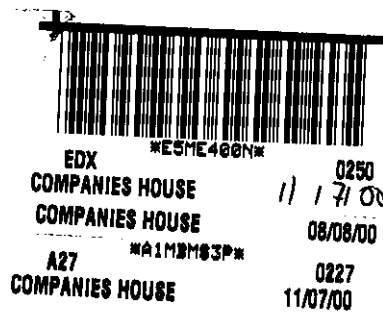


# GIOMA RESTAURANTS PLC

## ANNUAL REPORT AND ACCOUNTS

1999



Company No: 93289

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**GIOMA RESTAURANTS PLC**  
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**GIOMA RESTAURANTS PLC**  
**FINANCIAL HIGHLIGHTS**  
**YEAR ENDED 31 DECEMBER 1999**

Gioma Restaurants plc is a rapidly growing pan-European restaurant chain operating two brands: The Gaucho Grill – Argentinean style restaurants, and Down Mexico Way – a Latin-themed restaurant/bar concept. Gioma is the UK's only true pan-European themed restaurant growth company.

Highlights as reported:

- Turnover £7.8m (1998: £2.6m)
- Profit before tax £0.8m (1998: £0.4m)
- Profit before tax (before goodwill and pre-opening expenses) £1.1m (1998: £0.5m)
- Earnings per share 2.42p (1998: 1.68p)
- Earnings per share (before goodwill and pre-opening expenses) 3.75p (1998: 2.59p)
- 3 new restaurants opened in 1999 and 23 acquired bringing total restaurants operating by the year end to 29 (3 in 1998)
- Pipeline of 8 new restaurants
- £7.1m net additional capital raised
- Current trading positive in all countries

**Zeev Godik**  
*Chairman and Chief Executive*

A large, stylized handwritten signature in black ink, which appears to read 'Godik', is written over the bottom right portion of the list of highlights.

**GIOMA RESTAURANTS PLC**  
**CHAIRMAN'S STATEMENT**

**Current year events**

I am pleased to report that the current year has been successful with the company's ambitious expansion plans continuing to materialise.

On 25 November 1999, the company successfully completed the acquisition of 23 Argentine restaurants on the continent and in addition opened new restaurants in the City of London, Glasgow and Zürich. Existing restaurants also continued to trade well.

At the time of acquisition, £7.1m (net of cost) of new money was raised to finance the continued expansion of restaurants in 2000 and 2001.

Starting with 3 restaurants in 1998, the company operated 29 at the end of 1999 – 5 in the United Kingdom, 17 in the Netherlands and 7 in Switzerland. The company remains focused on two distinct brands: The Gaucho Grill – Argentinean style restaurants (27) and Down Mexico Way (2) – Latin style restaurant/bar.

**Results**

1999 was a successful year for the company for existing, newly acquired and developed restaurants. The 1999 results include full year figures for 3 restaurants in London trading under the name Gaucho Grill (2) and Down Mexico Way (1). Partial year results are included for the new restaurants opened in 1999: The Gaucho Grill – City of London (July), The Gaucho Grill – Glasgow (October) and Down Mexico Way – Zürich (December). In addition, partial year results are included from the restaurants acquired in The Netherlands and Switzerland effective 25 November 1999.

Turnover increased to £7.8m (1998: £2.6m) for the year ended 31 December 1999. Profit before tax grew to £0.8m (1998: £0.4m) and pre goodwill amortisation and pre-opening expenses increased to £1.1m (1998: £0.5m). Earnings per share rose to 2.42p (1998: 1.68p) based on the average number of shares in issue throughout the year. Excluding amortisation of goodwill and pre-opening expenses, EPS was 3.75p (1998: 2.59p).

The group's cash position remains strong and at the year-end stood at £8.5m net.

**Restaurants**

The company has two concepts both positioned in the mid-price segment of the casual dining market, which the company believes has high growth potential in all the group's markets.

**Down Mexico Way ("DMW")**

The Down Mexico Way concept, marketed as "The Best Latin Night Out", combines a Latin theme restaurant with live music and dancing and enjoys a late licence until 3.00 a.m. The concept was developed with the objective of providing authentic Latin food in a large venue where customers could not only eat and drink but also dance and be entertained. DMW restaurants require larger sites of approximately 5,000 sq.ft. or more.

**The Gaucho Grill**

The Gaucho Grill concept offers high quality Argentinean beef marketed as "The Ultimate Steak from Argentina", together with other grills and authentic Argentinean dishes and wines, in a modern and cosmopolitan environment decorated with Argentinean influences. In contrast to DMW, the Gaucho Grill is exclusively a restaurant business. No dancing or entertainment is provided.

The concept is derived from the original Argentinean cowboy or "Gaucho" tradition of cooking fresh meat over charcoal grills, which are placed visibly in the restaurant.

Currently, there are 4 UK Gaucho Grill restaurants located in the centre of London at Piccadilly Circus, Hampstead in north west London (opened April 1998), Gracechurch Street in the City of London (opened July 1999) and Glasgow (opened October 1999).

**GIOMA RESTAURANTS PLC**  
**CHAIRMAN'S STATEMENT** (continued)

**Estate development**

The company has successfully increased the number of restaurant sites from 3 at the end of 1998 to 29 at the end of 1999. A Down Mexico Way restaurant in Zürich was opened in December 1999 and 2 other sites acquired in 1999 were opened as Gaucho Grills in Gracechurch Street in the City of London (July) and Glasgow (October).

The acquisition from Gioma Group BV, Gioma Restaurants PLC largest shareholder, on 25 November 1999 of 17 Argentine restaurants in The Netherlands and 6 Argentine restaurants in Switzerland greatly increases the strength of the company and creates a truly pan-European restaurant group.

The planned programme for 2000 will be dynamic. 2 Gaucho Grill restaurants are scheduled to open in the United Kingdom: London, Canary Wharf and Manchester; 2 in Amsterdam and 1 in Rotterdam. Down Mexico Way restaurants are scheduled to open in Glasgow and at least 2 in The Netherlands in the second half of the year.

In addition to the new restaurants above, several major investments have been initiated to increase sales at existing restaurants. In The Netherlands, an important central Amsterdam site will be completely renovated and capacity increased from 105 to 220 seats. In Arnhem, 1 Gaucho will be relocated to a new central city location. In Switzerland, renovations will be made to the Argentine restaurant in Zürich.

As the company now has a strong established base in the United Kingdom, Switzerland and The Netherlands, the short term investment plans will concentrate primarily on generating the highest returns on invested capital in these markets.

The company expansion programme has been financed through a combination of existing cash and operating cash flow. The company has not relied on bank borrowing with the exception of Down Mexico Way in Zürich where the building was acquired and the borrowing rates are very favourable.

**Balance sheet and gearing**

The company has £8.5m net in cash at year-end and its cash generation from operations is strong. The group has adequate banking facilities in place for future development.

**Dividends**

As stated at the time of the fundraising, the company plans to utilise cash for expansion and therefore dividends will not be declared in the short term.

**Gioma Restaurants plc Board**

The company has a strong and experienced team to lead the business and achieve its growth objectives. I am Chairman and Chief Executive and founder of the Gioma Restaurant Group of companies. Steven Van Tongeren is the Finance Director and has extensive experience with well-known international companies in the food and entertainment industry.

The non-executive Directors bring a wide range of experience. Nicola K C Horlick is currently Managing Director of the UK asset management subsidiary of Société Générale and David C Ritchie has held a variety of directorships in investment management companies and trusts.

David Davenport, a Director of the company for some 21 years, has indicated that he wishes to retire from the Board. We thank him for his wise counsel and assistance during the transition from a financial investment company to a marketing driven pan-European restaurant group.

