

HAKKASAN LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 29th MAY 2005 TO
31st MAY 2006



Company Registration Number 3488606

BREBNERS
Chartered Accountants & Registered Auditors
The Quadrangle
180 Wardour Street
London
W1F 8LB

HAKKASAN LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

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HAKKASAN LIMITED

COMPANY INFORMATION

The board of directors	A T Yau S Wasif B S Thind
Company secretary	L Y T Yau
Registered office	4th Floor 151 Wardour Street London W1F 8WE
Auditor	Brebners Chartered Accountants & Registered Auditors The Quadrangle 180 Wardour Street London W1F 8LB
Bankers	HSBC plc 19 St George Street London W1R 0ES

HAKKASAN LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

The directors present their report and the financial statements of the company for the period from 29th May 2005 to 31st May 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company during the period were the operation of 2 restaurants and development of restaurants under management contracts and franchise agreements

The directors are disappointed with the loss made in this period and the subsequent period. The directors are pleased with progress made in the development of the financial performance of the restaurants and are confident of their future growth.

The shareholders have agreed to sell the company to Tasameem Real Estate Company LLC, subject to various conditions. The directors believe that the sale will be completed and that the bank borrowings and shareholder loans referred to in notes 17 and 18 to the financial statements will be repaid in full.

Financial Key Performance Indicators

Turnover, percent increase in turnover, and gross margin (defined as gross profit divided by turnover expressed as a percentage) are the key measure of financial performance in the company, and are as follows

	2006 £'000	2005 £'000
Turnover	14,421	12,862
Increase in turnover	12.1%	53.2%
Gross margin	37.2%	37.2%

The company monitors various financial key performance indicators as part of its monthly accounting and management reporting process.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £211,016. The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise bank balances, bank overdrafts, bank loans, trade creditors, loans to the company by shareholders and finance lease agreements. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

In respect of bank balances the liquidity risks are managed by maintaining a balance between the continuity of funding and flexibility through use of loans from banks and shareholders. The company makes use of money market facilities where funds are available.

HAKKASAN LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

In respect of loans, these comprise loans from both the bank and from shareholders. The company manages this liquidity risk by ensuring there are sufficient funds to meet its payments. The directors are aware of the company's required finance seeking to ensure that loans will only be repaid, in whole or in part, when alternative finance is available. As noted above the directors expect the company to be sold to a new shareholder which they expect will refinance the existing bank and shareholder loans.

The company is a lessee in respect of finance lease assets. The liquidity risk in respect of these is managed in the same way as loans above.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

DIRECTORS

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

A T Yau
S Wasif
B S Thind
S Dattani

(Resigned 19th September 2005)

N J Erentok Yau was appointed as a director on 28th June 2006.

N J Erentok Yau resigned as a director on 29th August 2007.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

HAKKASAN LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

The company operates an equal opportunities employment ethos, it also has in place a training programme to ensure that all staff are fully trained and up to date with statutory laws and requirements relating to food hygiene, health and safety, licensing and employment law.

Signed on behalf of the directors



A T Yau
Director

Approved by the directors on *14th December 2007*

HAKKASAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAKKASAN LIMITED

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

We have audited the financial statements of Hakkasan Limited for the period from 29th May 2005 to 31st May 2006, which have been prepared on the basis of the accounting policies set out on pages 10 to 12

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

HAKKASAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAKKASAN LIMITED *(continued)*

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the financial statements concerning the following material matters

- note 1, which describes the uncertainty regarding the company's ability to continue as a going concern. This is dependent on the completion of the planned sale of the company and the provision of financial support from the company's new parent company, or on the continuing support of the current lenders and shareholders in the event the sale does not complete

- note 22, which describes the company's contingent liability in respect of £1.8 million of PAYE and NI liabilities (excluding any interest and penalties) which HMRC are claiming are due. The company is disputing that any material payment is due and this has therefore not been provided in the accounts

Because of the potential significance, to the financial statements, of the combined effect of the two matters referred to in the paragraph above, we are unable to form an opinion as to whether the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st May 2006 and of its loss for the year then ended, and

- have been properly prepared in accordance with the Companies Act 1985

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the Directors' Report is consistent with the financial statements



