Company Registration No. 3488606

Hakkasan Limited

Report and Financial Statements

2 June 2007

Hakkasan Limited

Report and financial statements 2007

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Hakkasan Limited

Report and financial statements 2007

Officers and professional advisers

Directors

A T Yau
S Wasif
B S Thind

Secretary

L Y T Yau

Registered Office

4th Floor
151 Wardour Street
London
W1F 8WE

Bankers

HSBC plc
19 St George Street
London
W1R 0ES

Auditors

Deloitte & Touche LLP
London

Solicitors

SJ Berwin LLP
10 Queen Street Place
London
EC4R 1BE

Hakkasan Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 2 June 2007

Principal activities and business review

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

The directors are disappointed with the loss made in the 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 14 and 15 to the financial statements will be repaid in full

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

	2 June 2007 £'000	31 May 2006 £'000
Turnover	15,489	14,421
Increase in turnover	7 4%	12 1%
Gross margin	35 1%	37 2%

Results and dividends

The loss for the period amounted to £213,027 (2006 - £211,016) The directors have not recommended the payment of a dividend (2006 - £nil)

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

The company manages the risk presented by fluctuations in bank interest by entering into interest rate swap agreements with financial institutions

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

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 seek to ensure that the 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

Directors' report (continued)

Financial risk management objectives and policies (continued)

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, except where stated, were as follows

A T Yau
S Wasif
B S Thind
N J Erentok Yau (appointed on 28 June 2006 and resigned on 29 August 2007)

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

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP were appointed as auditors on 14 December 2007

Approved by the Board of Directors
and signed on behalf of the Board

S Wasif
Director

17 December 2007

Statement of 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,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statement on the going concern basis unless it is in appropriate to presume that the company will continue in business

The directors are responsible for keeping 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 taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of Hakkasan Limited

We have audited the financial statements of Hakkasan Limited for the period ended 2 June 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 25 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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 or material inconsistencies 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

Independent auditors' report to the members of Hakkasan Limited (continued)

Opinion

In our opinion

- 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 2 June 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Emphasis of matter - uncertainty in connection with going concern and contingent liability

In forming our opinion we have considered the adequacy of the disclosures in the following notes to the financial statements

- Note 1 describes the uncertainty regarding the company s ability to continue as a going concern, which is dependent on (a) the completion of the planned sale of the company and the provision of financial support from the company s new parent company, or (b) on the continuing support of the current lenders and shareholders in the event the sale does not complete
- Note 18 describes the company s contingent liability in respect of a claim by HM Revenue & Customs for £1 8million of PAYE and NI liabilities (excluding any interest and penalties) No provision has been recorded because the directors have concluded that it is not possible to estimate reliably the liability if any, that might arise

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern In view of the significance of these matters we consider that they should be drawn to your attention but our opinion is not qualified in these respects

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
17 December 2007

Hakkasan Limited

Profit and loss account
Period from 1 June 2006 to 2 June 2007

	Note	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Turnover	2	15,489,483	14,420,638
Cost of sales		(10,052,732)	(9,057,846)
Gross profit		5,436,751	5,362,792
Administrative expenses		(5,877,697)	(5,392,699)
Other operating income	3	714,803	347,690
Operating profit		273,857	317,783
Provision for loss on operations to be discontinued		-	(150,000)
		273,857	167,783
Interest receivable		3,253	20,755
Amounts written off investments		-	(2)
Interest payable and similar charges	7	(305,765)	(313,197)
Loss on ordinary activities before taxation	4	(28,655)	(124,661)
Tax on loss on ordinary activities	8	(184,372)	(86,355)
Loss for the financial year		(213,027)	(211,016)
Balance brought forward		(4,593,508)	(4,382,492)
Balance carried forward		(4,806,535)	(4,593,508)

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, and accordingly no separate statement of total recognised gains and losses is presented

Hakkasan Limited

Balance sheet
2 June 2007

	Note		2 June 2007 £		31 May 2006 £
Fixed assets					
Intangible assets	9	43,820		49,104	
Tangible assets	10	4,086,780		4,365,913	
			4,130,600		4,415,017
Current assets					
Stocks	11	574,020		452,626	
Debtors due within one year	12	1,351,584		727,063	
Debtors due after one year	12	318,695		492,036	
Cash at bank and in hand		5,566		5,168	
			2,249,865		1,676,893
Creditors: amounts falling due within one year	14		(7,345,302)		(5,097,612)
Net current liabilities			(5,095,437)		(3,420,719)
Total assets less current liabilities			(964,837)		994,298
Creditors: amounts falling due after more than one year	15		(3,063,268)		(4,809,376)
Net liabilities			(4,028,105)		(3,815,078)
Capital and reserves					
Share capital	20		100,000		100,000
Other reserves	21		678,430		678,430
Profit and loss account			(4,806,535)		(4,593,508)
Shareholders' deficit	22		(4,028,105)		(3,815,078)

