the board by:



Mr D. Padmore
Director

DNP Restaurants Ltd

Director's report Year ended 31 December 2021

The director presents his report and the financial statements of the company for the year ended 31 December 2021.

Director

The director who served the company during the year was as follows:

Mr D. Padmore

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Future developments

The director is committed to increasing both the turnover and profitability of the company. The company will continue its policy of refurbishing its stores in line with the McDonald's national re-imaging strategy. The company will continue to push delivery and digital offerings.

UK inflation is now at the highest level for more than 40 years. Amid growing cost pressures including food, fuel, and labour, the company have increased the price of some of the items on our menu board.

The director is confident the company can trade through this period and will continue to grow due to the strength of the brand and success of delivery and digital services. The company will continue with the management policies which have resulted in profitability in this trading period.

Employment of disabled persons

The company operates an equal opportunities policy regarding 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 paid regard to their aptitudes and abilities. Existing disabled employees are given equal access to appropriate training, career development and promotion opportunities within the company. In the event of employees becoming disabled while 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

The company aims to promote a working environment free from unlawful harassment, victimisation, bullying and discrimination. The company regards all its employees as members of a team where opinions are valued, and everyone is regarded as equal in status and treated with fairness and respect.

The way the company recruits, and works is intended to ensure that employees are selected, promoted, and treated according to their ability and that everyone has an equal opportunity to receive training and development.

The company communicates regularly with all employees on matters relating to its performance. Employees are encouraged to contribute to the decision-making process through regular staff meetings held by the management of the company to discuss matters of concern.

An open management policy is operated whereby all members of staff (including part-time and casual staff) are briefed regularly and kept informed on matters affecting the company by means of regular store meetings and communications, together with personal appraisals and feedback sessions.

DNP Restaurants Ltd

Director's report (continued) Year ended 31 December 2021

Financial instruments

The company's principal financial instruments comprise bank balances, loans to the company, and trade creditors. The main purpose of these instruments is to provide funds for the company's operations. Their existence exposes the company to several financial risks, which are detailed in the Strategic Report under financial risk management and policies.

Stakeholder engagement

Our customers are at the heart of everything we do. We acknowledge the importance of keeping our customers engaged with our business and we do this in many ways through social media, our My McDonald's app, and newsletters. We use these communications to help keep customers up to date with McDonald's news, marketing campaigns, product launches and offers.

We take seriously the responsibilities that come as a franchisee of a market leader. We endeavour to assist building better local communities and support charitable organisations such as Ronald McDonald House Charities.

Our Scale for Good (which is McDonald's flagship global environmental strategy) targets are set at a McDonald's Corporation level but are implemented locally. As part of our Global Scale for Good targets, we are taking a range of measures with targets on climate action, beef sustainability, packaging and recycling, commitment to families and youth opportunity.

The company attends franchise engagement sessions to generate ideas and influence the creation of the McDonald's business plan. National Leadership Group meetings are held every year to discuss the strategic direction of the company.

Our plan for change is a clear plan with goals and actions to help us lead positive change across our business and beyond. The long-term ambition is to become a more sustainable business set within four main pillars: planet positive, people positive, great restaurants and great food. Our aims include achieving net zero emissions throughout the entire business and value chain by 2040.

We rely on our suppliers for our success. We are proud supporters of British and Irish agriculture. McDonald's has long-term partnerships with many of our suppliers. Such long-term partnerships encourage collaboration and enable suppliers to make decisions for the long term, giving them the confidence to invest in their businesses. Long-term commitment to supply McDonald's UK, has enabled our suppliers to grow with us and drive positive change within their own businesses.

McDonald's holds annual supplier chain conferences to set out the business ambitions for the year. The franchiser works closely with our suppliers to understand challenges and opportunities that face them, and the franchisee community are part of the supplier chain committee to seek and share the opinions of the group.

Disclosure of information in the strategic report.

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the company has set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

DNP Restaurants Ltd

Director's report (continued)
Year ended 31 December 2021

Director's responsibilities statement

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently; and
- make judgments and accounting estimates that are reasonable and prudent.

The director is 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 him 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.

