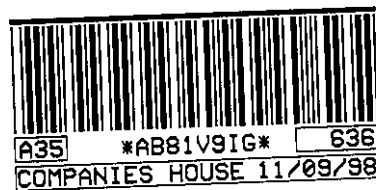

THE CELEBRATED GROUP PLC

REPORT AND FINANCIAL STATEMENTS

◆ 29 March 1998 ◆



COMPANY NO: 2297958

CONTENTS

	Page
COMPANY INFORMATION	1
CHAIRMAN'S STATEMENT	2
REPORT OF THE DIRECTORS	6
AUDITORS' REPORT TO THE SHAREHOLDERS	10
CONSOLIDATED PROFIT AND LOSS ACCOUNT	11
CONSOLIDATED BALANCE SHEET	12
COMPANY BALANCE SHEET	13
CONSOLIDATED CASH FLOW STATEMENT	14
NOTES TO THE FINANCIAL STATEMENTS	15

THE CELEBRATED GROUP PLC

COMPANY INFORMATION

Current Directors	P G K Tucker	-	Chairman
	H M Bush	-	Chief Executive
	G B McGowan	-	Operations Director
	R W Littledale	-	Non-Executive Director
	C Halpern	-	Non-Executive Director
Secretary	H M Bush		
Registered office	12 Kingfisher Court Farnham Road Slough Berkshire SL2 1JF		
Registered number	2297958		
Auditors	Robson Rhodes Chartered Accountants Bryanston Court Selden Hill Hemel Hempstead Herts HP2 4TN		
Bankers	Barclays Bank Plc P O Box 232 4 Water Street Liverpool L69 2RT		
Financial Advisor and Brokers	Beeson Gregory The Registry Royal Mint Court London EC3N 4EY		
Solicitors	Hobson Audley Hopkins & Wood 7 Pilgrim Street London EC4V 6DR		

CHAIRMAN'S STATEMENT

The past year has been one of great change at Celebrated, as we have continued the Group's strategic realignment from the hotel and restaurant sector into the theme oriented restaurant sector. During the year we sold our chain of AJ's roadside restaurants and, in December 1997, acquired the exclusive UK development rights to the "Chili's Grill & Bar".

Our primary focus is now on developing the successful Chili's concept, which we believe has the potential to grow substantially into the next millennium. The existing two units at Cambridge and Canary Wharf in London's Docklands are showing substantial year on year growth in sales and profitability, and they continue to exceed consumers expectations in terms of service, quality and value for money.

At the same time we have been working hard at improving the financial performance of our other remaining interests, particularly the seven-unit chain of "Starvin' Marvin's" diners. I am pleased to report that we achieved profitability for the first time during April and have continued to enhance its performance during the new financial year.

Succeeding with the development of the Chili's concept requires two other important ingredients, which we feel we now have within Celebrated, namely high calibre personnel and a good working relationship with Chili's US franchiser, Brinker International ("Brinker").

In addition to the appointment of Michael Bush as our new Chief Executive, the key appointment we have made during the year has been Barry McGowan as Operations Director. Barry has a wealth of restaurant experience and, most important to us, has 14 years' experience working for Brinker, which is one of the most successful US restaurant companies.

Brinker has successfully developed more than 500 Chili's units in the US and is providing us with considerable support, in terms of site selection, construction, management, marketing, operational support, training and menu development/new product sourcing.

On behalf of shareholders, I would like to thank all staff, both past and present, who have worked hard to transform the group's fortunes. Despite all our recent trading difficulties, the Board is very excited about the future prospects for the Group and with the enthusiasm of our people and the support of our new franchising partner, I am in no doubt that we will achieve the goals we have set ourselves.



P G K TUCKER
Chairman

18 June 1998

CHIEF EXECUTIVE'S REVIEW

As Geoffrey Tucker has mentioned in his Chairman's Statement, I joined the Group as Chief Executive in February, when I also took over the role of Finance Director following the departure from Celebrated of Pat Moody. In the short period before the end of our financial year we have made significant efforts to re-focus the Group and position ourselves for the future.

