

Company registration number: 05420213

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

Financial statements

31 December 2020



DNP Restaurants Ltd

Contents

	Page
Directors and other information	1
Strategic report	2 - 5
Director's report	6 - 8
Independent auditor's report to the members	9 - 12
Statement of income and retained earnings	13
Statement of financial position	14 - 15
Statement of cash flows	16
Notes to the financial statements	17 - 28

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 2020

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.

The company considers its key performance indicators are those that communicate the financial performance and strength of the company, including turnover, gross profit and operating profit.

The profit for the year, before taxation, amounted to £961,597. This compares to a loss of £86,645 in the previous year. The director is pleased to report the profitability of the business, considering the current trading restrictions in place due to the coronavirus pandemic. The company has positive cashflows and the balance sheet shows net assets of £370,102, an increase of £448,388 on 2019. Sales decreased by 22.8%, from £28.3m to £21.8m, due to closures during the national lockdown for 3 months. Gross profit decreased by 3.58%, from 40.81% to 37.23%. Operating profit increased by £1,031,893, to £1,042,903 compared to £11,010 in 2019.

The company continued its investment in the national McDonald's "Reimage" store refurbishment projects, with a further store refurbishment being carried out during the year. Convenience and technology are at the heart of the changes introduced, with the introduction of self-order kiosks to help improve the customer's experience and double drive-thru lanes. The re-imaging strategy continued to have a positive impact on sales growth, which is in line with the directors' expectations and objectives.

The demand for home delivery foods ready to eat is increasing, especially in the current economy. The company will continue its partnership with UberEats and Just Eat to offer the McDelivery home delivery service to our customers.

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 2020

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 and the economic outlook has continued to improve.

The company remains exposed to periods of 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. Recent changes to the national minimum wage and increases in the minimum contributions for auto enrolment pensions have contributed towards the increase in wage costs. 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.

DNP Restaurants Ltd

Strategic report (continued) Year ended 31 December 2020

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 through the use of 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 and 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 2020**

Section 172(1) statement

The director believes he has acted in a way that he considers to be 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 and have embarked on a "Big Conversation" 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 commitment to supply McDonald's UK, has enabled our suppliers to grow with us and drive positive change within their own businesses.

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.

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 15 December 2021 and signed on behalf of the board by:



Mr D. Padmore
Director

DNP Restaurants Ltd

Director's report Year ended 31 December 2020

The director presents his report and the financial statements of the company for the year ended 31 December 2020.

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 also continue to introduce the new McDelivery service at its restaurants in partnership with UberEats.

The company intends to re-open its restaurants for walk-in takeaways from the 22nd February 2021. The director is confident the company is in a strong position to trade through the current Covid-19 restrictions.

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 to their particular 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 of 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.

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 a number of financial risks, which are detailed in the Strategic Report, under financial risk management and policies.

DNP Restaurants Ltd

Director's report (continued) Year ended 31 December 2020

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.

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 2020**

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 15 December 2021 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 2020

Opinion

I have audited the financial statements of DNP Restaurants Ltd (the 'company') for the year ended 31 December 2020 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 2020 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 2020

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 2020

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

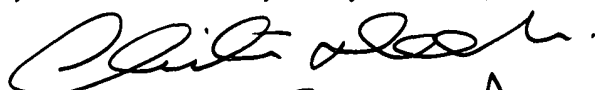
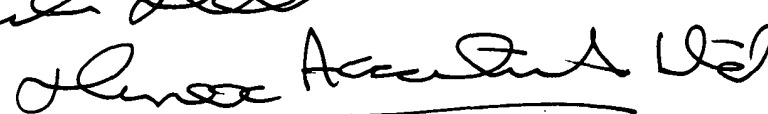
**Independent auditor's report to the members of
DNP Restaurants Ltd (continued)
Year ended 31 December 2020**