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14/12/07

HAKKASAN LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

		Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
TURNOVER	Note 2	14,420,638	12,862,877
Cost of sales		(9,057,846)	(8,083,409)
GROSS PROFIT		5,362,792	4,779,468
Administrative expenses		(5,134,868)	(5,589,043)
Other operating income	3	89,859	—
OPERATING PROFIT/(LOSS)	4	317,783	(809,575)
Provision for loss on operations to be discontinued		(150,000)	(266,047)
		167,783	(1,075,622)
Interest receivable	7	20,755	1,481
Amounts written off investments	8	(2)	—
Interest payable and similar charges	9	(313,197)	(342,135)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(124,661)	(1,416,276)
Tax on loss on ordinary activities	10	(86,355)	276,698
LOSS FOR THE FINANCIAL PERIOD		(211,016)	(1,139,578)

All of the activities of the company are classed as continuing

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

The notes on pages 10 to 23 form part of these financial statements.

HAKKASAN LIMITED**BALANCE SHEET****31st MAY 2006**

	Note	31 May 06 £	£	28 May 05 £	£
FIXED ASSETS					
Intangible assets	11		49,104		14,745
Tangible assets	12		4,365,913		5,464,207
Investments	13		-		2
			<u>4,415,017</u>		<u>5,478,954</u>
CURRENT ASSETS					
Stocks	14	452,626		413,273	
Debtors due within one year	15	571,883		546,832	
Debtors due after one year	15	611,853		501,989	
Cash at bank and in hand		5,168		198,649	
		<u>1,641,530</u>		<u>1,660,743</u>	
CREDITORS: Amounts falling due within one year	17	<u>5,062,249</u>		<u>4,939,079</u>	
NET CURRENT LIABILITIES			<u>(3,420,719)</u>		<u>(3,278,336)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>994,298</u>		<u>2,200,618</u>
CREDITORS: Amounts falling due after more than one year	18		<u>4,809,376</u>		<u>5,533,158</u>
			<u>(3,815,078)</u>		<u>(3,332,540)</u>
PROVISIONS FOR LIABILITIES					
Other provisions	20		-		271,522
			<u>(3,815,078)</u>		<u>(3,604,062)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	24		100,000		100,000
Other reserves	25		678,430		678,430
Profit and loss account	26		<u>(4,593,508)</u>		<u>(4,382,492)</u>
DEFICIT	27		<u>(3,815,078)</u>		<u>(3,604,062)</u>

These financial statements were approved by the directors and authorised for issue on 14/12/2007, and are signed on their behalf by



A T Yau
Director

HAKKASAN LIMITED**CASH FLOW STATEMENT****PERIOD FROM 29th MAY 2005 TO 31st MAY 2006**

	Note	Period from 29 May 05 to 31 May 06 £	£	Period from 31 May 04 to 28 May 05 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	28		1,194,398		1,101,335
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	28		(292,442)		(340,654)
TAXATION	28		–		(736)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	28		(214,373)		(245,759)
CASH INFLOW BEFORE FINANCING			687,583		514,186
FINANCING	28		(757,885)		(441,559)
(DECREASE)/INCREASE IN CASH	28		<u>(70,302)</u>		<u>72,627</u>

The notes on pages 10 to 23 form part of these financial statements.

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

Comparative figures are in respect of the period from 31st May 2004 to 28th May 2005

Going Concern

During the period the company made an operating profit of £317,783 and a retained loss after interest and tax of £211,016. However, the balance sheet showed a deficiency on current assets of £3,420,719 and on total assets of £3,815,078. The accounts to 2nd June 2007 show further post-tax losses of £213,027.

Since the period end, the company's bank borrowings have become due on demand as the banking covenants were breached. Furthermore, the company has a potentially significant contingent liability, as disclosed in note 22, which could materially increase the company's liabilities if it were to crystallise.

Accordingly the company is reliant on the provision of continuing financial support from its lenders and shareholders. The shareholders have agreed to sell the company to Tasameem Real Estate Company LLC, subject to various conditions. The directors believe the sale will be completed and that the bank borrowings and shareholders loans disclosed in notes 17 and 18 being repaid in full. The new shareholders have confirmed that if the sale is completed they will provide sufficient financial support for the foreseeable future, which is defined as twelve months from the date of approval of the financial statements.