Results of Operations

The need for a complete review of our trading strategy can be seen in our results for the year to 29 March 1998 and, in particular, the deterioration during the second half of the year. Despite a 26% increase in turnover from continuing businesses to £5.68m (1997: £4.52m), which was principally due to the Chili's acquisition, we incurred an operating loss of £755,000 for the year, compared to a profit in 1997 of £201,000.

During the second half of our financial year, the attention of senior management was diverted almost exclusively away from day to day operations and focused on the sale of the AJ's business and the acquisition of the Chili's franchise. After shareholders ratification of the transactions, attention focused on integration of the Chili's business into Celebrated.

At the same time, the group experienced a number of serious operational problems. These included a dispute on the lease at J W Johnson's, our bar and restaurant in Manchester, increase costs, based on the introductions of a new menu at Starvin' Marvin's and the termination of major conference contracts at Llyndir Hall, the Group's hotel.

Following a thorough review of the Group and its activities, we have also made exceptional adjustments of £2.1m. This is principally made up of a write-down in the book value of "Starvin' Marvin's", but also includes losses on the sale of certain assets, re-organisation and interests costs. As a consequence of these adjustments, our loss before taxation for the year was £2.96m (1997: profit of £280,000).

Operations and Development

Since arrival of the new management team in February we have achieved a great deal in transforming the Group's fortunes. We have defined and implemented strategies to grow the Chili's concept, turned around losses at Starvin' Marvin's and J W Johnson's and recovered lost business in the hotel.

Our strategy for developing Chili's is to establish units within the M25 motorway area and, where possible, in concentrated geographic areas. Such a concentration gives us the efficiencies of media and marketing penetration, management supervision and back-up coverage of personnel or product.

We will focus on high visibility, free-standing units of 3,500 sq ft to 6,000 sq ft, which integrate with family oriented activities such as cinemas, leisure centres and major retail shopping centres. Within this framework we have reviewed, and continue to review, available sites and do not feel restricted in the development of new units.

CHIEF EXECUTIVE'S REVIEW (continued)

Our new units, which are currently under construction at Basildon and Maidstone, will double the number of units operating by November 1998. We are also securing sites, which will open later in this financial year and next year. The Group believes its growth strategy will enable it to exceed to development agreement with Brinker.

The Group has also taken a pro-active approach to ensure that well-trained management is in place to support its opening programme. Besides training staff for the next two openings, we have also secured an agreement with other Chili's franchisees in North America to obtain the services of experienced management on temporary assignments.

We also recognise the competitive advantage for employee training and have promoted a Group employee to the Head of Training and Development position. This person will work towards achieving our "Investment in People" certificate and Brinker Awards for In Store Development.

Aside from suitable sites and people, the third element to successful development is capital resources. Celebrated has secured a bank facility, which will provide expansion capital for the next units and the Board is also exploring other sources of finance, to ensure that funds will be available to sustain its rate of growth.

At Starvin' Marvin's the short term turnaround has been colossal. A new "winner's attitude" has been instilled in Store Management in addition to menu changes, product upgrading and emphasis on customer service, standards and training. Cost of sales and labour costs have reduced dramatically and sales have increased.

In April, the Group experienced its first profitable results for the seven-unit chain. The push is now to drive the brand forward and become the premier brand in its market niche. Our plans, outlined in last year's Chairman's Statement, to franchise the concept have been suspended until we are achieving a satisfactory return on our investment in this chain.

At J W Johnson's, the Company reduced its bar business in December, following a dispute on the lease. In March, an interim agreement was arranged on the lease, which allowed the Company to return to full trading, and a final resolution of the lease dispute is anticipated shortly.

A new management team has been installed at J W Johnson's, which is now directing its attention towards recovering sales lost since December and restoring profitability. We have decided against converting this unit into a Chili's unit, as it falls outside our geographic development area, but will reassess that J W Johnson concept later in the year to determine the best use of these assets.