- 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

15 December 2021

DNP Restaurants Ltd

**Statement of income and retained earnings
Year ended 31 December 2020**

	Note	2020 £	2019 £
Turnover	4	21,881,789	28,369,272
Cost of sales		(13,734,908)	(16,792,630)
Gross profit		<u>8,146,881</u>	<u>11,576,642</u>
Administrative expenses		(9,199,416)	(11,571,365)
Other operating income	5	2,095,438	5,733
Operating profit	6	1,042,903	11,010
Other interest receivable and similar income	9	-	3,045
Interest payable and similar expenses	10	(81,306)	(100,700)
Profit/(loss) before taxation		961,597	(86,645)
Tax on profit/(loss)	11	(213,209)	(90,087)
Profit/(loss) for the financial year and total comprehensive income		<u>748,388</u>	<u>(176,732)</u>
Dividends declared and paid or payable during the year ¹²		(300,000)	-
Retained earnings at the start of the year		<u>(78,386)</u>	<u>98,346</u>
Retained earnings at the end of the year		<u>370,002</u>	<u>(78,386)</u>

All the activities of the company are from continuing operations.

The notes on pages 17 to 28 form part of these financial statements.

DNP Restaurants Ltd

**Statement of financial position
31 December 2020**

		2020		2019	
	Note	£	£	£	£
Fixed assets					
Intangible assets	13	201,627		236,168	
Tangible assets	14	5,166,325		5,678,552	
Investments	15	10,000		10,000	
		<u>5,377,952</u>		<u>5,924,720</u>	
Current assets					
Stocks	16	170,681		217,102	
Debtors	17	1,333,279		1,450,430	
Cash at bank and in hand		2,498,567		36,184	
		<u>4,002,527</u>		<u>1,703,716</u>	
Creditors: amounts falling due within one year	19	(4,991,169)		(3,220,319)	
Net current liabilities		(988,642)		(1,516,603)	
Total assets less current liabilities		4,389,310		4,408,117	
Creditors: amounts falling due after more than one year	20	(3,754,405)		(4,219,661)	
Provisions for liabilities	21	(264,803)		(266,742)	
Net assets/(liabilities)		<u>370,102</u>		<u>(78,286)</u>	
Capital and reserves					
Called up share capital	25	100		100	
Profit and loss account	26	370,002		(78,386)	
Shareholders funds/(deficit)		<u>370,102</u>		<u>(78,286)</u>	

The notes on pages 17 to 28 form part of these financial statements.

DNP Restaurants Ltd

Statement of financial position (continued)
31 December 2020

These financial statements were approved by the board of directors and authorised for issue on 15 December 2021, and are signed on behalf of the board by:



Mr D. Padmore
Director

Company registration number: 05420213

The notes on pages 17 to 28 form part of these financial statements.

DNP Restaurants Ltd

**Statement of cash flows
Year ended 31 December 2020**

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit/(loss) for the financial year		748,388	(176,732)
<i>Adjustments for:</i>			
Depreciation of tangible assets		970,086	1,043,171
Amortisation of intangible assets		34,541	34,541
Government grant income		(2,095,438)	-
Other interest receivable and similar income		-	(3,045)
Interest payable and similar expenses		81,306	100,700
Tax on profit/loss		213,209	90,087
Accrued expenses/(income)		129,305	(32,878)
<i>Changes in:</i>			
Stocks		46,421	(25,962)
Trade and other debtors		117,151	(316,184)
Trade and other creditors		1,811,405	112,397
Cash generated from operations		<u>2,056,374</u>	<u>826,095</u>
Interest paid		(81,306)	(100,700)
Interest received		-	3,045
Tax paid		(120,467)	(295,342)
Net cash from operating activities		<u><u>1,854,601</u></u>	<u><u>433,098</u></u>
Cash flows from investing activities			
Purchase of tangible assets		(457,859)	(2,016,347)
Net cash used in investing activities		<u><u>(457,859)</u></u>	<u><u>(2,016,347)</u></u>
Cash flows from financing activities			
Proceeds from borrowings		(494,183)	1,023,854
Government grant income		2,095,438	-
Equity dividends paid		(300,000)	-
Net cash from financing activities		<u><u>1,301,255</u></u>	<u><u>1,023,854</u></u>
Net increase/(decrease) in cash and cash equivalents		2,697,997	(559,395)
Cash and cash equivalents at beginning of year	18	(199,430)	359,965
Cash and cash equivalents at end of year	18	<u><u>2,498,567</u></u>	<u><u>(199,430)</u></u>

DNP Restaurants Ltd

Notes to the financial statements Year ended 31 December 2020

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'. The Triennial review 2017 amendments to the standard have been early adopted.