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.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 1 December 2022 and signed on behalf of the board by:



Mr D. Padmore
Director

DNP Restaurants Ltd

Independent auditor's report to the members of DNP Restaurants Ltd Year ended 31 December 2021

Opinion

I have audited the financial statements of DNP Restaurants Ltd (the 'company') for the year ended 31 December 2021 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. I am independent of the company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the FRC's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.-

Other Information

The other information comprises the information included in the annual report, other than the financial statements and my auditor's report thereon. The director is responsible for the other information. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

DNP Restaurants Ltd

Independent auditor's report to the members of DNP Restaurants Ltd (continued) Year ended 31 December 2021

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified material misstatements in the strategic report or the director's report.

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by me; or
- the financial statements are not in agreement with the accounting records and the returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all the information and explanations I require for my audit.

Responsibilities of directors

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which my procedures are capable of detecting irregularities, including fraud is detailed below:

DNP Restaurants Ltd

Independent auditor's report to the members of DNP Restaurants Ltd (continued) Year ended 31 December 2021

We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: Companies Act 2006/FRS 102, Employment Law, Waste, Health & Safety. We enquired of management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our discussions with the directors and management. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud;

- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures.
- In assessing the potential risks of material misstatement, we obtained an understanding of the Company's operations, including its objectives and strategies to understand the expected financial statement disclosures and business risks that may result in risks of material misstatement.
- In assessing the appropriateness of the collective competence and capabilities of the engagement team, the engagement partner considered the engagement team's:
 - > understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
 - > the specialist skills required and
 - > knowledge of the industry in which the client operates.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - > assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - > challenging assumptions and judgements made by management in its significant accounting estimates;
 - > identifying and testing journal entries, in particular manual journal entries made at year end for financial statement preparation; and
 - > assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, we are required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

DNP Restaurants Ltd

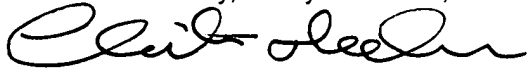

**Independent auditor's report to the members of
DNP Restaurants Ltd (continued)
Year ended 31 December 2021**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Use of my report

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. My audit work has been undertaken so that I might state to the company's members those matters I am required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions I have formed.

Clinton Meehan Bsc FCA

Manex Accountants Ltd
Chartered Accountants and Statutory Auditor
9 Castle Court (2)
Castlegate Way
Dudley
West Midlands
DY1 4RH

1 December 2022

DNP Restaurants Ltd

**Statement of income and retained earnings
Year ended 31 December 2021**

	Note	2021 £	2020 £
Turnover	4	32,365,170	21,881,789
Cost of sales		(18,460,613)	(14,256,504)
Gross profit		<u>13,904,557</u>	<u>7,625,285</u>
Administrative expenses		(11,324,578)	(8,677,820)
Other operating income	5	512,575	2,095,438
Operating profit	6	<u>3,092,554</u>	<u>1,042,903</u>
Other interest receivable and similar income	9	56	-
Interest payable and similar expenses	10	(64,036)	(81,306)
Profit before taxation		3,028,574	961,597
Tax on profit	11	(593,788)	(213,209)
Profit for the financial year and total comprehensive income		<u><u>2,434,786</u></u>	<u><u>748,388</u></u>
Dividends declared and paid or payable during the year ¹²		(800,000)	(300,000)
Retained earnings at the start of the year		<u>370,002</u>	<u>(78,386)</u>
Retained earnings at the end of the year		<u><u>2,004,788</u></u>	<u><u>370,002</u></u>

All the activities of the company are from continuing operations.

The notes on pages 17 to 29 form part of these financial statements.

DNP Restaurants Ltd

**Statement of financial position
31 December 2021**

		2021		2020	
	Note	£	£	£	£
Fixed assets					
Intangible assets	13	166,955		201,627	
Tangible assets	14	4,771,203		5,166,325	
Investments	15	10,000		10,000	
			4,948,158		5,377,952
Current assets					
Stocks	16	163,505		170,681	
Debtors	17	1,195,820		1,333,279	
Cash at bank and in hand		2,828,180		2,498,567	
			4,187,505		4,002,527
Creditors: amounts falling due within one year	18	(3,961,399)		(4,991,169)	
Net current assets/(liabilities)			226,106		(988,642)
Total assets less current liabilities			5,174,264		4,389,310
Creditors: amounts falling due after more than one year	19	(2,802,385)		(3,754,405)	
Provisions for liabilities	20	(366,991)		(264,803)	
Net assets			2,004,888		370,102
Capital and reserves					
Called up share capital	24		100		100
Profit and loss account	25		2,004,788		370,002
Shareholders funds			2,004,888		370,102

The notes on pages 17 to 29 form part of these financial statements.