It is with great pleasure that I welcome Mr Leonard Lewis as a non-executive Director. Leonard is the founder and former Chief Executive of River Island, the fashion clothing group, and is Chairman and Chief Executive of S F Cody's Archive of Originals Ltd, a multi-channel innovative gift retailer. He brings invaluable retail and marketing experience and will make a substantial contribution to our business. His appointment will be effective following conclusion of the Annual General Meeting.

**GIOMA RESTAURANTS PLC**  
**CHAIRMAN'S STATEMENT** *(continued)*

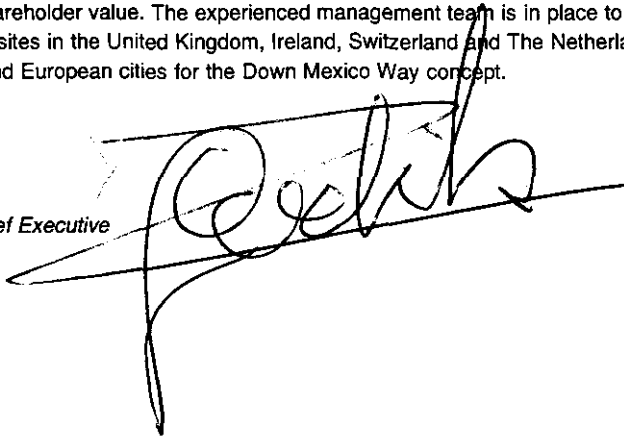
**Current trading**

The current trading performance of our existing and new restaurants is in line with management expectation. Since the year-end, our like-for-like sales trend continues to be positive.

**Future Prospects**

We believe that our restaurant concepts have considerable expansion potential and can generate the returns on investment and will further improve shareholder value. The experienced management team is in place to carry out these plans. We will aggressively be seeking additional sites in the United Kingdom, Ireland, Switzerland and The Netherlands for the Gaucho Grill concept and in major United Kingdom and European cities for the Down Mexico Way concept.

**Zeev Godik**  
*Chairman and Chief Executive*  
31 March 2000

A large, stylized handwritten signature in black ink, which appears to read 'Zeev Godik', is written over the printed name and title. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**GIOMA RESTAURANTS PLC  
DIRECTORS AND ADVISORS**

**Zeev Godik (age 46)  
Chairman and Chief Executive**

Zeev Godik has spent most of his working career in the restaurant and bar business. He is the founder of the Gioma Group BV group of companies and started the first Gioma Group BV restaurant in Amsterdam in 1976. He moved to the UK and founded the UK operation in 1990. He identified the UK sites and developed them and adopted the Gaucho Grill concept to meet UK requirements and developed the Down Mexico Way restaurant into a successful concept venue.

**Steven Van Tongeren CPA (age 42)  
Finance Director**

Steven Van Tongeren graduated from the State University of New York in accounting and finance. He became a Certified Public Accountant in New York in 1982 and has worked for a variety of well known international companies in the food and entertainment industries including Borden Packaging as European and South African Financial Director and PolyGram Music International as Vice President of USA video and then Manager of worldwide consolidation. He joined Gioma in September 1997.

**David T H Davenport (age 69)  
Non Executive**

David Davenport is a professional investment manager recently retired from Chiswell Associates Limited where he was a founding director and shareholder. He has been a director of Parambe for 20 years and was Chairman for the last 13 years. Other listed company directorships, from which he has retired, have included Barbour Index plc, Group Investors plc (as chairman), Microgen Holdings plc and The Lincroft Kilgour Group plc.

**Nicola K C Horlick (age 39)  
Non Executive**

Nicola Horlick graduated with BA(hons) from Balliol College, Oxford. She joined SG Warburg in 1983 and was appointed director of Mercury Asset Management Limited in 1989. In 1991 she joined Morgan Grenfell Investment Management Limited as director subsequently being appointed as managing director. In 1997 she joined Société Générale as managing director of its UK asset management subsidiary.

**David C Ritchie (age 55)  
Non Executive (Chairman – Audit Committee and Remuneration Committee)**

David Ritchie was head of Scottish Widows investment management team from 1978 to 1991 and became a main board director and deputy group chief executive in 1990. From 1994, until leaving Scottish Widows, he was executive chairman of Scottish Widows Investment Management Limited. He is a former chairman of estate agents Connell plc and is currently a director of Fleming Japanese and other investment trusts. He is a Fellow of the Faculty of Actuaries.

**GIOMA RESTAURANTS PLC**  
**DIRECTORS AND ADVISORS** (continued)

SECRETARY	S Van Tongeren
REGISTERED OFFICE	Park Lorne 111 Park Road London NW8 7JL
AUDITORS	Winters Chartered Accountants and Registered Auditors 29 Ludgate Hill London EC4M 7JE
SOLICITORS	Taylor Joynson Garrett Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0DX
BANKERS	Bank of Scotland 38 Threadneedle Street London EC2P 2EH
REGISTRARS	IRG plc Balfour House 390-398 High Road Ilford Essex IG1 1NQ
CORPORATE ADVISORS	Investec Henderson Crosthwaite 2 Gresham Street London EC2V 7QP



**GIOMA RESTAURANTS PLC**  
**REPORT OF THE DIRECTORS**

The directors present their report and the group accounts for the year ended 31 December 1999.

**Results and dividends**

The results for the year are shown in the consolidated profit and loss account on page 14.

The directors do not recommend the payment of a final ordinary dividend as funds are to be reinvested in new restaurants.

**Principal activities**

The group's principal activity is that of owner and operator of restaurants.

**Review of the business and future developments**

A commentary on the group's business activities and future developments is given in the Chairman's statement on pages 2 to 4.

**Fixed assets**

The movements in tangible fixed assets are detailed in note 12 to the financial statements.

**Directors and their interests**

The directors at 31 December 1999 and their interests in the ordinary share capital of the company at that date and at 1 January 1999, were as follows:

	At 31 December 1999	At 1 January 1999
Z Godik	—	—
S Van Tongeren	105,909	50,000
N K C Horlick	—	—
D C Ritchie	45,454	25,000
D T H Davenport	1,425,000	1,425,000

There have been no changes in directors interests since the year end.

None of the directors has an interest in the ordinary share capital of the ultimate parent company, Gioma Group BV. However 34.6% is owned by Godik Overseas Holding NV, a company controlled by a Z Godik family trust (the beneficiaries of which are Mr Godik's immediate family).

Gioma Restaurants plc and its subsidiaries enter into transactions with Gioma Group BV. These are fully disclosed in note 29 to the accounts.

**Substantial shareholdings**

At 2 March 2000, the company had been notified of the following interests of 3% or more in the ordinary share capital of the company, in addition to those shown above:

	No. of shares	% of ordinary share capital
Gioma Group BV (and its subsidiaries)	43,442,526	65.89%
HSBC Global Custody Nominee	9,051,600	13.73%
HSBC Global Custody Nominee	2,195,000	3.33%
Robert Fleming Nominees Limited	3,512,330	5.33%
Vidacos Nominees Limited	3,645,271	5.53%

**GIOMA RESTAURANTS PLC**  
**REPORT OF THE DIRECTORS (continued)**

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the group for that period. In preparing the 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group, and for ensuring that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Creditor payment policy**

The group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centrepont, 103 New Oxford Street, London WC1A 1UD). For other suppliers, the group's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for the revenue and capital supplies of goods and services without exception.

Trade creditor days of the group for 1999 were 40 days, calculated in accordance with the requirements set down in the Companies Act 1985.

**Year 2000 compliance**

A programme to address the impact of the year 2000 date change was started in 1998. The company's objective was to ensure that the date change did not give rise to a disruption of business. The program was completed on schedule and the operations did not incur any material disruption. The cost of this upgrade was not material and was written off to the profit and loss as incurred.