The Llyndir Hall Hotel an unexpectedly difficult final four months of trading, which led to its results for the year falling below those of 1997. This was principally due to a number of contracts related to its conference facility being terminated, as firms moved their training to in-house facilities.

We have now successfully replaced a portion of this lost business and are employing target marketing to obtain different business users. The banquet/wedding bookings business is running ahead of last year and room occupancy is stable. The Group is also refurbishing the bar and dining room, in order to retain hotel guests and capture more outside business.

Outlook

My short-term objective was to stabilise the environment, define strategies, identify key employees and start to rebuild investor confidence. We have achieved a great deal to stabilise the group and identify opportunities for profitable future growth. I believe we now have the elements in place to grow a company with a reputation for quality of food and service to its customers, which will be the pride of its employees and sound investment for shareholders.



MICHAEL BUSH
Chief Executive

18 June 1998

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 29 March 1998.

Principal activities

The principal activities of the group are unchanged from last year and consist of the operation of restaurants and an hotel.

Results and dividends

The results for the year are set out on page 11. The directors do not recommend the payment of a dividend (1997: 0.45p).

Operations and developments

These topics are dealt with in the Chairman's and Chief Executive's Statement.

Directors

The present directors of the company are set out on page 1. Changes to the officers of the company during the year were as follows.

	Appointed	Resigned
Directors		
J Bellack	-	3 September 1997
P R Moody	-	11 February 1998
P Pullan	-	30 June 1997
N J Mitchell	-	11 February 1998
G B McGowan	15 December 1997	-
C Halpern	15 December 1997	-
H M Bush	11 February 1998	-
Secretary		
P R Moody	-	11 February 1998
H M Bush	11 February 1998	-

REPORT OF THE DIRECTORS
(Continued)

The directors' interests in the share capital of the company at 29 March were:

	Ordinary Shares of 10p each	
	29 March 1998	at 30 March 1997 or on appointment
Directors		
J Bellack	-	-
P G K Tucker	8,500,000	10,030,250
P R Moody	-	-
P Pullan	-	-
N J Mitchell	-	-
R W Littledale	-	-
H M Bush	439,460	-
G B McGowan	-	-
C Halpern (held by Red Hot Concepts Inc)	28,000,000	-

Directors' share options are shown in note 21 to the financial statements.

Substantial shareholdings at 1 June 1998	Number of 10p shares held	% of equity
Red Hot Concepts Inc	28,000,000	45.6
P G K Tucker	8,500,000	13.8
Direct Nominees Ltd	6,881,610	11.2
Nat West Nominees Ltd	2,400,000	3.9

With the exception of the shareholders listed above, the directors have not been advised of any individual interest, or group interests, held by persons acting together, which exceeds 3% of the Company's issued share capital at 29 March 1998.

Employees

During the year the group provided employees with relevant information and sought their views on matters of common concern through their line managers. Priority is given to ensure that all employees are aware of all significant matters affecting the group's trading position and of any significant organisational changes.

It is the policy of the Group that career development, training and promotion opportunities should be available to all employees.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

REPORT OF THE DIRECTORS
(continued)

Year 2000

Many older computer systems store only the last two digits of the year and there is a risk of systems failure or data corruption with these systems in the year 2000.

The directors are addressing the year 2000 issue over the next 12 months, including new equipment and systems where necessary. All related costs will be expensed in the year to which they relate, and are not expected to be significant to the Group.

Going concern

After making enquiries the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For further explanation, refer to the Chief Executive's statement. For this reason, the directors continue to adopt the going concern basis in the accounts.

Corporate Governance

The Company recognises the benefits which derive from the application of the principles implied by the Cadbury Code of Best Practice, incorporated in the Report of the Committee of the Financial Aspects of Corporate Governance (Cadbury Committee) and, where appropriate to the Company's size and organisation structure, ensures adherence to the code. In particular an Audit Committee and a Remuneration Committee are established, each consisting of the two non-executive directors. Formal terms of reference are in place for the Audit Committee and Remuneration Committee. The Company intends to adopt the Hampel Super Code in future years, recognising the growth of the Company.

