

HARNBURY HOLDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 1997

COMPANY REGISTRATION NUMBER 2702491

The directors present their report and the financial statements of the company for the year ended 30 September 1997.

PRINCIPAL ACTIVITIES

The principal activity of the company continues to be that of operating restaurants.

THE DIRECTORS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1.00 each	
	At 30 September 1997	At 1 October 1996
R Distefano	400	400
J Rubins	-	-

Mr Distefano's shareholding comprises 350 voting shares and 50 non-voting shares.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

AUDITORS

A resolution to re-appoint Casson Beckman as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.



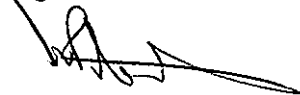
HARNBURY HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 1997

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the directors



M ROBERTSON
Company secretary

Approved on 24.5.97 1998

HARNBURY HOLDINGS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 SEPTEMBER 1997

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 1, the company's directors are responsible for the preparation of the 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 consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 the company's affairs as at 30 September 1997 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Casson Beckman
Chartered Accountants
& Registered Auditors
Bow Chambers
8 Tib Lane
Manchester
M2 4JB

28 JUL 1998

HARNBURY HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 1997

	Note	1997 £	1996 £
TURNOVER		2,677,460	1,318,277
Cost of sales		(898,115)	(430,719)
GROSS PROFIT		1,779,345	887,558
Administration expenses		(1,674,458)	(839,730)
OPERATING PROFIT	2	104,887	47,828
Interest receivable		1,787	1,505
Interest payable and similar charges	4	(71,692)	(26,057)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		34,982	23,276
Tax on profit on ordinary activities	5	(11,700)	-
PROFIT FOR THE FINANCIAL YEAR		23,282	23,276
Profit and loss account brought forward		32,062	8,786
Profit and loss account carried forward		<u>55,344</u>	<u>32,062</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

HARNBURY HOLDINGS LIMITED

YEAR ENDED 30 SEPTEMBER 1997

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
	£	£
Profit for the financial year	23,282	23,276
Opening shareholders' funds	33,062	9,786
Closing shareholders' funds	<u>56,344</u>	<u>33,062</u>

HARNBURY HOLDINGS LIMITED**BALANCE SHEET****30 SEPTEMBER 1997**

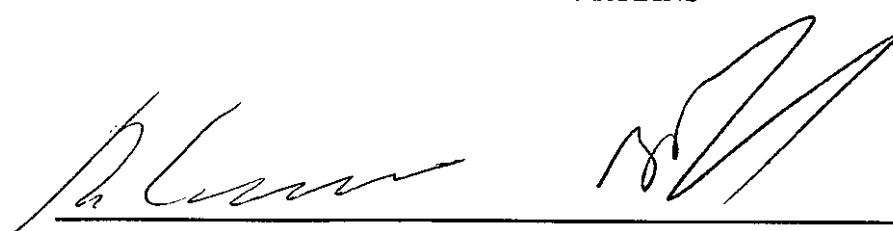
	Note	1997		1996	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		577,400		638,750
Investments	7		100		100
			<u>577,500</u>		<u>638,850</u>
CURRENT ASSETS					
Stocks		71,548		45,081	
Debtors	8	110,001		68,598	
Cash at bank and in hand		120,776		1,313	
TOTAL CURRENT ASSETS		<u>302,325</u>		<u>114,992</u>	
CREDITORS: Amounts falling due within one year	9				
Bank loans and overdrafts		262,734		58,847	
Trade creditors		202,343		307,549	
Other creditors	9	243,773		196,983	
TOTAL CURRENT LIABILITIES		<u>708,850</u>		<u>563,379</u>	
NET CURRENT LIABILITIES			(406,525)		(448,387)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>170,975</u>		<u>190,463</u>
CREDITORS: Amounts falling due after more than one year	10				
			(114,631)		(157,401)
			<u>56,344</u>		<u>33,062</u>
CAPITAL AND RESERVES					
Called up share capital	16		1,000		1,000
Profit and loss account			55,344		32,062
EQUITY SHAREHOLDERS' FUNDS			<u>56,344</u>		<u>33,062</u>

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the directors on 24 June 1998 and signed on their behalf.

R DISTEFANO

J RUBINS



HARNBURY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 1997

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Tangible fixed assets

Depreciation is provided in annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	over the term of the lease
Plant and equipment	20% per annum
Leased assets	over the term of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leased assets and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the lease or contract. Finance charges are allocated over the period of the lease or contract in proportion to the capital amount outstanding.

Operating lease agreements

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

Pension costs

Retirement benefits to employees are funded by contributions from the company and employees. Payments are made to insurance companies. These payments are charged against the profits of the year as paid.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Provision is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. However no provision is necessary in these financial statements.

Investments

Investments held as fixed assets are stated at cost.