**The Euro**

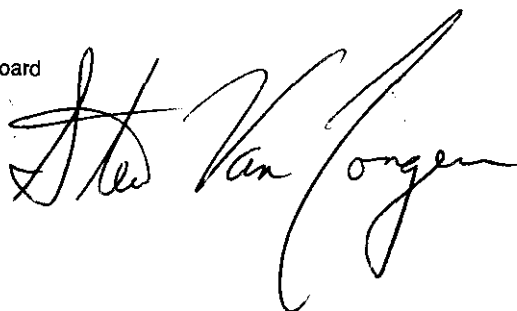
European Monetary Union (EMU) started on 1 January 1999, comprising 11 countries. The UK did not enter at this initial stage and has not yet committed itself to an entry date. Because of the high frequency and volume of transactions that occur with these 11 countries, EMU will certainly affect the group. However, the group's financial and operating systems are capable of handling the requirements of EMU.

**Auditors**

Resolutions to re-appoint Winters as auditors and to authorise the directors to agree their remuneration will be put to the members at the Annual General Meeting.

By order of the Board

**S Van Tongeren**  
Secretary  
31 March 2000



## **GIOMA RESTAURANTS PLC CORPORATE GOVERNANCE**

Gioma Restaurants plc is committed to high standards of corporate governance throughout the group. The Board is accountable to the company's shareholders for good governance and this statement describes how the principles identified in Section 1 of the Combined Code, as appended to the Stock Exchange Listing Rules, are applied by the company.

### **Compliance**

The Board confirms that the company has complied with the provisions set out in Section 1 of the Combined Code since its issue on 25 June 1998 and prior to that date with the terms of the Cadbury Committee's Code of Best Practice, save as mentioned below.

The Board is aware of the ongoing combination of the roles of Chairman and Chief Executive and acknowledges that the Combined Code of Best Practice is to split these roles. As a result of the time spent on the acquisitions of Churrasco Steakhouse AG and Gauchos Nederland BV, the Board have been unable to devote the necessary time during the year to seek a new high calibre Chairman. Now that the acquisitions have been completed, this has become a priority for the coming year.

In view of the size of the group and the Board, a Nomination Committee has not been established.

### **Internal control**

The group has adopted the transitional approach for the Combined Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999 and reports as follows.

The Board expects to have the procedures in place in September 2000 necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". This takes account of the time needed to put in place the procedures which the Board has agreed should be established. These include holding a risk management workshop, attended by all board members, together with prioritising change issues, the group's objectives and risks, and determining a control strategy for each of the significant risks. A risk management policy document is also being sent to all employees setting out the Board's attitude to risks to the achievement of the business objectives. The monthly management information is also being improved with the addition of some key risk indicators.

The Board has considered the need for internal audit, but has decided that because of the size of the group it cannot be justified at present. The Board will review this decision next year.

The Board has changed its meeting calendar and agenda so that risk management and internal control will be considered on a regular basis during the year and there will be a full risk and control assessment before reporting on the year ending 31 December 2000.

### **Internal financial control**

The Board is responsible for maintaining a system of internal financial control designed to provide reassurance with regard to the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. Any system of internal financial control can only provide a reasonable and not absolute assurance of meeting the internal financial control objectives. The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the system of internal financial control through information provided by management and external auditors.

The Executive Directors review the performance of the individual operations on a daily, weekly and monthly basis, comparing results to budget and prior periods. All capital expenditure must be pre-approved by the Executive Directors. The Finance Director approves all payments to suppliers. The financial administration is outsourced to a third party which provides additional control of data processing.

The Board has conducted a review of the effectiveness of the system of internal financial control for the year ended 31 December 1999, and has taken account of material developments which have taken place since the year end.

### **Directors**

The Board consists of three non-executive directors and two executive directors, whose level and range of business experience enables the Board to provide clear, effective leadership and control of the company. Biographies of the directors appear on page 4.

**GIOMA RESTAURANTS PLC**  
**CORPORATE GOVERNANCE** *(continued)*

All non-executive directors are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement, other than mentioned above.

The Board is scheduled to meet at least six times a year and more frequently where business needs require. The Board has a formal schedule of matters reserved to it for decision, including group strategy, acquisition and divestment policy, the approval of major capital expenditure and approval of annual budgets. The requirement for Board approval and the delegation of other board authority is communicated throughout the group.

There is an agreed procedure for directors to take independent professional advice, if necessary, and at the company's expense. All directors also have access to the advice of the Company Secretary, who is charged by the Board with ensuring that Board procedures and applicable rules and regulations are complied with. Whenever a new director is appointed to the Board, and subsequently as necessary, they are provided with access to appropriate external training.

To enable the Board to function effectively and allow it to discharge its duties, all directors are given full and timely access to all relevant information.

Non-executive directors' appointments are terminable on three months written notice.

**Directors' remuneration**

Full details of directors' remuneration and the company's remuneration policy are included in the report of the Remuneration Committee on pages 11 and 12.

**Relations with shareholders**

The company places a great deal of importance on communication with shareholders. There is a regular dialogue with individual institutional shareholders, as well as general presentations of financial results and other significant matters affecting the group. Such meetings are generally undertaken by the Chief Executive and Finance Director of the group. All shareholders are invited to attend the company's AGM and have the opportunity to put questions to the Board.

**Accountability and audit**

The respective responsibilities of the directors and the auditors in connection with the preparation of the accounts are explained on pages 8 and 13.

**Going concern**

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these accounts.

**Investment approval**

Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired and reviews are carried out after the acquisitions to ensure performance targets are achieved. The Board has reviewed the effectiveness of the system of internal financial controls during the year.

**Audit Committee**

The company has an Audit Committee, comprising D C Ritchie (Chairman), D T H Davenport and N K C Horlick, which meets not less than twice a year. Their terms of reference include the review of financial reporting and internal control systems and various matters to facilitate the maintenance of an appropriate relationship with the auditors.

The Audit Committee reviews the scope and results of both the full audit and the interim review, and the cost effectiveness of the audit on an annual basis. The committee also monitors the objectivity and independence of the auditors. The company uses other accounting firms as well as its auditors for non-audit work, taking into account maintenance of objectivity, value for money, experience and other factors, as appropriate.

**GIOMA RESTAURANTS PLC**  
**REPORT OF THE REMUNERATION COMMITTEE**

**Remuneration committee**

The remuneration committee comprises D C Ritchie (Chairman), D T H Davenport and N K C Horlick.

**Executive directors' remuneration policy**

The remuneration of executive directors is determined by the remuneration committee in order to attract and retain high quality executives capable of achieving the group's objectives.

**Compliance**

The remuneration committee was constituted on 28 January 1999. The committee is aware of Section A of the best practice provisions annexed to the London Stock Exchange Listing Rules and will apply the provisions in determining the remuneration packages for directors in the future. The committee has also given full consideration to Section B of the best practice provisions annexed to the London Stock Exchange Listing Rules.

**Directors' emoluments**

	1999	1998
	£	£
Remuneration	115,000	42,583
Fees	—	23,533
Ex-gratia payments	—	20,000
	<hr/>	<hr/>
	115,000	86,116
	<hr/>	<hr/>

**Emoluments by director**

	1999	1998
	£	£
Z Godik	28,929	8,333
S Van Tongeren	41,071	15,500
N K C Horlick	15,000	6,250
D C Ritchie	15,000	6,250
D T H Davenport	15,000	22,203
J A Rowlett (resigned 21 July 1998)	—	13,790
R A B Day (resigned 21 July 1998)	—	13,790
	<hr/>	<hr/>
	115,00	86,116
	<hr/>	<hr/>

**GIOMA RESTAURANTS PLC**  
**REPORT OF THE REMUNERATION COMMITTEE** (continued)

**Directors' share options**

Share options under the following schemes were granted to S Van Tongeren in the year:

	Date granted	Number of ordinary shares	Consideration for grant	Exercise price	Period within which options are exercisable
Approved Share Option Scheme:	04/06/1999	28,571	£1	52.5p	04/06/2002 – 04/06/2009
Unapproved Share Option Scheme:	25/11/1999	100,000	–	50.0p	25/11/2002 – 25/11/2009
	25/11/1999	200,000	–	50.0p	25/11/2002 – 25/11/2009

The 200,000 options granted under the unapproved scheme are subject to the achievement of performance related conditions established by the Remuneration Committee. The achievement of these conditions shall be measured over any continuous period of three years from 31 December 1999 and must be such that profit of the group, before taxation and goodwill amortisation, has increased at an average growth rate of 10 percent, (compounded annually) during any such three year period.