DNP Restaurants Ltd

Statement of financial position (continued)
31 December 2021

These financial statements were approved by the board of directors and authorised for issue on 1 December 2022, and are signed on behalf of the board by:



Mr D. Padmore
Director

Company registration number: 05420213

The notes on pages 17 to 29 form part of these financial statements.

DNP Restaurants Ltd

**Statement of cash flows
Year ended 31 December 2021**

	2021	2020
	£	£
Cash flows from operating activities		
Profit for the financial year	2,434,786	748,388
<i>Adjustments for:</i>		
Depreciation of tangible assets	996,703	970,086
Amortisation of intangible assets	34,672	34,541
Government grant income	(512,575)	(2,095,438)
Other interest receivable and similar income	(56)	-
Interest payable and similar expenses	64,036	81,306
Tax on profit	593,788	213,209
Accrued expenses/(income)	100,355	129,305
<i>Changes in:</i>		
Stocks	7,176	46,421
Trade and other debtors	137,459	117,151
Trade and other creditors	(1,471,428)	1,811,405
Cash generated from operations	<u>2,384,916</u>	<u>2,056,374</u>
Interest paid	(64,036)	(81,306)
Interest received	56	-
Tax paid	(156,926)	(120,467)
Net cash from operating activities	<u><u>2,164,010</u></u>	<u><u>1,854,601</u></u>
Cash flows from investing activities		
Purchase of tangible assets	(601,581)	(457,859)
Net cash used in investing activities	<u>(601,581)</u>	<u>(457,859)</u>
Cash flows from financing activities		
Repayments of borrowings	(945,391)	(494,183)
Government grant income	512,575	2,095,438
Equity dividends paid	(800,000)	(300,000)
Net cash (used in)/from financing activities	<u>(1,232,816)</u>	<u>1,301,255</u>
Net increase/(decrease) in cash and cash equivalents	329,613	2,697,997
Cash and cash equivalents at beginning of year	<u>2,498,567</u>	<u>(199,430)</u>
Cash and cash equivalents at end of year	<u><u>2,828,180</u></u>	<u><u>2,498,567</u></u>

DNP Restaurants Ltd

Notes to the financial statements Year ended 31 December 2021

1. General information

The company is a private company limited by shares, registered in England. The address of the registered office is McDonald's Restaurant, Ravenside Retail Park, Bexhill on Sea, East Sussex, TN40 2JS.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

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

Going concern

The company is in a net current asset position at the balance sheet date, the company is profitable and is expected to continue to grow. The director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually at the point of sale); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, 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 pay or recover 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.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

DNP Restaurants Ltd

Notes to the financial statements (continued) Year ended 31 December 2021

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life, which is 20 years in line with the licence term. 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

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at a revalued amount, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

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
Licence fees	- 5%	straight line
Stamp Duty	- 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.

Tangible assets

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

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%	straight line
Fittings fixtures and equipment	- 20%	straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Fixed asset investments

Unlisted fixed asset investments are recorded at cost.

DNP Restaurants Ltd

Notes to the financial statements (continued) Year ended 31 December 2021

Impairment

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.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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.

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 stocks to their present location and condition.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

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. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

DNP Restaurants Ltd

Notes to the financial statements (continued) Year ended 31 December 2021

Financial instruments

A financial asset or a financial liability is recognised only when the company 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.

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 or 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.

