

FIREFUN LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997

2681268



COMPANY INFORMATION

DIRECTORS

J N Rounce
M T Radmore
R I A Leyland
M J Proudlock

SECRETARY

R I A Leyland

REGISTERED OFFICE

79 Royal Hospital Road
London
SW3 4HN

REGISTERED NUMBER

2681248

AUDITORS

Saffery Champness
Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

DIRECTOR'S REPORT

The directors submit their report and the financial statements of Firefun Limited for the year ended 31 December 1997.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £1,455 (1996: profit of £26,335).

The directors do not recommend the payment of a dividend for the year.

PRINCIPAL ACTIVITY

The company was formed to develop the Charbar restaurant concept in the United Kingdom through the development of a mix of company owned sites and franchises to third parties. As at 31 December 1997 the company had two trading units - the Charbar franchise at Port Solent marina, near Portsmouth in Hampshire and the Charbar franchise at Bear Cross, Bournemouth, Dorset.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Since the company's formation the directors have concentrated on ensuring that the franchise operation at Port Solent runs efficiently, profitably and in accordance with the company's established operating practices. The trading situation at Port Solent has continued to improve year on year although in 1997 the performance stabilised. Nevertheless the directors remain very satisfied with the trading results achieved. The performance of the Bear Cross franchise continued to disappoint throughout 1997, despite a number of presentational and marketing initiatives that were taken to encourage improved trading. It was therefore decided to close the unit in March 1998.

The company's profitability declined in 1997, caused by the costs of a number of marketing and presentational enhancements at Bear Cross and the lower than forecast franchise fee income from both Port Solent and Bear Cross.

In July 1997, the authorised share capital of the company was increased from £1,000 to £2,000.

During the year Mr J N Rounce agreed that the repayment of his interest-free loans to the company, amounting to £15,675, could be deferred until 31 December 1998.

DIRECTOR'S REPORT (continued)

POST BALANCE SHEET EVENTS AND FUTURE FINANCING ARRANGEMENTS

Since December 1997 discussions have been continued with a third party who has expressed interest in securing the necessary capital to enable further expansion and to pilot a number of new catering concepts. It now seems likely that those discussions will be concluded shortly and that a first step in the development will be the purchase of the Port Solent Charbar from the franchisee. If the talks are concluded successfully the company would continue with its longer-term UK development strategy.

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office at 31 December 1997 had the following interests in the shares of the company:

	Ordinary shares of £1 each 31 December 1997		Ordinary shares of £1 each 31 December 1996	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
J N Rounce	250	-	250	-
M T Radmore	250	-	250	-
R I A Leyland	50	-	50	-
M J Proudlock	50	-	50	-

DIRECTOR'S INTEREST IN CONTRACT WITH THE COMPANY

Mr M T Radmore has provided consultancy services to the company on normal commercial terms. The charge for the year was £40,038 (1996: £40,430).

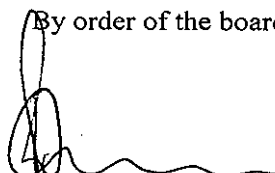
CLOSE COMPANY PROVISIONS

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988.

AUDITORS

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the annual general meeting.

By order of the board



J N Rounce
Director

9 October 1998

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS

Chartered Accountants
Registered Auditors
Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

13 October 1998

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997	1996
TURNOVER		41,747	74,069
Administrative expenses		<u>43,246</u>	<u>47,781</u>
OPERATING (LOSS)/PROFIT		(1,499)	26,288
Interest received		<u>55</u>	<u>47</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	(1,444)	26,335
Taxation	2	<u>11</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,455)	26,335
RETAINED LOSS 1 JANUARY 1997		(56,412)	(82,747)
RETAINED LOSS 31 DECEMBER 1997		<u>£(57,867)</u>	<u>£(56,412)</u>

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the result for these two financial years, and the whole of the company's results relate to continuing operations.

The notes on pages 7 and 8 form part of these financial statements.

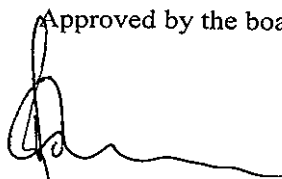
FIREFUN LIMITED

Page 6

BALANCE SHEET
31 DECEMBER 1997

	Notes	1997	1996
FIXED ASSETS			
Intangible assets	3	25,000	25,000
CURRENT ASSETS			
Debtors	4	11,074	13,610
Cash at bank and in hand		<u>158</u>	<u>567</u>
		11,232	14,177
CREDITORS: Amounts falling due within one year	5	<u>93,099</u>	<u>94,589</u>
NET CURRENT LIABILITIES		(81,867)	(80,412)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£(56,867)</u>	<u>£(55,412)</u>
CAPITAL AND RESERVES			
Called up share capital	6	1,000	1,000
Profit and loss account		<u>(57,867)</u>	<u>(56,412)</u>
SHAREHOLDERS' FUNDS	7	<u>£(56,867)</u>	<u>£(55,412)</u>

Approved by the board on 7th October 1998



J.N. Rounce
Director

The notes on pages 7 and 8 form part of these financial statements.

ACCOUNTING POLICIES

A BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and on a going concern basis which assumes the continuing financial support of the company's directors, and which the directors have confirmed.

B TURNOVER

Turnover represents franchise fees receivable net of Value Added Tax.

C INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost, and consist of the Charbar restaurant trademark and logo.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1997	1996
	(Loss)/profit on ordinary activities before taxation is stated after charging:		
	Auditors' remuneration	£600	£600
	Directors' remuneration	<u>£-</u>	<u>£-</u>
2	TAXATION		
	The corporation tax charge of £11 arose on the interest earned during 1996. Losses for taxation purposes amounting to approximately £58,000 are carried forward and are available to be offset against future profits of the same trade.		
3	INTANGIBLE FIXED ASSETS	1997	1996
	Cost 1 January 1997 and 31 December 1997	<u>£25,000</u>	<u>£25,000</u>
4	DEBTORS		
	Due within one year:		
	Trade debtors	<u>£11,074</u>	<u>£13,610</u>
5	CREDITORS		
	Amounts falling due within one year:		
	Trade creditors	76,824	78,314
	Director's loan account	15,675	15,675
	Accruals	<u>600</u>	<u>600</u>
		<u>£93,099</u>	<u>£94,589</u>
6	SHARE CAPITAL		
	Authorised:		
	2,000 (1996: 1,000) Ordinary shares of £1 each	<u>£2,000</u>	<u>£1,000</u>
	Allotted, called up and fully paid:		
	1,000 Ordinary shares of £1 each	<u>£1,000</u>	<u>£1,000</u>
7	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		

A separate movement of shareholders' funds statement is not provided as there were no changes for the current or previous year other than the result in the profit and loss account.