At 31 December 1999 the market price of the company's shares was 46.5p per share. The highest price during the year was 62.5p per share and the lowest price was 38.5p per share.

**Service contracts**

The service contracts of the two executive directors are subject to six months written notice by either party.

*On behalf of the remuneration committee*

**D C Ritchie**  
*Chairman*  
 31 March 2000

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF GIOMA RESTAURANTS PLC**

We have audited the financial statements on pages 14 to 36, which have been prepared under the historical cost convention and the accounting policies set out on pages 19 and 20.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 8 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on Corporate Governance on pages 9 and 10 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

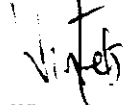
**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs as at 31 December 1999 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Winters**

*Registered Auditor*  
31 March 2000

**GIOMA RESTAURANTS PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

		Continuing operations			Continuing operations	As restated	As restated
		Acquisitions		Total	operations	Discontinued operations	Total
	Notes	1999	1999	1999	1998	1998	1998
		£	£	£	£	£	£
<b>Turnover</b>	<b>2</b>	6,366,795	1,410,474	7,777,269	2,422,835	173,315	2,596,150
Cost of sales		(3,581,598)	(807,347)	(4,388,945)	(1,265,498)	(163,952)	(1,429,450)
<b>Gross profit</b>		2,785,197	603,127	3,388,324	1,157,337	9,363	1,166,700
Administrative expenses		(2,075,811)	(335,839)	(2,411,650)	(677,447)	(170,281)	(847,728)
Other operating income		36,774	—	36,774	16,082	—	16,082
<b>Operating profit before amortisation of goodwill and pre-opening expenses</b>		746,160	267,288	1,013,448	495,972	(160,918)	335,054
Amortisation of goodwill		(204,029)	(54,147)	(258,176)	(91,114)	—	(91,114)
Pre-opening expenses		(66,158)	—	(66,158)	(20,780)	—	(20,780)
<b>Operating profit</b>	<b>3</b>	475,973	213,141	689,114	384,078	(160,918)	223,160
Interest receivable and similar income	4			136,122			195,318
Interest payable and similar charges	5			(7,195)			(1,125)
<b>Profit on ordinary activities before taxation</b>	<b>2</b>			818,041			417,353
Tax on profit on ordinary activities	7			(227,921)			(212,674)
<b>Profit attributable to members of the parent company</b>	<b>8</b>			590,120			204,679
Dividends (including non-equity)	9			(581)			(449,586)
<b>Retained profit/(loss) for the year</b>	<b>21</b>			589,539			(244,907)
<b>Earnings per share</b>	<b>10</b>			2.42p			1.68p
<b>Restated earnings per share before allowing for the amortisation of goodwill and pre-opening expenses</b>	<b>10</b>			3.75p			2.59p

The notes on pages 19 to 36 form part of these financial statements.



**GIOMA RESTAURANTS PLC**  
**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Profit attributable to members of the parent company</b>	590,120	204,679
<b>Capital profit on investments</b>		
Realised gains and losses	—	201,411
Unrealised gains and losses	—	(200,343)
	<hr/>	<hr/>
	—	1,068
	<hr/>	<hr/>
Exchange gain on retranslation of net assets of subsidiary undertakings	161,739	2,108
	<hr/>	<hr/>
<b>Total recognised gains and losses for the year</b>	<b>751,859</b>	<b>207,855</b>
	<hr/>	<hr/>

The notes on pages 19 to 36 form part of these financial statements.

**GIOMA RESTAURANTS PLC**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 1999**

	Notes	1999 £	1998 £
<b>Fixed assets</b>			
Intangible assets	11	14,414,412	3,989,460
Tangible assets	12	13,239,590	4,011,198
Investments	13	18,480	45,730
		<u>27,672,482</u>	<u>8,046,388</u>
<b>Current assets</b>			
Stocks	14	488,443	65,561
Debtors	15	1,548,662	1,253,489
Investments	16	151,500	—
Cash at bank and in hand		10,044,589	2,468,154
		<u>12,233,194</u>	<u>3,787,204</u>
<b>Creditors: amounts falling due within one year</b>	17	(5,480,287)	(1,157,409)
<b>Net current assets</b>		<u>6,752,907</u>	<u>2,629,795</u>
<b>Total assets less current liabilities</b>		<u>34,425,389</u>	<u>10,676,183</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(852,746)	(1,171,742)
<b>Provisions for liabilities and charges</b>	18	(792,058)	—
<b>Net assets</b>		<u>32,780,585</u>	<u>9,504,441</u>
<b>Capital and reserves</b>			
Called up share capital	20	6,593,209	1,983,272
Share premium account	21	23,082,856	5,167,927
Capital redemption reserve	21	1,731,195	1,718,028
Other capital reserves	21	312,862	326,029
Profit and loss account	22	1,060,463	309,185
<b>Shareholders' funds:</b>			
Equity		<u>32,780,585</u>	<u>9,491,274</u>
Non-equity		<u>—</u>	<u>13,167</u>
<b>Total</b>	22	<u>32,780,585</u>	<u>9,504,441</u>

Approved by the board on 31 March 2000

**Z Godik**  
Director

**S Van Tongeren**  
Director

The notes on pages 19 to 36 form part of these financial statements.

**GIOMA RESTAURANTS PLC**  
**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 1999**

	Notes	1999 £	1998 £
<b>Fixed assets</b>			
Investments	13	22,428,176	7,061,558
<b>Current assets</b>			
Debtors	15	1,169,469	208,994
Cash at bank and in hand		8,215,425	1,994,352
		9,384,894	2,203,346
<b>Creditors: amounts falling due within one year</b>	17	(77,270)	(62,225)
<b>Net current assets</b>		9,307,624	2,141,121
<b>Net assets</b>		31,735,800	9,202,679
<b>Capital and reserves</b>			
Called up share capital	20	6,593,209	1,983,272
Share premium account	21	23,082,856	5,167,927
Capital redemption reserve	21	1,731,195	1,718,028
Other capital reserves	2	312,862	326,029
Profit and loss account	21	15,678	7,423
<b>Shareholders' funds:</b>			
Equity		31,735,800	9,189,512
Non-equity		-	13,167
<b>Total</b>		31,735,800	9,202,679

Approved by the board on 31 March 2000

**Z Godik**  
Director

**S Van Tongeren**  
Director

The notes on pages 19 to 36 form part of these financial statements.