These financial statements were approved by the Board of Directors on 17 December 2007

Signed on behalf of the Board of Directors

S Wasif

Director

Hakkasan Limited

Cash flow statement
Period from 1 June 2006 to 2 June 2007

	Note	Period from 1 June 2006 to 2 June 2007	Period from 29 May 2005 to 31 May 2006
		£	£
Net cash inflow from operating activities	23	562,514	1,194,398
Returns on investments and servicing of finance	23	(302,512)	(292,442)
Capital expenditure and financial investment	23	(891,392)	(214,373)
Cash (outflow)/inflow before financing		(631,390)	687,583
Financing	23	801,706	(757,885)
Increase/(decrease) in cash	23	170,316	(70,302)

Hakkasan Limited

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

1. **Accounting policies**

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Basis of accounting

The financial statements have been prepared under the historical cost convention

Going concern

During the period the company made an operating profit of £273,857 (2006 £317,781) However, the balance sheet showed a deficiency on current assets of £5,095,437 (2006 £3,420,719) and on total assets of £4,028,105 (2006 £3,815,078) Current liabilities include the company's bank borrowings which are due on demand as the banking covenants were in breach at 2 June 2007 Furthermore, the company has a potentially significant contingent liability, as disclosed in note 18, 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 14 and 15 will then be repaid in full and that the new shareholders will provide sufficient financial support for the foreseeable future

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 Accordingly there is a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business No adjustments have been recorded that would be required in the event that the company ceased to be a going concern

Turnover

Turnover from the operation of restaurants 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 the 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

Hakkasan Limited

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

1 **Accounting policies (continued)**

Intangible assets – patents and trademarks

Patents and trademarks are included at cost and depreciated in equal instalment over a period of ten years which is their estimated useful life economic life Provision is made for any impairment

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment

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
Leasehold improvements	-	10% straight line on cost or straight line over the period of the lease if shorter
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 even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term or to the first rent review date on which the rent payable will be adjusted to the prevailing market rate, which ever is the shorter period

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

1 **Accounting policies (continued)**

Taxation (continued)

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

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements The company does not hold or issue derivative financial instruments for speculative purposes The derivative financial instrument is used to fix the interest rate at a proportion of the company bank indebtedness Interest differentials are accounted for quarterly and recognised in the profit and loss account

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction Franchise income denominated in foreign currency is converted using the average rates of exchange during the accounting period Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date All exchange gains and losses are included in the profit and loss account

2 **Turnover**

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

3 **Other operating income**

	Period from 1 June 2006 to 2 June 2007	Period from 29 May 2005 to 31 May 2006
	£	£
Franchise and technical assistance fees	262,019	49,140
Management fees	391,177	257,831
Other income	61,607	40,719
	714,803	347,690

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Amortisation of patents and trademarks	5,284	3,357
Depreciation of tangible fixed assets		
- owned	1,151,170	1,145,574
- held under hire purchase agreements	19,356	129,377
Auditors' remuneration		
- audit fees	48,589	21,000
- tax services	29,769	-
Operating lease costs		
- plant and equipment	3,733	5,470
- other	587,778	493,344

5 Staff costs

The average number of staff (including executive director) employed by the company during the financial period amounted to

	Period from 1 June 2006 to 2 June 2007 No	Period from 29 May 2005 to 31 May 2006 No
Management staff	6	6
All other functions	328	306
	334	312

The aggregate payroll costs of the above were

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Wages and salaries	5,058,378	4,699,968
Social security costs	463,223	430,738
	5,521,601	5,130,706

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

6 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Emoluments receivable	36,000	94,991

7. Interest payable and similar charges

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Interest payable on bank borrowing	139,776	202,224
Finance charges on lease	19,584	22,798
Interest on other loans	146,405	88,175
	305,765	313,197

8 Tax on loss on ordinary activities

(a) Analysis of charge in the period

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Current tax		
UK Corporation tax based on the results for the period at 20% (2006 19%)	623	2,768
Total current tax	623	2,768
Deferred tax		
Origination and reversal of timing differences	183,749	83,587
Tax on loss on ordinary activities	184,372	86,355