The directors have considered the situation and have concluded that it is appropriate to prepare the financial statements on the going concern basis. However there is no certainty that the planned sale will complete or that the new shareholder will provide the necessary support, or in the event that the sale is not completed whether the current lenders and shareholders will continue to provide the necessary support. No adjustments have been recorded that would be required in the event that the company ceased to be a going concern.

Turnover

Turnover is the value of goods and services, exclusive of Value Added Tax, provided to customers during the period.

Other operating income

Initial franchise and technical assistance fees are recognised over the period from date of signing the Franchise agreement to the expected opening date of the restaurant. Income invoiced in advance is carried forward in the Balance Sheet under deferred income and is offset by the revenue recorded as the franchise income is recognised.

Royalty fee income is recognised on an accruals basis, as a percentage of turnover reported by the restaurant.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Trademarks - over 10 years

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

1. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Property	- over life of lease
Plant & Machinery	- 20%-30% on cost
Fixtures & Fittings	- 20% on cost
Office Equipment	- 20%-30% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Consolidation

In the opinion of the directors, the company and its subsidiary undertaking comprise a medium sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts and thus the accounts show information about the company as an individual entity.

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

1. ACCOUNTING POLICIES (continued)**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company and arose solely within the United Kingdom.

3. OTHER OPERATING INCOME

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Other operating income	<u>89,859</u>	<u>—</u>

Other operating income refers to income from franchise operations.

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Amortisation	3,357	384
Depreciation of owned fixed assets	1,145,574	1,079,109
Depreciation of assets held under hire purchase agreements	129,377	141,685
Auditor's remuneration		
- as auditor	21,000	20,000
Operating lease costs		
Other	<u>493,344</u>	<u>1,001,349</u>

Other operating leases costs are in respect of land and buildings.

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

5 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to

	Period from 29 May 05 to 31 May 06 No	Period from 31 May 04 to 28 May 05 No
Number of management staff	6	6
All other functions	306	301
	<u>312</u>	<u>307</u>

The aggregate payroll costs of the above were

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Wages and salaries	4,699,968	4,323,192
Social security costs	430,738	417,415
	<u>5,130,706</u>	<u>4,740,607</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Emoluments receivable	<u>94,991</u>	<u>94,994</u>

7 INTEREST RECEIVABLE

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Bank interest receivable	<u>20,755</u>	<u>1,481</u>

8. AMOUNTS WRITTEN OFF INVESTMENTS

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Amount written off investments	<u>2</u>	<u>-</u>

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

9 INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Interest payable on bank borrowing	202,224	260,335
Finance charges	22,798	24,878
Interest on other loans	88,175	56,922
	<u>313,197</u>	<u>342,135</u>

10. TAXATION ON ORDINARY ACTIVITIES**(a) Analysis of charge in the period**

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Current tax		
UK Corporation tax based on the results for the period at 19% (2005 - 30%)	2,768	-
Total current tax	<u>2,768</u>	-
Deferred tax		
Origination and reversal of timing differences	83,587	(276,698)
Tax on loss on ordinary activities	<u>86,355</u>	<u>(276,698)</u>

The deferred tax charge includes the utilisation of £774,647 of brought forward tax losses at 19%, the reversal of which was originally provided for at 30% in the previous year

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19% (2005 - 30%)

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Loss on ordinary activities before taxation	<u>(124,661)</u>	<u>(1,416,276)</u>
Loss on ordinary activities by rate of tax	(23,686)	(424,883)
Expenses not deductible for tax purposes	44,117	92,974
Depreciation charges in excess of capital allowances	130,695	148,676
Utilisation of losses brought forward	(147,183)	-
Marginal rate relief	(1,175)	-
Current year losses carried forward	-	183,233
Total current tax (note 10(a))	<u>2,768</u>	-

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

10. TAXATION ON ORDINARY ACTIVITIES (continued)**(c) Factors that may affect future tax charges**

Tax losses available to be carried forward against future profits total £2,449,278 (2005 £3,223,189)

11. INTANGIBLE FIXED ASSETS

	Trademarks £
COST	
At 29th May 2005	15,129
Additions	37,716
At 31st May 2006	<u>52,845</u>
AMORTISATION	
At 29th May 2005	384
Charge for the period	3,357
At 31st May 2006	<u>3,741</u>
NET BOOK VALUE	
At 31st May 2006	49,104
At 28th May 2005	<u>14,745</u>

12. TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Office Equipment £	Total £
COST					
At 29 May 2005	3,783,488	2,107,696	2,141,151	417,325	8,449,660
Additions	5,174	42,145	119,316	10,022	176,657
At 31 May 2006	<u>3,788,662</u>	<u>2,149,841</u>	<u>2,260,467</u>	<u>427,347</u>	<u>8,626,317</u>
DEPRECIATION					
At 29 May 2005	1,007,277	867,649	906,867	203,660	2,985,453
Charge for the period	342,082	437,755	431,490	63,624	1,274,951
At 31 May 2006	<u>1,349,359</u>	<u>1,305,404</u>	<u>1,338,357</u>	<u>267,284</u>	<u>4,260,404</u>
NET BOOK VALUE					
At 31 May 2006	<u>2,439,303</u>	<u>844,437</u>	<u>922,110</u>	<u>160,063</u>	<u>4,365,913</u>
At 28 May 2005	<u>2,776,211</u>	<u>1,240,047</u>	<u>1,234,284</u>	<u>213,665</u>	<u>5,464,207</u>

Hire purchase agreements

Included within the net book value of £4,365,913 is £352,229 (2005 - £472,566) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £129,377 (2005 - £141,685)

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

13. INVESTMENTS

	Shares in Group Undertakings £
COST	
At 29th May 2005 and 31st May 2006	<u>2</u>
AMOUNTS WRITTEN OFF	
Written off in period	<u>2</u>
At 31st May 2006	<u>2</u>
NET BOOK VALUE	
At 31st May 2006	<u>-</u>
At 28th May 2005	<u>2</u>

The company owns 100% of the issued share capital of the company listed below,

	Country of incorporation	Shareholding	Proportion held	Nature of business
Anda UK Limited	England and Wales	Ordinary Shares of £1	100%	Restaurant

Anda UK Limited was dissolved in April 2007, having ceased trading during the previous period. Hakkasan Limited has made full provision for costs of £150,000 (2005 £266,047) incurred on behalf of Anda UK Limited during the period.

14. STOCKS

	31 May 06 £	28 May 05 £
Stock	<u>452,626</u>	<u>413,273</u>

15. DEBTORS

	31 May 06 £	28 May 05 £
Other debtors	610,912	337,269
Prepayments and accrued income	95,917	151,058
Deferred taxation (note 16)	<u>476,907</u>	<u>560,494</u>
	<u>1,183,736</u>	<u>1,048,821</u>

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

15. DEBTORS (continued)

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

	31 May 06 £	28 May 05 £
Other debtors	318,695	328,648
Deferred tax	293,158	173,341
	<u>611,853</u>	<u>501,989</u>

Included in other debtors after more than one year are rent deposits totalling £318,695 (2005 £328,648) held jointly to the order of the company and the respective landlords under the terms of the lease

16. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Included in debtors (note 15)	476,907	560,494

The movement in the deferred taxation account during the period was

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Balance brought forward	560,494	283,796
Profit and loss account movement arising during the period	(83,587)	276,698
Balance carried forward	<u>476,907</u>	<u>560,494</u>

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

	31 May 06 £	28 May 05 £
Excess of taxation allowances over depreciation on fixed assets	(257,876)	(406,463)
Tax losses available	734,783	966,957
	<u>476,907</u>	<u>560,494</u>

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

17. CREDITORS: Amounts falling due within one year

	31 May 06	28 May 05
	£	£
Bank loans and overdrafts	1,027,196	1,150,375
Trade creditors	1,471,010	1,413,037
Amounts owed to group undertakings	–	15,752
Corporation tax	2,768	–
Other taxation and social security	843,402	1,089,526
Hire purchase agreements	200,040	234,143
Other creditors	937,256	299,002
Accruals and deferred income	580,577	737,244
	<u>5,062,249</u>	<u>4,939,079</u>

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

	31 May 06	28 May 05
	£	£
Bank loans and overdrafts	<u>1,027,196</u>	<u>1,150,375</u>

Obligations under hire purchase contracts are secured on the assets concerned

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

	31 May 06	28 May 05
	£	£
Bank loans and overdrafts	1,955,540	2,488,880
Hire purchase agreements	–	212,549
Other creditors	<u>2,853,836</u>	<u>2,831,729</u>
	<u>4,809,376</u>	<u>5,533,158</u>