**GIOMA RESTAURANTS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

	<b>Notes</b>	<b>1999</b>	<b>As restated</b>
		<b>£</b>	<b>1998</b>
			<b>£</b>
<b>Net cash inflow from operating activities</b>			
Continuing operations		2,567,445	255,105
Acquisitions		1,350,083	—
		<hr/>	<hr/>
		3,917,528	255,105
Disposals		—	100,640
		<hr/>	<hr/>
	<b>23</b>	3,917,528	355,745
Returns on investments and servicing of finance	<b>24</b>	128,346	194,193
Taxation	<b>24</b>	(60,597)	(83,969)
Capital expenditure and financial investment	<b>24</b>	(4,391,314)	3,027,147
Acquisitions and disposals	<b>24</b>	161,316	(344,075)
Equity dividends paid		—	(535,826)
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>		(244,721)	2,613,215
Management of liquid resources	<b>24</b>	(6,000,000)	(1,700,000)
Financing	<b>24</b>	7,778,742	(325,160)
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		1,534,021	588,055
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year		1,534,024	588,055
Cash inflow from increase in debt financing		(309,875)	(1,293,156)
Cash outflow from increase in liquid resources		6,000,000	1,700,000
		<hr/>	<hr/>
Change in net funds resulting from cash flows		7,224,149	994,899
Exchange gain on translation		154,552	—
Net funds at 1 January 1999		1,116,067	121,168
		<hr/>	<hr/>
<b>Net funds at 31 December 1999</b>	<b>25</b>	8,494,768	1,116,067
		<hr/>	<hr/>

The notes on pages 19 to 36 form part of these financial statements.

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**1 Accounting policies**

**a Accounting convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments, and in accordance with applicable accounting standards.

**b Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings from the effective date of acquisition to the date of disposal, made up to 31 December each year.

**c Turnover**

Turnover comprises revenue, excluding VAT where applicable, generated by the subsidiary undertakings from their activities in operating licensed restaurants (and in 1998 from dealing in works of art and investments).

**d Investment income**

Dividends are taken to the profit and loss account in the year in which they are quoted ex-dividend. Interest is dealt with on an accruals basis. Investment income includes income tax deducted or the imputed tax credit, where applicable.

**e Pre-opening expenses**

Pre-opening expenses comprising expenditure incurred in the creation and marketing of new restaurants are carried forward as a prepayment prior to opening. They are then written-off to the profit and loss account on a straight line basis over the twelve month period following the commencement of trade.

**f Goodwill**

Goodwill arising on consolidation, being the excess of the fair value of consideration paid over the fair value of net assets acquired, is capitalised and amortised in equal annual instalments over its useful life of twenty years.

**g Tangible fixed assets**

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

Long leasehold property and improvements	2% per annum
Short leasehold property and improvements	
UK subsidiaries	Over the term of the lease
Overseas subsidiaries	2% per annum
Furniture, fixtures, fittings and equipment	8% – 20% per annum

The accounting policy for depreciation of long leasehold property and improvements has been changed from that of no depreciation to a charge of 2% per annum. No prior year adjustment has been made in respect of this change as the amounts involved are not material.

**h Fixed asset investments**

Realised profits and losses on the sales of investments are taken to other capital reserves.

Listed investments are valued at middle market closing prices. Unlisted investments are valued at market value or directors' valuation. The revaluation surplus or deficit is taken to revaluation reserve. Subsidiary undertakings are stated at cost.

Provisions for permanent diminutions in value are made when in the directors' opinion the fall in value of an investment will not be reversed in the foreseeable future. An amount is transferred from the revaluation reserve to other reserves in order to show a realised loss.

**i Stocks**

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

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**1 Accounting policies (continued)**

**j Current asset investments**

Investments in restaurants on which a decision has been taken by the board to dispose of are shown as current asset investments. Current asset investments are shown at the lower of cost and net realisable value.

**k Leases**

Operating lease rentals are charged to the profit and loss account in equal annual instalments over the lease term.

**l Foreign currency**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to reserves and profit and loss account as appropriate.

The profit and loss accounts of overseas subsidiary undertakings are translated at the average rate of exchange ruling for the year and the balance sheets at the rate ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets and on retranslation of the results for the year to the rate ruling at the balance sheet date are taken directly to reserves. All other translation differences are taken to the profit and loss account.

**m Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on the timing 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 to the extent that it is probable that a liability or asset will crystallise in the future.

**2 Turnover and segmental analysis**

	<b>As restated</b>		<b>As restated</b>		<b>As restated</b>	
	<b>Turnover</b>		<b>Profit before tax</b>		<b>Net assets</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
<b>Analysis by class of business:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Restaurants	7,777,269	2,422,835	818,041	414,088	32,780,585	9,504,441
Investment dealing	—	135,355	—	3,265	—	—
Works of art	—	37,960	—	—	—	—
	<u>7,777,269</u>	<u>2,596,150</u>	<u>818,041</u>	<u>417,353</u>	<u>32,780,585</u>	<u>9,504,441</u>
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
<b>Analysis by geographical area:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
United Kingdom	6,294,729	2,596,150	654,444	414,465	17,029,291	9,394,542
Switzerland	722,088	—	115,873	2,888	4,955,088	109,899
The Netherlands	760,452	—	47,724	—	10,796,206	—
	<u>7,777,269</u>	<u>2,596,150</u>	<u>818,041</u>	<u>417,353</u>	<u>32,780,585</u>	<u>9,504,441</u>

During the year, the company acquired 100% of the ordinary share capital of Churrasco Steakhouse AG and Gauchos Nederland BV. Both these companies own and operate restaurants. Further details of these acquisitions are given in note 13.

In 1998 the group underwent a significant reorganisation which saw the principal activity of the parent company change from that of an investment business with investment and art dealing subsidiaries to that of a holding company with subsidiaries owning and operating restaurants. Accordingly, investment income of £174,636 previously reported as turnover in 1998 has been restated under the heading of interest receivable and similar income, as seen in note 4.

Profit before tax of £10,456 previously reported as relating to investment income in 1998 has been restated to restaurants and net assets have all been restated to restaurants.

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**3 Operating profit**

Operating profit is stated after charging/(crediting):

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Amortisation of goodwill	258,176	91,114
Depreciation of tangible fixed assets	348,719	119,824
Loss on disposal of tangible fixed assets	7,609	—
Pre-opening expenditure	66,158	20,780
Operating lease rentals for land and buildings	532,639	167,466
Auditors remuneration:		
Audit	28,811	22,619
Other services	9,846	6,621
Loss on foreign exchange	54,498	—
Rents receivable	(36,774)	(16,082)
	<hr/>	<hr/>

In addition to the fees for audit and other services shown above, the company's auditors were paid £28,052 for services rendered in connection with the acquisition of Churrasco Steakhouse AG and Gauchos Nederland BV. These costs are included in other acquisition expenses, as shown in note 13.

**4 Interest receivable and similar income**

	<b>1999</b>	<b>As restated 1998</b>
	<b>£</b>	<b>£</b>
Income from listed investments	—	88,489
Bank interest	95,080	82,233
Interest from ultimate parent company	38,563	20,667
Other interest	2,479	3,929
	<hr/>	<hr/>
	136,122	195,318
	<hr/>	<hr/>

The reason for the restatement of the 1998 figures is given in note 2.

**5 Interest payable and similar charges**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	7,195	1,125
	<hr/>	<hr/>

Interest payable of £96,515 has been capitalised under long leasehold property and improvements.

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**6 Staff costs**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,062,912	589,191
Social security costs	180,462	59,128
Other pension costs	6,216	3,000
	<u>2,249,590</u>	<u>651,319</u>

The average number of employees during the period was as follows:

	<b>1999</b>	<b>1998</b>
	<b>No</b>	<b>No</b>
Restaurant staff	<u>149</u>	<u>106</u>

**7 Tax on profit on ordinary activities**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
The taxation charge comprises:		
UK corporation tax charge at 30% (1998: 31%)	180,000	102,520
Overseas taxation	73,751	–
Tax on franked investment income	–	3,895
Irrecoverable ACT	–	106,259
Deferred tax (note 18)	1,170	–
	<u>254,921</u>	<u>212,674</u>
Prior year adjustment	(27,000)	–
	<u>227,921</u>	<u>212,674</u>

**8 Profit/(loss) attributable to members of the parent company**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Dealt with in the accounts of the parent company	8,836	(97,083)
Retained by the subsidiary undertakings	581,284	301,762
	<u>590,120</u>	<u>204,679</u>

A separate profit and loss account for the parent company has not been presented as permitted by section 230 of the Companies Act 1985.