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.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement, which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted cost of the future holiday entitlement at the balance sheet date.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Sale of goods	31,769,298	21,606,120
Sales of non-product items	595,872	275,669
	<u>32,365,170</u>	<u>21,881,789</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

	2021	2020
	£	£
Government grant income	<u>512,575</u>	<u>2,095,438</u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

6. Operating profit

Operating profit is stated after charging/(crediting):

	2021	2020
	£	£
Amortisation of intangible assets	34,672	34,541
Depreciation of tangible assets	996,703	970,086
Operating lease rentals	5,259,759	3,384,645
Fees payable for the audit of the financial statements	4,000	2,500
	<u> </u>	<u> </u>

7. Staff costs

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

	2021	2020
Restaurant crew	721	733
Management and administration	35	33
	<u> </u>	<u> </u>
	<u>756</u>	<u>766</u>

The aggregate payroll costs incurred during the year were:

	2021	2020
	£	£
Wages and salaries	7,809,972	7,690,269
Social security costs	367,593	309,176
Other pension costs	78,279	71,953
	<u> </u>	<u> </u>
	<u>8,255,844</u>	<u>8,071,398</u>

8. Directors remuneration

The director's aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	16,800	16,800
	<u> </u>	<u> </u>

9. Other interest receivable and similar income

	2021	2020
	£	£
Other interest receivable and similar income	56	-
	<u> </u>	<u> </u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

10. Interest payable and similar expenses

	2021	2020
	£	£
Bank loans	63,759	80,981
Other interest payable and similar expenses	277	325
	<u>64,036</u>	<u>81,306</u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

11. Tax on profit

Major components of tax expense

	2021	2020
	£	£
Current tax:		
UK current tax expense	568,645	215,148
Adjustments in respect of previous periods	<u>(77,045)</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	102,188	(1,939)
Tax on profit	<u><u>593,788</u></u>	<u><u>213,209</u></u>

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).

	2021	2020
	£	£
Profit before taxation	<u>3,028,574</u>	<u>961,597</u>
Profit multiplied by rate of tax	575,429	182,703
Adjustments in respect of prior periods	(77,045)	-
Effect of capital allowances and depreciation	3,622	58,483
Utilisation of tax losses	-	(16,508)
Rounding on tax charge	1	-
Deferred revenue expenditure claims	(10,407)	(9,530)
Deferred taxation provision	<u>102,188</u>	<u>(1,939)</u>
Tax on profit	<u><u>593,788</u></u>	<u><u>213,209</u></u>

Factors affecting future tax expense

The rate of corporation tax will increase for accounting periods commencing after 1st April 2023 to 25% for businesses with profits over £250,000. As the company is expected to achieve this level of profit, an additional 6% has been included in the deferred tax provision, being the difference between the current rate and future rate of corporation tax.

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

12. Dividends

Equity dividends

	2021	2020
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>800,000</u>	<u>300,000</u>

13. Intangible assets

	Goodwill	Licence fees	Stamp Duty	Total
	£	£	£	£
Cost				
At 1 January 2021 and 31 December 2021	<u>416,627</u>	<u>210,000</u>	<u>66,817</u>	<u>693,444</u>
Amortisation				
At 1 January 2021	321,149	131,125	39,543	491,817
Charge for the year	<u>20,831</u>	<u>10,500</u>	<u>3,341</u>	<u>34,672</u>
At 31 December 2021	<u>341,980</u>	<u>141,625</u>	<u>42,884</u>	<u>526,489</u>
Carrying amount				
At 31 December 2021	<u>74,647</u>	<u>68,375</u>	<u>23,933</u>	<u>166,955</u>
At 31 December 2020	<u>95,478</u>	<u>78,875</u>	<u>27,274</u>	<u>201,627</u>

Goodwill and licence fees are amortised over the franchise term of 20 years.

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

14. Tangible assets

	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 January 2021	11,223,794	1,165	11,224,959
Additions	601,581	-	601,581
At 31 December 2021	<u>11,825,375</u>	<u>1,165</u>	<u>11,826,540</u>
Depreciation			
At 1 January 2021	6,057,469	1,165	6,058,634
Charge for the year	996,703	-	996,703
At 31 December 2021	<u>7,054,172</u>	<u>1,165</u>	<u>7,055,337</u>
Carrying amount			
At 31 December 2021	<u>4,771,203</u>	<u>-</u>	<u>4,771,203</u>
At 31 December 2020	<u>5,166,325</u>	<u>-</u>	<u>5,166,325</u>

15. Investments

	Unlisted Investments	Total
	£	£
Cost		
At 1 January 2021 and 31 December 2021	<u>10,000</u>	<u>10,000</u>
Impairment		
At 1 January 2021 and 31 December 2021	<u>-</u>	<u>-</u>
Carrying amount		
At 31 December 2021	<u>10,000</u>	<u>10,000</u>
At 31 December 2020	<u>10,000</u>	<u>10,000</u>