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

8 Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 20 % (2006 - 19%)

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Loss on ordinary activities before taxation	(28,655)	(124,661)
Loss on ordinary activities by rate of tax	(5,731)	(23,686)
Expenses not deductible for tax purposes	128,881	44,117
Depreciation charges in excess of capital allowances	163,006	130,695
Utilisation of losses brought forward	(285,505)	(147,183)
Marginal rate relief	-	(1,175)
Change in tax rate	(28)	-
Total current tax (note 8(a))	623	2,768

(c) Factors that may affect future tax charges

There may be changes to the standard and small company's corporation tax rates

9 Intangible fixed assets

	Patents and trademarks £
Cost	
At 1 June 2006 and 2 June 2007	52,845
Accumulated depreciation	
At 1 June 2006	3,741
Charge for the period	5,284
At 2 June 2007	9,025
Net book value	
At 2 June 2007	43,820
At 31 May 2006	49,104

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

10 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Office equipment £	Total £
Cost					
At 1 June 2006	3,788,662	2,149,841	2,260,467	427,347	8,626,317
Additions	631,158	14,913	218,045	27,277	891,393
At 2 June 2007	4,419,820	2,164,754	2,478,512	454,624	9,517,710
Accumulated depreciation					
At 1 June 2006	1,349,359	1,305,404	1,338,357	267,284	4,260,404
Charge for the period	365,950	342,865	395,628	66,083	1,170,526
At 2 June 2007	1,715,309	1,648,269	1,733,985	333,367	5,430,930
Net book value					
At 2 June 2007	2,704,511	516,485	744,527	121,257	4,086,780
At 31 May 2006	2,439,303	844,437	922,110	160,063	4,365,913

Hire purchase agreements

Included within the net book value of plant and machinery, fixtures and fittings and office equipment is £254,865 (2006 - £352,913) 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 £19,356 (2006 - £129,377)

Hakkasan Limited

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

11 Stocks

	2 June 2007 £	31 May 2006 £
Goods for resale	574,020	452,626

12 Debtors

	2 June 2007 £	31 May 2006 £
Trade debtors	378,835	-
Other debtors	629,809	646,275
Prepayments and accrued income	368,477	95,917
Deferred taxation (note 13)	293,158	476,907
	1,670,279	1,219,099

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

	2 June 2007 £	31 May 2006 £
Other debtors	318,695	318,695
Deferred tax	-	173,341
	318,695	492,036

Included in other debtors after more than one year are rent deposits totalling £318,695 (2006 £318,695) held jointly to the order of the company and the respective landlords under the terms of the lease £220,312 (2006 £nil) is held subject to the future signing of the lease

13 Deferred taxation

The deferred tax included in the balance sheet is as follows

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Included in debtors (note 12)	293,158	476,907

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

13 Deferred taxation (continued)

The movement in the deferred taxation account during the period was

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Balance brought forward	476,907	560,494
Profit and loss account movement arising during the period	(183,749)	(83,587)
Balance carried forward	293,158	476,907

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

Excess of taxation allowances over depreciation on fixed assets	(13,367)	(257,876)
Tax losses available	306,525	734,783
	293,158	476,907

14 Creditors: amounts falling due within one year

	2 June 2007 £	31 May 2006 £
Bank loans and overdrafts	3,563,441	1,027,196
Trade creditors	2,064,670	1,471,010
Corporation tax	623	2,768
Other taxation and social security	586,919	843,402
Hire purchase agreements	41,692	200,040
Other creditors	519,850	937,256
Accruals and deferred income	568,107	615,940
	7,345,302	5,097,612

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

14. Creditors· amounts falling due within one year (continued)

The following liabilities disclosed under creditors falling due within one year are secured on leasehold properties

	2 June 2007 £	31 May 2006 £
Bank loans and overdrafts	3,563,441	1,027,196

The company was in breach of certain covenants in the bank facility agreement at the end of the year and accordingly the loans were technically repayable on demand and have been classified as repayable within one year

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

Obligations under hire purchase contracts are secured on the assets concerned

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

	2 June 2007 £	31 May 2006 £
Bank loans and overdrafts	-	1,955,540
Hire purchase agreements	231,540	-
Other creditors	2,831,728	2,853,836
	3,063,268	4,809,376