**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**9 Dividends**

	1999 £	1998 £
<b>Ordinary</b>		
Special paid of 0p (1998: 30p) per share	—	449,586
	—	449,586
<b>Preference</b>		
Dividend paid	581	—
	581	—

**10 Earnings per share**

Earnings per share is based on profits of £589,542 (1998: £204,679) and on the average number of shares in issue throughout the year of 24,387,486 (1998: 12,207,100).

Restated earnings per share before allowing for the amortisation of goodwill and pre-opening expenses is based on profits of £913,873 (1998: £316,573) and on the same average number of shares in issue throughout the year as shown above.

**11 Intangible fixed assets**

Group	Goodwill £
<b>Cost</b>	
At 1 January 1999	4,080,574
Additions	10,683,128
At 31 December 1999	14,763,702
<b>Amortisation</b>	
At 1 January 1999	91,114
Charge for the year	258,176
At 31 December 1999	349,290
<b>Net book value</b>	
At 31 December 1999	14,414,412
At 31 December 1998	3,989,460

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**12 Tangible fixed assets**

Group	Long-term leasehold property and improvements £	Short-term leasehold property and improvements £	Furniture, fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 1999	1,472,247	1,418,349	2,193,679	5,084,275
Acquisition of subsidiary undertakings	—	7,224,150	4,382,983	11,607,133
Additions	1,131,102	1,357,665	1,778,297	4,267,064
Disposals	—	—	(34,981)	(34,981)
At 31 December 1999	2,603,349	10,000,164	8,319,978	20,923,491
<b>Depreciation</b>				
At 1 January 1999	—	550,404	522,673	1,073,077
Acquisition of subsidiary undertakings	—	3,344,909	2,944,567	6,289,476
Charge for the year	2,335	109,451	236,934	348,720
Disposals	—	—	(27,372)	(27,372)
At 31 December 1999	2,335	4,004,764	3,676,802	7,683,901
<b>Net book value</b>				
At 31 December 1999	2,601,014	5,995,400	4,643,176	13,239,590
At 31 December 1998	1,472,247	867,945	1,671,006	4,011,198

At both 31 December 1999 and 31 December 1998 the company had no tangible fixed assets.

**13 Fixed asset investments**

Group	Listed in UK £	Unlisted £	Total £
<b>Valuation</b>			
At 31 December 1998	27,250	18,480	45,730
Disposals	(27,250)	—	(27,250)
At 31 December 1999	—	18,480	18,480

Company	Listed in UK £	Unlisted £	Shares in subsidiary undertakings £	Total £
<b>Cost/valuation</b>				
At 31 December 1998	27,250	18,480	7,015,828	7,061,558
Additions	—	—	15,393,868	15,393,868
Disposals	(27,250)	—	—	(27,250)
At 31 December 1999	—	18,480	22,409,696	22,428,176

Listed investments are valued at middle market prices and unlisted investments are valued at market value or directors' valuation. Subsidiary undertakings are stated at cost.

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**13 Fixed asset investments (continued)**

Details of the company's subsidiary undertakings are as follows:

<b>Name of company</b>	<b>Country of registration and of operation</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Nature of business</b>
Gioma (UK) Limited	England	Ordinary shares	100%	Restaurateur
Down Mexico Way Im Strohhof AG	Switzerland	Ordinary shares	100%	Restaurateur
Churrasco Steakhouse AG	Switzerland	Ordinary shares	100%	Restaurateur
Gauchos Nederland BV	The Netherlands	Ordinary shares	100%	Restaurateur
Ceycon Securities Limited	England	Ordinary shares	100%	Dormant

Gauchos Nederland BV is itself a group, with its restaurants operating in a number of wholly owned subsidiary companies.

All of the subsidiary undertakings are included in the consolidated financial statements.

**Acquisitions**

On 25 November 1999, the company acquired 100% of the issued share capital of Churrasco Steakhouse AG and Gauchos Nederland BV. Both acquisitions have been accounted for using acquisition accounting. Details of the shares issued as consideration for these companies are given in note 20. Goodwill of £10,683,128 arising on consolidation has been capitalised and will be amortised over twenty years. The impact of these acquisitions on the consolidated net assets was as follows:

	<b>Book and fair value of net assets acquired</b>		
	<b>Churrasco Steakhouse AG</b>	<b>Gauchos Nederland BV</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	1,008,971	4,308,686	5,317,657
Stocks	122,473	144,833	267,306
Debtors	312,087	558,676	870,763
Cash	247,054	252,130	499,184
Creditors	(681,310)	(771,972)	(1,453,282)
Deferred taxation	(78,104)	(712,784)	(790,888)
Net assets acquired	931,171	3,779,569	4,710,740
Goodwill	3,686,989	6,996,139	10,683,128
Total cost of acquisition	4,618,160	10,775,708	15,393,868
Satisfied by:			
Shares issued to vendor	4,516,800	10,539,200	15,056,000
Other acquisition expenses	101,360	236,508	337,868
	4,618,160	10,775,708	15,393,868

No adjustments have been made to the book values of net assets acquired as they equate to fair values.

During the pre-acquisition period the tangible fixed assets of Gauchos Nederland BV were written down by £455,605 as a result of a decision to refurbish one of its restaurants and to relocate another.

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**13 Fixed asset investments (continued)**

The results of the acquired companies for the period from 1 January 1999 to the date of acquisition are summarised below.

	<b>Churrasco Steakhouse AG</b>	<b>Gauchos Nederland BV</b>		
	<b>Continuing operations acquired</b>	<b>Continuing operations acquired</b>	<b>Operations discontinued prior to acquisition</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Turnover	4,214,647	7,272,223	985,694	8,257,917
Operating profit	260,149	436,966	(70,518)	366,448
Profit before tax	257,289			366,448
Tax	(64,792)			(39,162)
Profit after tax	192,497			327,286
Profit after tax for the year ended 31 December 1998	332,616			382,234

There were no recognised gains and losses in the period other than those dealt with in the profit and loss account.

The results of the acquired companies for the period from 25 November 1999 to 31 December 1999 by company are as follows. The combined figures are shown in the consolidated profit and loss account as acquisitions under the heading of continuing operations.

	<b>Churrasco Steakhouse AG</b>	<b>Gauchos Nederland BV</b>	<b>Acquisitions</b>	<b>Total</b>
	<b>£</b>	<b>£</b>		<b>£</b>
Turnover	650,022	760,452		1,410,474
Cost of sales	(348,112)	(459,235)		(807,347)
Gross profit	301,910	301,217		603,127
Administrative expenses	(117,866)	(217,973)		(335,839)
Operating profit before amortisation of goodwill	184,044	83,244		267,288
Amortisation of goodwill	(18,687)	(35,460)		(54,147)
Operating profit	165,357	47,784		213,141

There were no recognised gains and losses in the period other than those dealt with in the profit and loss account.