The bank overdraft and loan are secured by means of a fixed and floating charge over the company's assets including a legal charge over the property

Other creditors include loans from shareholders amounting to £2,331,729 (2005 £2,331,729) Interest was charged on these amounts at various rates between 0% and 6% and no repayments were made during the period

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

	31 May 06	28 May 05
	£	£
Bank loans and overdrafts	<u>1,955,540</u>	<u>2,488,880</u>

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	31 May 06 £	28 May 05 £
Amounts payable within 1 year	200,040	246,652
Amounts payable between 1 and 2 years	-	200,040
	<u>200,040</u>	<u>446,692</u>

20. OTHER PROVISIONS

	31 May 06 £
Provision against onerous lease:	
Balance brought forward	271,522
Movement for period	<u>(271,522)</u>
	<u>-</u>

21. COMMITMENTS UNDER OPERATING LEASES

At 31st May 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings 31 May 06 £	28 May 05 £
Operating leases which expire After more than 5 years	<u>493,850</u>	<u>467,000</u>

22. CONTINGENT LIABILITY

HM Revenue & Customs has claimed that the company's tronc system for the allocation of customer gratuities to staff has not been administered in a way that would have avoided any liability for the company to pay national insurance contributions on amounts distributed. HM Revenue & Customs contends that an amount up to £1.8m (including estimated interest and penalties) could be payable in respect of this and sundry other payroll matters. The company has been disputing this contention for some time. The company does not believe that at this stage it is possible to estimate accurately the liability, if any, that might arise and accordingly this has not been provided in these accounts.

HAKKASAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS****PERIOD FROM 29th MAY 2005 TO 31st MAY 2006**

23 RELATED PARTY TRANSACTIONS

Included within other creditors falling due after more than one year are loans of £1,165,864 (2005 £1,165,864) from Cottergreen Limited, £397,957 (2005 £397,957) from Yolana Limited and £767,908 (2005 £767,908) from other shareholders. Also included within creditors due within one year are amounts of £12,048 (2005 £46,741) due to Yolana Limited and £150,000 (2005 £nil) due to Cottergreen Limited.

S Wasif and B S Thind are directors of both Hakkasan Limited and Cottergreen Limited and own 100% of the share capital of Cottergreen Limited. A T Yau, a director of this company is, together with his wife and children, within the class of beneficiary of the Trust that ultimately owns the shares in Yolana Limited.

Included within other creditors falling due after one year is an amount of £500,000 (2005 £500,000) due to Eco West End Limited, in addition to £15,958 accrued interest thereon. Interest is payable at 1% over base rate, and repayments were due to start in September 2003 although these have been deferred until further notice. No payments were made in respect of interest in the year. Eco West End Limited is managed and controlled by S Wasif.

Included within other creditors falling due within one year are amounts (including interest) of £52,886 (2005 £nil) due to Eco Limited and £52,886 (2005 £nil) due to Absolutely Starving Limited. Interest is payable at 6%, although repayments have been deferred until further notice. No payments were made in respect of interest in the year. Both Eco Limited and Absolutely Starving Limited are managed and controlled by S Wasif.

At the year end, Hakkasan Limited owed Busaba Eathai Limited £15,752 (2005 £15,752), included within other creditors due within one year, in respect of expenses incurred. A T Yau is a director of Busaba Eathai Limited. Additionally, included within other debtors is an amount of £185,253 (2005 £nil) due to Hakkasan Limited from Busaba Eathai Limited, also in respect of expenses incurred during the year. During the year Busaba Eathai Limited made a contribution to overhead costs borne by Hakkasan Limited of £257,831 (2005 £111,752).

Also included within other debtors is an amount of £22,701 (2005 £nil) due from Pleasurerealm Limited, a 100% subsidiary of Yolana Limited. L T Yau, a director of Hakkasan, is also a director of Pleasurerealm Limited.

During the period Hakkasan Limited incurred management charges of £50,000 (2005 £35,000) from Cottergreen Limited. £20,000 of this sum was unpaid at the balance sheet date (included within creditors due within one year).

Included within creditors due within one year is an amount (including interest) of £190,191 (2005 £nil) due to A T Yau. Interest is payable at 6% although repayments have been deferred until further notice. No payments were made in respect of interest in the year.