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

Obligations under hire purchase contracts are secured on the assets concerned Other creditors include loan notes issued to shareholders amounting to £2,331,729 (2006 £2,331,729) The loan notes are non interest bearing and are redeemable at the latest on 10 December 2010, redemption may occur earlier provided there are sufficient distributable profits No loan notes have been redeemed since their issue in December 2000

The following liabilities disclosed under creditors falling due after more than one year are secured on leasehold properties

	2 June 2007 £	31 May 2006 £
Bank loans and overdrafts	-	1,955,540

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

16 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows

	2 June 2007 £	31 May 2006 £
Amounts payable within one year	41,692	200,040
Amounts payable between one and two years	231 540	-
	273 232	200,040

17. Commitments under operating leases

At 2 June 2007 and 31 May 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2 June 2007 £	31 May 2006 £
Operating leases which expire		
After more than 5 years	338 750	493 850

18 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 (excluding interest and penalties) could be payable in respect of this and sundry other payoll matters The company has been disputing this contention for some time as the directors do not believe that it has any liability in respect of these matters No provision has been recorded in these accounts for these matters as it is not possible to estimate reliably the liability if any that might arise

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

19. Related party transactions

The followıng companıes and ındıvıduals are related partıes to the company

S Wasıf and B Thınd are dırectors of Hakkasan Lımıted and Cottergreen Lımıted and they own 100% of the ıssued share capıtal of Cottergreen Lımıted

Eco West End Lımıted, ECO (partnershıp) and Absolutely Starvıng Lımıted are all managed and controlled by S Wasıf

A T Yau and N J Erentok Yau are dırectors of Hakkasan and are also wıthın a class of beneficıary of the Trust that ultımately owns the shares ın Yolana Lımıted

The share capıtal of Pleasurerealm Lımıted ıs a 100% owned subsıdıary of Yolana Lımıted

A T Yau ıs also a dırector of Busaba Eathaı Lımıted

Included ın credıtors fallıng due after one year are loan notes totallıng £1,165,865 (2006 £1,165,865) due to Cottergreen Lımıted Included ın credıtors fallıng due wıthın one year ıs an amount of £100,000 (2006 £150,000) due to Cottergreen Lımıted In the perıod under revıew Cottergreen Lımıted charged management fees of £75,000 (£2006 £75,000) to the company, at the balance sheet date £48,598 remaıned unpaıd and ıs ıncluded ın credıtors fallıng due wıthın one year

Included ın credıtors fallıng due after one year ıs £500,000 due to Eco West End Lımıted, the loan bears ınterest at 2% above the Bank of England base rate, at the balance sheet date £26,753 of ınterest ıs unpaıd and ıncluded ın credıtors fallıng due wıthın one year

All prıncıpal and ınterest were repaıd durıng the year on loans from ECO (2006 £52,866) and Absolutely Starvıng Lımıted (2006 £52,866)

Included ın credıtors fallıng due after one year are loan notes totallıng £397,957 (2006 £397,957) due to Yolana Lımıted Included ın credıtors fallıng due wıthın one year ıs an amount of £12,047 (2006 £12,047) due to Yolana Lımıted

Included ın credıtors fallıng due wıthın one year ıs a loan bearıng ınterest of 6% from Pleasurerealm Lımıted totallıng £100,631 (2006 £190,191) and an amount of £91,931 (2006 £nıl) of management fees unpaıd at the balance sheet date and an accrual of £38,632 (2006 £nıl) for management fees due but not yet ınvoıced by Pleasurealm Lımıted Pleasurealm Ltd ıs due management fees for the perıod totallıng £164,947 (2006 £nıl) Included ın other debtors ıs an amount of £43,649 (2006 £22,701)

Included ın credıtors fallıng due wıthın one year ıs £2,218 owıng to Busaba Eathaı Lımıted and ıncluded ın debtors ıs £88,807 due from Busaba Eathaı Lımıted Durıng the perıod Hakkasan Lımıted management fee revenue from Busaba Eathaı Lımıted totalled £355,259 (2006 £257,831)

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

20. Called up share capital

	2 June 2007 £	31 May 2006 £
Authorised		
37,910 (2006 – 50,000) 'A' ordinary shares of £1 each	37,910	50,000
62,090 (2006 – 50,000) 'B' ordinary shares of £1 each	62,090	50,000
	100,000	100,000
Called up, allotted and fully paid		
37,910 (2006 – 50,000) 'A' ordinary shares of £1 each	37,910	50,000
62,090 (2006 – 50,000) 'B' ordinary shares of £1 each	62,090	50,000
	100,000	100,000