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 accounts have been prepared on the going concern basis.

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 to the customer); 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 2020

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. 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.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

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.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in profit or loss.

DNP Restaurants Ltd

Notes to the financial statements (continued)

Year ended 31 December 2020

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

Fixed asset investments are recorded at cost.

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.

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.

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.

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2020

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

4. Turnover

Turnover arises from:

	2020	2019
	£	£
Sale of goods	21,606,120	28,018,225
Sales of non-product items	275,669	351,047
	<u>21,881,789</u>	<u>28,369,272</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

	2020	2019
	£	£
Government grant income	2,095,438	-
Other operating income	-	5,733
	<u>2,095,438</u>	<u>5,733</u>

6. Operating profit/loss

Operating profit/loss is stated after charging/(crediting):

	2020	2019
	£	£
Amortisation of intangible assets	34,541	34,541
Depreciation of tangible assets	970,086	1,043,171
Operating lease rentals	3,384,645	5,082,966
Fees payable for the audit of the financial statements	2,500	2,500
	<u>4,391,772</u>	<u>6,463,178</u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2020

7. Staff costs

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

	2020	2019
Restaurant crew	733	1,138
Management and administration	33	35
	<u>766</u>	<u>1,173</u>

The aggregate payroll costs incurred during the year were:

	2020	2019
	£	£
Wages and salaries	7,690,269	8,360,415
Social security costs	309,176	351,924
Other pension costs	71,953	99,274
	<u>8,071,398</u>	<u>8,811,613</u>

8. Directors remuneration

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

	2020	2019
	£	£
Remuneration	16,800	16,800
	<u>16,800</u>	<u>16,800</u>

9. Other interest receivable and similar income

	2020	2019
	£	£
Bank deposits	-	3,045
	<u>-</u>	<u>3,045</u>

10. Interest payable and similar expenses

	2020	2019
	£	£
Bank loans and overdrafts	80,981	99,864
Other interest payable and similar expenses	325	836
	<u>81,306</u>	<u>100,700</u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2020

11. Tax on profit/loss

Major components of tax expense

	2020	2019
	£	£
Current tax:		
UK current tax expense	215,148	-
	<u> </u>	<u> </u>
Deferred tax:		
Origination and reversal of timing differences	(1,939)	90,087
	<u> </u>	<u> </u>
Tax on profit/loss	<u>213,209</u>	<u>90,087</u>

Reconciliation of tax expense

The tax assessed on the profit/loss for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

	2020	2019
	£	£
Profit/(loss) before taxation	961,597	(86,645)
	<u> </u>	<u> </u>
Profit/(loss) multiplied by rate of tax	182,703	(16,463)
Effect of capital allowances and depreciation	58,483	(66,057)
Utilisation of tax losses	(16,508)	-
Unrelieved tax losses	-	16,508
Deferred revenue expenditure claims	(9,530)	(9,748)
Loss relief	-	75,760
Deferred taxation provision	(1,939)	90,087
	<u> </u>	<u> </u>
Tax on profit/loss	<u>213,209</u>	<u>90,087</u>

12. Dividends

Equity dividends

	2020	2019
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	300,000	-
	<u> </u>	<u> </u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2020

13. Intangible assets

	Goodwill	Licence fees	Stamp Duty	Total
	£	£	£	£
Cost				
At 1 January 2020 and 31 December 2020	416,627	210,000	66,817	693,444
Amortisation				
At 1 January 2020	300,318	120,625	36,333	457,276
Charge for the year	20,831	10,500	3,210	34,541
At 31 December 2020	321,149	131,125	39,543	491,817
Carrying amount				
At 31 December 2020	95,478	78,875	27,274	201,627
At 31 December 2019	116,309	89,375	30,484	236,168