**GIOMA RESTAURANTS PLC**  
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**14 Stocks**

	<b>1999</b>	<b>Group</b>
	<b>£</b>	<b>1998</b>
		<b>£</b>
Raw materials	324,132	19,312
Finished goods	164,311	46,249
	<u>488,443</u>	<u>65,561</u>

**15 Debtors**

	<b>1999</b>	<b>Group</b>		<b>Company</b>
	<b>£</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	474,029	62,358	—	—
Amounts owed by ultimate parent company	89,580	470,346	—	—
Amounts owed by subsidiary undertakings	—	—	1,076,796	141,131
Amounts owed by other group undertakings	—	223,237	—	—
Taxation recoverable	8,748	8,748	8,748	8,748
Other debtors	348,977	123,013	47,564	2
Prepayments – pre-opening expenses	362,498	12,468	—	—
Other prepayments and accrued income	264,830	353,319	36,361	59,113
	<u>1,548,662</u>	<u>1,253,489</u>	<u>1,169,469</u>	<u>208,994</u>

**16 Current asset investments**

	<b>1999</b>	<b>Group</b>
	<b>£</b>	<b>1998</b>
		<b>£</b>
Operating restaurant held for resale	151,500	—

**17 Creditors**

**Amounts falling due within one year:**

	<b>1999</b>	<b>Group</b>		<b>Company</b>
	<b>£</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	598,501	58,931	—	—
Other loan	98,574	121,414	—	—
Trade creditors	2,290,141	308,234	—	—
Amounts owed to ultimate parent company	485,211	20,031	—	20,031
Amounts owed to subsidiary undertakings	—	—	8,928	8,978
Amounts owed to other group undertakings	128,811	60,932	—	—
Corporation tax payable	712,786	127,650	—	—
Other creditors including taxation and social security	694,890	369,763	—	—
Accruals and deferred income	471,373	90,454	68,342	33,216
	<u>5,480,287</u>	<u>1,157,409</u>	<u>77,270</u>	<u>62,225</u>

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**17 Creditors (continued)**

**Amounts falling due after more than one year:**

	<b>1999</b>	<b>Group 1998</b>
	<b>£</b>	<b>£</b>
Bank loan	852,746	1,050,328
Other loan	–	121,414
	<hr/>	<hr/>
	852,746	1,171,742
	<hr/>	<hr/>

The bank loans and overdrafts are secured by the following:

- A fixed charge over the long leasehold property of Down Mexico Way Im Strohnhof AG.
- Custody of the share certificates of Down Mexico Way Im Strohnhof AG.
- A letter of guarantee from Gioma Restaurants plc.
- Subordination of group inter-company loans of 1,000,000 Swiss Francs, equivalent to £387,612 at 31 December 1999.

The other loan is secured by a letter of guarantee from Gioma Restaurants plc.

The following creditors are repayable by instalments falling due after five years:

	<b>1999</b>	<b>Group 1998</b>
	<b>£</b>	<b>£</b>
Bank loan	542,654	700,219
	<hr/>	<hr/>

The bank loan is repayable by quarterly instalments over twelve years, commencing 31 March 2000. The interest rate on this loan is fixed at 3.8% for the next two years.

Total loans are repayable as follows:

	<b>1999</b>	<b>Group 1998</b>
	<b>£</b>	<b>£</b>
Within one year	697,079	180,345
Within one to two years	77,522	208,941
Within two to five years	232,566	262,582
After more than five years	542,654	700,219
	<hr/>	<hr/>
	1,549,821	1,352,087
	<hr/>	<hr/>

**GIOMA RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18 Provisions for liabilities and charges**

	Provided 1999 £	Group Not provided £	Provided 1998 £	Group Not provided £
Deferred taxation				
Capital allowances in advance of depreciation	792,058	339,947	–	158,677

The movement in the group provision is as follows:

	1999 £	Group 1998 £
Acquisition of subsidiary undertakings	790,888	–
Charge for the year (note 7)	1,170	–
	<u>792,058</u>	<u>–</u>

**19 Financial instruments**

**Policy**

The main financial instruments of the group comprise cash, short term deposits and short and long term loans. Their principal purpose is to provide an appropriate level of resources to enable the Board to pursue its ambitious goals. These goals are explained in detail in the Chairman's Statement on pages 2 to 4.

The group's activities produce both trade debtors and trade creditors. These are short term in nature and have been excluded from the disclosures set out below.

Year end cash deposits comprise current accounts and amounts placed on deposit. All such deposits are short term and have maturity dates within one month of the year end.

The group's overseas subsidiaries maintain current accounts in the currency of their country of operation. These are Dutch Guilders and Swiss Francs. The group also has Sterling current accounts and its deposits are all denominated in Sterling. These funds are held in Sterling to meet the financing needs of the proposed expansion in the United Kingdom.

The main risks arising from the financial instruments of the group are interest rate risk and foreign currency risk. The group has borrowings through its Swiss subsidiary which are denominated in Swiss Francs. These funds have been used to develop restaurant operations in Switzerland. The debt has been structured to bear both fixed and floating rates of interest. As a result of the Swiss borrowings the group is exposed to movements in the exchange rate between Sterling and the Swiss Franc.

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**19 Financial instruments (continued)**

**Interest rate and currency risks**

**Financial assets**

At 31 December 1999 the company had cash deposits earning interest as follows:

	Cash deposits	Annual interest rate	Fixed until maturity
	£	%	
Sterling	7,000,000	5.50	12/01/00
Sterling	700,000	1.31	04/01/00
	<u>7,700,000</u>		

**Financial liabilities**

The group's interest rate profile at 31 December 1999 was as follows:

	Fixed rate borrowings	Floating rate borrowings	Total
	1999	1999	1999
	£	£	£
Swiss Francs	<u>1,028,842</u>	<u>520,979</u>	<u>1,549,821</u>

Fixed rate borrowings of £930,268 attract interest at 3.8% until 2001, after this the rate becomes variable.

Fixed rate borrowings of £98,574 attract interest at 7.5%. This debt is due to be repaid during 2000.

The weighted average interest rate of the fixed rate financial liabilities is 4.15% over a weighted average period of 23 months.

The floating rate borrowings at the year end was attracting interest at the variable rate of 4.1%.

The fair value of the group's financial assets and liabilities are not considered to be materially different from those stated above.

**20 Called up share capital**

	1999	Authorised	1998	Authorised
	No	1999	No	1998
		£		£
<b>Equity shares</b>				
Ordinary shares of 10p each	89,000,000	8,900,000	25,000,000	2,500,000
<b>Non-equity shares</b>				
6.25% cumulative redeemable preference shares of 35p each	<u>6,160,000</u>	<u>2,156,000</u>	<u>6,160,000</u>	<u>2,156,000</u>
	<u>95,160,000</u>	<u>11,056,000</u>	<u>31,160,000</u>	<u>4,656,000</u>



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**20 Called up share capital (continued)**

	No	Allotted, called up and fully paid £
<b>Equity shares</b>		
<b>Ordinary shares of 10p each</b>		
At 1 January 1999	19,701,052	1,970,105
Issued in year	46,231,042	4,623,104
	<hr/>	<hr/>
At 31 December 1999	65,932,094	6,593,209
	<hr/>	<hr/>
<b>Non-equity shares</b>		
<b>6.25% cumulative redeemable preference shares of 35p each</b>		
At 1 January 1999	37,620	13,167
Redeemed in year	(37,620)	(13,167)
	<hr/>	<hr/>
At 31 December 1999	—	—
	<hr/>	<hr/>
<b>Total issued share capital</b>		
At 31 December 1999	65,932,094	6,593,209
	<hr/>	<hr/>
At 31 December 1998	19,738,672	1,983,272
	<hr/>	<hr/>

On 25 November 1999, 30,112,000 ordinary shares were allotted at 50p each and credited as paid, in satisfaction of the consideration for the acquisitions of Churrasco Steakhouse AG and Gauchos Nederland BV.

On 25 November 1999, a further 16,119,042 ordinary shares were allotted at 50p each. The company received consideration net of issue costs of £7,482,033.

On 30 June 1999, the balance of the 6.25% cumulative redeemable preference shares was redeemed at par at the company's option.