Both share classes rank pari passu in every respect

21 Other reserves

	2 June 2007 £	31 May 2006 £
Capital redemption reserve	678,430	678,430

22. Reconciliation of movements in shareholders' deficit

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Loss for the financial period	(213,027)	(211,016)
Opening shareholders' deficit	(3,815,078)	(3,604,062)
Closing shareholders' deficit	(4,028,105)	(3,815,078)

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

23 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
Operating profit	273,857	317,783
Amortisation	5,284	3,357
Depreciation	1,170,526	1,274,951
Increase in stocks	(121,394)	(39,353)
Write off of investment	-	2
Increase in debtors	(510,608)	(253,865)
(Decrease) /increase in creditors	(256,727)	127,684
(Decrease)/increase in provisions	-	(271,522)
Increase in deferred franchise fee income	1,576	35,363
Net cash outflow from operating activities	562,514	1,194,398

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

23. Notes to the cash flow statement (continued)

Returns on investments and servicing of finance

	Period from 1 June 2006 to 2 June 2007	Period from 29 May 2005 to 31 May 2006
	£	£
Interest received	3,253	20,755
Interest paid	(286,181)	(290,399)
Interest element of hire purchase	(19,584)	(22,798)
Net cash inflow from returns on investments and servicing of finance	(302,512)	(292,442)

Capital expenditure

	Period from 1 June 2006 to 2 June 2007	Period from 29 May 2005 to 31 May 2006
	£	£
Payments to acquire intangible fixed assets	-	(37,716)
Payments to acquire tangible fixed assets	(891,392)	(176,657)
Net cash outflow from capital expenditure	(891,392)	(214,373)

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

23. Notes to the cash flow statement (continued)

Financing

	Period from 1 June 2006 to 2 June 2007 £	Period from 29 May 2005 to 31 May 2006 £
New secured loan	3,500,000	-
Repayment of new secured loan	(260,500)	-
Repayment in full of old secured loan	(1,955,540)	-
Repayment of old secured loan	(533,340)	(533,340)
Capital element of finance lease rental payments	(200,040)	(246,652)
New hire purchase liability	273,232	-
Net (outflow)/inflow from other long-term creditors	(22,106)	22,107
Net cash inflow/(outflow) from financing	801,706	(757,885)

Reconciliation of net cash flow to movement in net debt

		2 June 2007 £		31 May 2006 £
Increase/(decrease) in cash in the period	170,316		(70,302)	
Net cash (inflow)/outflow from bank loans	(750,620)		533,340	
Cash (inflow)/outflow in respect of hire purchase	(73,192)		246,652	
Net cashoutflow/(inflow) from other long-term creditors	22,106		(22,107)	
		(631,390)		687,583
Change in net debt		(631,390)		687,583
Net debt at 1 June 2006		(6,031,444)		(6,719,027)
Net debt at 2 June 2007		(6,662,834)		(6,031,444)

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

23 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	1 June 2006 £	Cash flows £	Other £	2 June 2007 £
Net cash				
Cash in hand and at bank	5,168	398	-	5,566
Overdrafts	(493,856)	169,918	-	(323,938)
	(488,688)	170,316	-	(318,372)
Debt				
Debt due within one year	(533,340)	(2,706,160)	-	(3,239,500)
Hire purchase agreements	(200,040)	200,040	(41,692)	(41,692)
Debt due after one year				
Old secured loan	(1,955,540)	1,955,540	-	-
Other creditors	(2,853,836)	22,106	-	(2,831,730)
Hire purchase agreements	-	(273,232)	41,692	(231,540)
	(5,542,756)	(801,706)	-	(6,344,462)
Net debt	(6,031,444)	(631,390)	-	(6,662,834)

Notes to the financial statements
Period from 1 June 2006 to 2 June 2007

24 Derivatives not included at fair value

The company has derivatives which are not included at fair value in the financial statements

	Principal	Fair Value	
		2 June 2007	31 May 2006
	£	£	£
Interest rate swap contracts	937,500	13,459	-

The company uses derivatives to hedge its exposures to fluctuations in interest rates

The interest rate swap contract with an initial principal amount of £1,000,000 amortising to £312,500 on 21 December 2009 has fixed interest payments at 5 25% for periods up to until 2009 and has floating interest receipts at LIBOR

25 Controlling Party

On 27 October 2006 Cottergreen Limited became the company's ultimate parent company as a result of owing 62 1 per cent of the issued share capital of the company