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

14. Tangible assets

	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 January 2020	10,765,935	1,165	10,767,100
Additions	457,859	-	457,859
At 31 December 2020	11,223,794	1,165	11,224,959
Depreciation			
At 1 January 2020	5,087,597	951	5,088,548
Charge for the year	969,872	214	970,086
At 31 December 2020	6,057,469	1,165	6,058,634
Carrying amount			
At 31 December 2020	5,166,325	-	5,166,325
At 31 December 2019	5,678,338	214	5,678,552

DNP Restaurants Ltd

**Notes to the financial statements (continued)
Year ended 31 December 2020**

15. Investments

	Unlisted Investments	Total
	£	£
Cost		
At 1 January 2020 and 31 December 2020	10,000	10,000
Impairment		
At 1 January 2020 and 31 December 2020	-	-
Carrying amount		
At 31 December 2020	10,000	10,000
At 31 December 2019	10,000	10,000

16. Stocks

	2020	2019
	£	£
Food, paper and non-product stocks	170,681	217,102

17. Debtors

	2020	2019
	£	£
Prepayments	141,345	292,256
Other debtors	1,191,934	1,158,174
	1,333,279	1,450,430

18. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	2,498,567	36,184
Bank overdrafts	-	(235,614)
	2,498,567	(199,430)

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2020

19. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts	943,488	1,208,029
Trade creditors	3,041,101	1,043,897
Accruals	612,118	482,813
Corporation tax	215,498	120,817
Social security and other taxes	167,150	355,149
Other creditors	11,814	9,614
	<u>4,991,169</u>	<u>3,220,319</u>

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

	2020	2019
	£	£
Bank loans	<u>3,754,405</u>	<u>4,219,661</u>

Bank loans consist of unsecured loans with HSBC plc, repayable by instalments over 7 years and with interest charged at 1.38% above base. The ultimate repayment date of the loan will be June 2025.

21. Provisions

	Deferred tax (note 22)	Total
	£	£
At 1 January 2020	266,742	266,742
Charges against provisions	(1,939)	(1,939)
At 31 December 2020	<u>264,803</u>	<u>264,803</u>

22. Deferred tax

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

	2020	2019
	£	£
Included in provisions (note 21)	<u>264,803</u>	<u>266,742</u>

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

	2020	2019
	£	£
Accelerated capital allowances	<u>264,803</u>	<u>266,742</u>

DNP Restaurants Ltd

Notes to the financial statements (continued)
Year ended 31 December 2020

23. Employee benefits

The amount recognised in profit or loss in relation to defined contribution plans was £71,953 (2019: £99,274).

24. Government grants

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

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

	2020	2019
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	<u>2,095,438</u>	<u>-</u>

25. Called up share capital
Issued, called up and fully paid

	2020		2019	
	No	£	No	£
Ordinary shares shares of £ 1.00 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

26. 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 2020

27. Analysis of changes in net debt

	At 1 January 2020	Cash flows	At 31 December 2020
	£	£	£
Cash and cash equivalents	36,184	2,462,383	2,498,567
Bank overdrafts	(235,614)	235,614	-
Debt due within one year	(972,415)	28,927	(943,488)
Debt due after one year	(4,219,661)	465,256	(3,754,405)
	<u>(5,391,506)</u>	<u>3,192,180</u>	<u>(2,199,326)</u>

28. Operating leases

The company as lessee

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

	2020	2019
	£	£
Not later than 1 year	871,290	871,290
Later than 1 year and not later than 5 years	3,437,805	3,487,680
Later than 5 years	4,237,817	5,062,251
	<u>8,546,912</u>	<u>9,421,221</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 2020**

29. Directors advances, credits and guarantees

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

	2020		
	Balance brought forward	Advances /(credits) to the director	Balance o/standing
	£	£	£
Mr D. Padmore	<u>864,133</u>	<u>(53,716)</u>	<u>810,417</u>
	2019		
	Balance brought forward	Advances /(credits) to the director	Balance o/standing
	£	£	£
Mr D. Padmore	<u>602,718</u>	<u>261,415</u>	<u>864,133</u>

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

30. Controlling party

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