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

24. SHARE CAPITAL**Authorised share capital**

	31 May 06	28 May 05
	£	£
50,000 'A' Ordinary shares of £1 each	50,000	50,000
50,000 'B' Ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	31 May 06	28 May 05
	No	No
	£	£
'A' Ordinary shares of £1 each	50,000	50,000
'B' Ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>

Both share classes rank par passu in every respect

25. OTHER RESERVES

	Period from 29 May 05 to 31 May 06	Period from 31 May 04 to 28 May 05
	£	£
Capital redemption reserve	<u>678,430</u>	<u>678,430</u>

26. PROFIT AND LOSS ACCOUNT

	Period from 29 May 05 to 31 May 06	Period from 31 May 04 to 28 May 05
	£	£
Balance brought forward	(4,382,492)	(3,242,914)
Loss for the financial period	<u>(211,016)</u>	<u>(1,139,578)</u>
Balance carried forward	<u>(4,593,508)</u>	<u>(4,382,492)</u>

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 06	28 May 05
	£	£
Loss for the financial period	(211,016)	(1,139,578)
Opening shareholders' deficit	<u>(3,604,062)</u>	<u>(2,464,484)</u>
Closing shareholders' deficit	<u>(3,815,078)</u>	<u>(3,604,062)</u>

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

28. NOTES TO THE STATEMENT OF CASH FLOWS**RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Operating profit/(loss)	317,783	(809,575)
Amortisation	3,357	384
Depreciation	1,274,951	1,220,794
Increase in stocks	(39,353)	(150,902)
(Increase)/decrease in debtors	(218,502)	120,944
Increase in creditors	127,684	448,168
(Decrease)/increase in provisions	(271,522)	271,522
Net cash inflow from operating activities	<u>1,194,398</u>	<u>1,101,335</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Interest received	20,755	1,481
Interest paid	(290,399)	(317,257)
Interest element of hire purchase	(22,798)	(24,878)
Net cash outflow from returns on investments and servicing of finance	<u>(292,442)</u>	<u>(340,654)</u>

TAXATION

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Taxation	<u>—</u>	<u>(736)</u>

CAPITAL EXPENDITURE

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Payments to acquire intangible fixed assets	(37,716)	(15,129)
Payments to acquire tangible fixed assets	(176,657)	(230,630)
Net cash outflow from capital expenditure	<u>(214,373)</u>	<u>(245,759)</u>

HAKKASAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 29th MAY 2005 TO 31st MAY 2006

28 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

FINANCING

	Period from 29 May 05 to 31 May 06 £	Period from 31 May 04 to 28 May 05 £
Repayment of bank loans	(533,340)	(177,780)
Capital element of hire purchase	(246,652)	(263,778)
Net inflow/(outflow) from other long-term creditors	22,107	(1)
Net cash outflow from financing	<u>(757,885)</u>	<u>(441,559)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31 May 06 £	28 May 05 £
(Decrease)/increase in cash in the period	(70,302)	72,627
Net cash outflow from bank loans	533,340	177,780
Cash outflow in respect of hire purchase	246,652	263,778
Net cash (inflow) from/outflow from other long-term creditors	<u>(22,107)</u>	<u>1</u>
	687,583	514,186
Change in net debt	687,583	514,186
Net debt at 29 May 2005	(6,719,027)	(7,233,213)
Net debt at 31 May 2006	<u>(6,031,444)</u>	<u>(6,719,027)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 29 May 2005 £	Cash flows £	Other changes £	At 31 May 2006 £
Net cash				
Cash in hand and at bank	198,649	(193,481)	-	5,168
Overdrafts	(617,035)	123,179	-	(493,856)
	<u>(418,386)</u>	<u>(70,302)</u>	<u>-</u>	<u>(488,688)</u>
Debt				
Debt due within 1 year	(533,340)	511,233	(511,233)	(533,340)
Debt due after 1 year	(5,320,609)	-	511,233	(4,809,376)
Hire purchase agreements	(446,692)	246,652	-	(200,040)
	<u>(6,300,641)</u>	<u>757,885</u>	<u>-</u>	<u>(5,542,756)</u>
Net debt	<u>(6,719,027)</u>	<u>687,583</u>	<u>-</u>	<u>(6,031,444)</u>