At 31 December 1999 share options to subscribe for ordinary shares of 10p each under the following schemes were outstanding:

	Number	Exercise price	Period within which options are exercisable
<b>Approved Share Option Scheme</b>			
Granted 4 June 1999	28,571	52.5p	04/06/2002 – 04/06/2009
<b>Unapproved Share Option Scheme</b>			
Granted 25 November 1999	600,000	50.0p	25/11/2002 – 25/11/2009

**GIOMA RESTAURANTS PLC**  
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**21 Reserves**

<b>Group</b>	<b>Share premium account £</b>	<b>Capital redemption reserve £</b>	<b>Other capital reserves £</b>	<b>Profit and loss account £</b>
At 1 January 1999	5,167,927	1,718,028	326,029	309,185
Premium on issue of ordinary shares	18,492,417			
Share issue costs	(577,488)			
Redemption of 6.25% cumulative redeemable preference shares		13,167	(13,167)	
Exchange gain				161,739
Retained profit for the year				589,539
At 31 December 1999	<u>23,082,856</u>	<u>1,731,195</u>	<u>312,862</u>	<u>1,060,463</u>

<b>Company</b>	<b>Share premium account £</b>	<b>Capital redemption reserve £</b>	<b>Other capital reserves £</b>	<b>Profit and loss account £</b>
At 1 January 1999	5,167,927	1,718,028	326,029	7,423
Premium on issue of ordinary shares	18,492,417			
Share issue costs	(577,488)			
Redemption of 6.25% cumulative redeemable preference shares		13,167	(13,167)	
Retained profit for the year				8,255
At 31 December 1999	<u>23,082,856</u>	<u>1,731,195</u>	<u>312,862</u>	<u>15,678</u>

**22 Reconciliation of movements in shareholders' funds**

	<b>1999 £</b>	<b>1998 £</b>
Profit for the financial year	590,120	(204,679)
Dividends	(581)	(449,586)
	<u>589,539</u>	<u>(244,907)</u>
Other recognised gains and losses		
Capital profit on investments	—	1,068
Exchange gain	161,739	2,108
Ordinary share capital allotted	22,538,033	6,432,000
Preference share capital redeemed	(13,167)	(1,618,316)
Net increase in shareholders' funds	<u>23,276,144</u>	<u>4,571,953</u>
Opening shareholders' funds	9,504,441	4,932,488
Closing shareholders' funds	<u>32,780,585</u>	<u>9,504,441</u>

GIOMA RESTAURANTS PLC  
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23 Reconciliation of operating profit to net cash inflow from operating activities

	Continuing operations		Discontinued operations	Total
	1999	Acquisitions 1999	1999	1999
	£	£	£	£
Operating profit	421,826	267,288	—	689,114
Amortisation of goodwill	204,029	54,147	—	258,176
Depreciation of tangible fixed assets	312,683	36,037	—	348,720
Loss on disposal of tangible fixed assets	7,609	—	—	7,609
Increase in stock	(120,214)	(35,362)	—	(155,576)
Decrease in debtors	246,323	160,742	—	407,065
Increase in creditors	1,495,189	867,231	—	2,362,420
Net cash inflow from operating activities	2,567,445	1,350,083	—	3,917,528

	Continuing operations		Discontinued operations	Total
	1998	Acquisitions 1998	1998	1998
	£	£	£	£
Operating profit/(loss)	384,078	—	(160,918)	223,160
Tax suffered on dividend income	—	—	(12,643)	(12,643)
Amortisation of goodwill	91,114	—	—	91,114
Depreciation of tangible fixed assets	119,824	—	—	119,824
Decrease in stock	1,681	—	156,748	158,429
(Increase)/decrease in debtors	(220,128)	—	96,380	(123,748)
Increase/(decrease) in creditors	(121,464)	—	21,073	(100,391)
Net cash inflow from operating activities	255,105	—	100,640	355,745

**GIOMA RESTAURANTS PLC**  
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**24 Analysis of cash flows for headings netted in the cash flow statement**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	136,122	195,318
Interest paid	(7,195)	(1,125)
Preference dividends paid	(581)	–
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>128,346</b>	<b>194,193</b>
<b>Taxation</b>		
Corporation tax paid	(60,597)	–
Corporation tax received	–	22,290
Advance Corporation Tax paid	–	(106,259)
<b>Net cash outflow from taxation</b>	<b>(60,597)</b>	<b>(83,969)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(4,418,564)	(1,529,087)
Purchase of investments	–	(1,002,156)
Sale of investments	27,250	4,208,390
Receipt of monies owed by subsidiary undertaking on disposal	–	1,350,000
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>	<b>(4,391,314)</b>	<b>3,027,147</b>
<b>Acquisitions and disposals</b>		
Expenses incurred in acquiring subsidiary undertakings	(337,868)	(476,815)
Cash at bank and in hand acquired with subsidiary undertakings	499,184	132,772
Consideration received on disposal of subsidiary undertaking	–	2
Cash at bank and in hand transferred on disposal of subsidiary undertaking	–	(34)
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>	<b>161,316</b>	<b>(344,075)</b>
<b>Management of liquid resources</b>		
Cash placed on term deposit	(6,000,000)	(1,700,000)
<b>Net cash outflow from management of liquid resources</b>	<b>(6,000,000)</b>	<b>(1,700,000)</b>
<b>Financing</b>		
Issue of ordinary shares	7,482,033	–
Redemption of preference shares	(13,167)	(1,618,316)
Debt due within one year:		
– new secured loan	426,373	121,414
– repayment of secured loan	(107,535)	–
Debt due after one year:		
– new secured loan repayable in 2000	–	121,414
– new secured loan repayable by instalments	–	1,050,328
– repayment of secured loan	(8,962)	–
<b>Net cash inflow/(outflow) from financing</b>	<b>7,778,742</b>	<b>(325,160)</b>

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**25 Analysis of net funds**

	At 1 January 1999	Cash flow	Other non- cash changes	Exchange movement	At 31 December 1999
	£	£	£	£	£
Cash at bank and in hand	768,154	1,576,435	—	—	2,344,589
Overdrafts	(58,931)	(42,411)	—	6,736	(94,606)
		<u>1,534,024</u>			
Debt due within one year	(121,414)	(318,837)	(176,096)	13,878	(602,469)
Debt due after one year	(1,171,742)	8,962	176,096	133,938	(852,746)
		<u>(309,875)</u>			
Term deposits	1,700,000	6,000,000	—	—	7,700,000
Net funds	<u>1,116,067</u>	<u>7,224,149</u>	<u>—</u>	<u>154,552</u>	<u>8,494,768</u>

**26 Capital commitments**

At 31 December the group had authorised capital commitments relating to the development and refurbishment of restaurants of £9,380,000 (1998: £Nil).

**27 Revenue commitments**

The group is committed to making the following payments during the next year in respect of operating leases expiring:

	Land and buildings	
	1999	1998
	£	£
Within one year	184,425	—
Between one and five years	641,559	—
After five years	1,084,494	411,105
	<u>1,910,478</u>	<u>411,105</u>

**28 Contingent liabilities**

Gioma Restaurants plc has provided letters of guarantee amounting to 4,500,000 Swiss Francs, equivalent to £1,744,254 at 31 December 1999, as security for bank and other loans advanced to its wholly owned subsidiary Down Mexico Way Im Strohnhof AG.

Down Mexico Way Im Strohnhof AG has provided security of 250,000 Swiss Francs, equivalent to £96,903 at 31 December 1999, by way of a mortgage on the long leasehold property to the City of Zurich against default of rentals payable under the long lease.

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**29 Related party disclosures**

A number of the short leasehold properties are leased from companies owned by the group's ultimate parent company, Gioma Group BV. These leases are at arms length and on normal commercial terms.

A substantial amount of goods are ordered through Gioma Group BV. This company is also a restaurant operating company and these transactions are to take advantage of the combined groups buying power.

Certain group companies have contracts for management services with Gioma Group BV.

**30 Ultimate parent company**

The ultimate parent company is Gioma Group BV, a company incorporated in the Netherlands. Copies of the consolidated financial statements of Gioma Group BV are available from Gioma Group BV, Burgemeester Stramanweg 101, 1101 AA Amsterdam, Netherlands.