HARNBURY HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 SEPTEMBER 1997**

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1997	1996
	£	£
Depreciation of tangible fixed assets	89,770	37,515
Profit on disposal of fixed assets	(2,594)	-
Auditors' fees	4,500	3,400
Rentals under operating leases:		
Land and buildings	<u>64,614</u>	<u>46,158</u>

3. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	1997	1996
	£	£
Aggregate emoluments (including pension contributions to money purchase schemes)	<u>235,322</u>	<u>61,132</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	1997	1996
	No.	No.
Money purchase schemes	<u>1</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
Finance charges	10,876	1,150
Other interest and similar charges	<u>60,816</u>	<u>24,907</u>
	<u>71,692</u>	<u>26,057</u>

HARNBURY HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 SEPTEMBER 1997**

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax based on the results for the year at 21% (1996 - 24%)	<u>11,700</u>	<u>-</u>

6. TANGIBLE FIXED ASSETS

	Leasehold property improvements £	Plant & equipment £	Motor vehicles £	Total £
Cost				
At 1 October 1996	462,770	304,569	-	767,339
Additions	6,005	13,509	9,081	28,595
Disposals	-	(750)	-	(750)
At 30 September 1997	<u>468,775</u>	<u>317,328</u>	<u>9,081</u>	<u>795,184</u>
Depreciation				
At 1 October 1996	47,360	81,229	-	128,589
Charge for the year	26,854	62,159	757	89,770
On disposals	-	(575)	-	(575)
At 30 September 1997	<u>74,214</u>	<u>142,813</u>	<u>757</u>	<u>217,784</u>
Net book value				
At 30 September 1997	<u>394,561</u>	<u>174,515</u>	<u>8,324</u>	<u>577,400</u>
At 30 September 1996	<u>415,410</u>	<u>223,340</u>	<u>-</u>	<u>638,750</u>

Hire purchase agreements

Included within the net book value of £577,400 is £71,952 (1996 - £89,684) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £20,680 (1996 - £6,794).

HARNBURY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 1997

7. INVESTMENTS

The company owns 100% of the issued ordinary share capital in Harnbury Limited, a company incorporated in England. The company has been dormant since incorporation.

	£
Cost	
At 1 October 1996 and 30 September 1997	<u>100</u>
Net book value	
At 30 September 1997	<u>100</u>
At 30 September 1996	<u>100</u>

8. DEBTORS

	1997 £	1996 £
Trade debtors	47,345	39,478
Other debtors	4,457	4,520
Directors loan	20,000	-
Prepayments and accrued income	38,199	24,600
	<u>110,001</u>	<u>68,598</u>

All debtors are payable within one year of the balance sheet date.

9. CREDITORS: Amounts falling due within one year

OTHER CREDITORS

	1997 £	1996 £
Taxation and social security	137,100	38,467
Directors loan	15,000	111,258
Other creditors	91,673	47,258
	<u>243,773</u>	<u>196,983</u>

HARNBURY HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 SEPTEMBER 1997**

9. CREDITORS: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	1997 £	1996 £
Bank loans and overdrafts	42,796	36,843
Hire purchase and finance lease agreements	23,560	19,215
	<u>66,356</u>	<u>56,058</u>

10. CREDITORS: Amounts falling due after more than one year

	1997 £	1996 £
Bank loans and overdrafts	88,131	107,372
Other creditors	26,500	50,029
	<u>114,631</u>	<u>157,401</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	1997 £	1996 £
Bank loans and overdrafts	88,131	107,372
Hire purchase and finance lease agreements	26,500	50,029
	<u>114,631</u>	<u>157,401</u>

11. PENSIONS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

HARNBURY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 1997

12. COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

Future commitments under hire purchase and finance lease agreements are as follows:

	1997 £	1996 £
Amounts payable within 1 year	23,560	19,215
Amounts payable between 2 to 5 years	26,500	50,029
	<u>50,060</u>	<u>69,244</u>

13. COMMITMENTS UNDER OPERATING LEASES

At 30 September 1997 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	1997 £	1996 £
Operating leases which expire: After more than 5 years	<u>64,614</u>	<u>63,235</u>

14. TRANSACTIONS WITH RELATED PARTIES

During the year the company was charged management and bookkeeping and accountancy fees of £105,000 (1996-£82,000) by Netcall plc, a company in which J. Rubins is a director. The company was charged £2,575 by Netcall plc in relation to a rent guarantee fee.

At the start of the year Mr Rubins was owed £111,258 in respect of a loan he had made to the company. At the end of the year the loan balance was £15,000. Interest of £3,674 was paid on this loan during the year. Mr Rubins made a further loan to the company during the year of £65,000 which was repaid without interest.

During the year Tol Limited and Havershill Limited, shareholders in the company, made loans to the company totalling £100,000, which were repaid with interest of £11,458.

During the year the company made a loan of £20,000 to R. Distefano. The loan was outstanding at 30 September 1997 and has since been repaid. The loan was unsecured and interest free.

G. Distefano, brother of Mr R. Distefano received £10,500 during the year, for acting as an agent in the recruitment of Italian chefs and waiters for the company.

HARNBURY HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 SEPTEMBER 1997**

15. CONTROLLING PARTY

Mr R. Distefano holds 50% of the company's voting shares. The other 50% is owned by other shareholders. There is therefore no controlling party.

16. CALLED UP SHARE CAPITAL**Authorised share capital:**

	1997 £	1996 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	1997 £	1996 £
Ordinary share capital	<u>1,000</u>	<u>1,000</u>