16. Stocks

	2021	2020
	£	£
Food, paper and non-product stocks	<u>163,505</u>	<u>170,681</u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

17. Debtors

	2021	2020
	£	£
Trade debtors	594	-
Prepayments	189,757	141,345
Other debtors	1,005,469	1,191,934
	<u>1,195,820</u>	<u>1,333,279</u>

18. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans	950,117	943,488
Trade creditors	1,658,802	3,041,101
Accruals	712,473	612,118
Corporation tax	550,172	215,498
Social security and other taxes	83,737	167,150
Other creditors	6,098	11,814
	<u>3,961,399</u>	<u>4,991,169</u>

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

	2021	2020
	£	£
Bank loans	<u>2,802,385</u>	<u>3,754,405</u>

Bank loans consist of unsecured loans with HSBC plc, repayable by instalments over 7 years and with interest charged at 1.40% above base. The ultimate repayment date of the loan will be January 2026.

20. Provisions

	Deferred tax (note 21)	Total
	£	£
At 1 January 2021	264,803	264,803
Charges against provisions	102,188	102,188
At 31 December 2021	<u>366,991</u>	<u>366,991</u>

DNP Restaurants Ltd

**Notes to the financial statements (continued)
Year ended 31 December 2021**

21. Deferred tax

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

	2021	2020
	£	£
Included in provisions (note 20)	366,991	264,803
	<u>366,991</u>	<u>264,803</u>

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

	2021	2020
	£	£
Accelerated capital allowances	366,991	264,803
	<u>366,991</u>	<u>264,803</u>

22. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £78,279 (2020: £71,953).

23. Government grants

	£	£
Grants received or receivable	512,575	2,095,438
Released to the profit or loss	(512,575)	(2,095,438)
At end of year	<u>-</u>	<u>-</u>

The amounts recognised in the financial statements for government grants are as follows:

	2021	2020
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	512,575	2,095,438
	<u>512,575</u>	<u>2,095,438</u>

**24. Called up share capital
Issued, called up and fully paid**

	2021		2020	
	No	£	No	£
Ordinary shares shares of £ 1.00 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

25. Reserves

Profit and loss account:
This reserve records retained earnings and accumulated losses.

Called up share capital:
Represents the nominal value of shares that have been issued.

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2021

26. Analysis of changes in net debt

	At 1 January 2021	Cash flows	At 31 December 2021
	£	£	£
Cash and cash equivalents	2,498,567	329,613	2,828,180
Debt due within one year	(943,488)	(6,629)	(950,117)
Debt due after one year	(3,754,405)	952,020	(2,802,385)
	<u>(2,199,326)</u>	<u>1,275,004</u>	<u>(924,322)</u>

27. Operating leases

The company as lessee

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

	2021	2020
	£	£
Not later than 1 year	871,920	871,920
Later than 1 year and not later than 5 years	3,169,060	3,437,805
Later than 5 years	3,634,642	4,237,817
	<u>7,675,622</u>	<u>8,547,542</u>

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 lease charge for each store consists of a base rent and a percentage rent based on food and drink sales. As such it is not possible to quantify the total commitments due under the leases due to the variable basis of the rental payments; the costs shown above are therefore based only on the store base rents.

DNP Restaurants Ltd

**Notes to the financial statements (continued)
Year ended 31 December 2021**

28. Directors advances, credits and guarantees

During the year the director entered into the following advances and credits with the company:

	2021			
		Balance brought forward	Advances /(credits) to the director	Balance o/standing
		£	£	£
Mr D. Padmore		810,417	(554,533)	255,884
		<u>810,417</u>	<u>(554,533)</u>	<u>255,884</u>
	2020			
		Balance brought forward	Advances /(credits) to the director	Balance o/standing
		£	£	£
Mr D. Padmore		864,133	(53,716)	810,417
		<u>864,133</u>	<u>(53,716)</u>	<u>810,417</u>

The amounts due to the company from the director represent interest free loans, repayable on demand.

29. Controlling party

The ultimate controlling party is Mr D.Padmore, being the sole director and majority shareholder.