The Company complies with all aspects currently in force, other than in respect of matters noted below.

The non-executive directors are appointed for an unspecified period. The company will consider fixed term appointments in the future.

The reported financial statements do not contain a Remuneration Committee Report as such disclosure is not yet considered necessary in the company's current circumstances.

Internal financial control

The directors acknowledge their responsibility to ensure an appropriate system of internal financial control is maintained within the group to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. Such systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The group exercises control with a clearly defined organisational responsibility and reporting structure. Board meetings are held monthly to review the group's strategy and financial position, and to monitor performance against budget.

The two non-executive directors are members of the Audit Committee and receive reports from the group's auditors.

REPORT OF THE DIRECTORS
(continued)

In common with many organisations of a similar size, the directors recognise certain functions are performed without the degree of segregation of duties afforded by larger organisations. The directors consider the close involvement of the Chief Executive and Chairman in all aspects of operations reduces the risk of material loss or error arising.

Creditors' policy and days

The number of days trade creditors was 51 (1997: 51) for the company. It is the group's policy to pay suppliers at the end of the month following receipt of invoices.

Directors' responsibilities for financial statements

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 or loss of the group for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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

Auditors

The auditors, Robson Rhodes are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 18 June 1998 and signed on its behalf by:



H M Bush
Secretary

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE CELEBRATED GROUP PLC**

We have audited the financial statements on pages 11 to 39 which have been prepared on the basis of the accounting policies set out on pages 15 and 16.

Respective responsibilities of directors and auditors

As described on pages 8 and 9 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 29 March 1998 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robson Rhodes

Robson Rhodes
Chartered Accountants and Registered Auditor

Hemel Hempstead
18 June 1998

THE CELEBRATED GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 29 March 1998

	Note	1998 £'000	1997 £'000
Analysis of turnover			
Current year acquisitions		1,210	
Other continuing operations		4,471	
		<hr/>	
Continuing operations		5,681	4,516
Discontinued operations		2,045	2,944
		<hr/>	<hr/>
Turnover	2, 3	7,726	7,460
Cost of sales		(7,491)	(6,267)
		<hr/>	<hr/>
Gross profit		235	1,193
Administrative expenses		(846)	(688)
Analysis of operating (loss)/profit			
Current year acquisitions		(67)	
Other continuing operations		(688)	
		<hr/>	
Continuing operations		(755)	201
Discontinued operations		144	304
		<hr/>	<hr/>
Operating (loss)/profit	2, 3	(611)	505
Provision for diminution in value of assets - continuing operations	4	(1,458)	(300)
(Loss)/profit on sale of fixed assets - discontinued	4	(299)	406
Reorganisation costs - continuing operations	4	(278)	(152)
Interest receivable		9	10
Interest payable	5	(325)	(189)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(2,962)	280
Taxation	8	96	(128)
		<hr/>	<hr/>
(Loss)/profit for the financial year		(2,866)	152
Dividends - equity	9	-	(150)
		<hr/>	<hr/>
Retained (loss)/ profit for the financial year	22	(2,866)	2
		<hr/>	<hr/>
(Loss)/earnings per share	10	(6.91)p	0.46p
		<hr/>	<hr/>

The Group has no recognised gains or losses other than the (loss)/profit for the two years ended 29 March 1998 included above.

THE CELEBRATED GROUP PLC

CONSOLIDATED BALANCE SHEET at 29 March 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Intangible assets	11	174	-
Tangible assets	12	10,699	9,625
		<u>10,873</u>	<u>9,625</u>
Current assets			
Stocks	15	182	224
Debtors due after more than one year	16	225	24
Debtors within one year	16	466	330
Cash at bank and in hand		30	301
		<u>903</u>	<u>879</u>
Creditors: Amounts falling due within one year	17	(3,821)	(1,848)
		<u>(2,918)</u>	<u>(969)</u>
Net current liabilities			
		<u>7,955</u>	<u>8,656</u>
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	18	(2,223)	(3,811)
Provisions for liabilities and charges	20	-	(91)
		<u>5,732</u>	<u>4,754</u>
Net assets			
		<u><u>5,732</u></u>	<u><u>4,754</u></u>
Capital and reserves			
Called up share capital	21	6,139	3,339
Share premium account	22	1,467	991
Capital reserve	22	987	419
Profit and loss account	22	(2,861)	5
		<u>5,732</u>	<u>4,754</u>
Shareholders' funds - equity	23	<u><u>5,732</u></u>	<u><u>4,754</u></u>

THE CELEBRATED GROUP PLC

COMPANY BALANCE SHEET at 29 March 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	12	2,593	7,293
Investments in subsidiary companies	13	4,121	339
		<u>6,714</u>	<u>7,632</u>
Current assets			
Stocks	15	62	166
Debtors due after more than one year	16	2,268	2,293
Debtors due within one year	16	610	3,271
Cash at bank and in hand		26	293
		<u>2,966</u>	<u>6,023</u>
Creditors: Amounts falling due within one year	17	(2,812)	(5,041)
Net current assets		<u>154</u>	<u>982</u>
Total assets less current liabilities		<u>6,868</u>	<u>8,614</u>
Creditors: Amounts falling due after more than one year	18	(1,844)	(3,811)
Provisions for liabilities and charges	20	-	(91)
Net assets		<u>5,024</u>	<u>4,712</u>
Capital and reserves			
Called up share capital	21	6,139	3,339
Share premium account	22	1,467	991
Profit and loss account	22	(2,582)	382
Shareholders' funds - equity	23	<u>5,024</u>	<u>4,712</u>

The financial statements were approved by the Board on
signed on its behalf by:

18 June 1998 and



Howard Michael Bush
Director



Peter Geoffrey Kenneth Tucker
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 29 March 1998

	Note	1998 £'000	1997 £'000
Net cash (outflow)/inflow from operating activities	24	(500)	988
Returns on investment and servicing of finance			
Interest received		9	10
Interest paid		(321)	(184)
Interest element of finance lease payments		(4)	(5)
		(316)	(179)
Taxation paid		(86)	(121)
Capital expenditure and financial investment			
Payments for tangible fixed assets		(594)	(2,283)
Proceeds from sale of tangible fixed assets		92	101
Payments for intangible fixed assets		(14)	-
		(516)	(2,182)
Acquisition and disposals			
Purchase of subsidiary undertaking	14	(422)	(2,377)
Cash acquired with subsidiary undertaking	14	71	74
Proceeds from sale of operation		3,000	484
		2,649	(1,819)
Equity dividends paid		(97)	(143)
Financing			
New bank loans		117	2,644
Repayment of bank loans		(2,274)	(458)
Capital element of finance lease payments		(16)	(9)
Issue of shares		-	717
Expenses of share issues		(84)	(74)
Net cash (outflow)/inflow from financing		(2,257)	2,820
(Decrease) in cash	25	(1,123)	(636)

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements.

Restated

The prior year figures have been restated to take account of activities discontinued during the financial period.

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiaries at 29 March using acquisition accounting.

The results of subsidiaries or businesses acquired or disposed of during a financial year are included from the effective date of acquisition or disposal. Goodwill, representing the difference between the cost and the fair value of the net assets acquired, is written off to reserves.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied to third parties.

Tangible fixed assets and depreciation

Depreciation is provided on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land and buildings as it is the policy of the group to maintain the properties in a good state of repair and to such a standard as to ensure that they retain their value. The directors consider these amounts annually and believe any depreciation would be immaterial and is accordingly not provided. The principal annual rates used for other assets are:

Leasehold property	over the term of the lease
Furniture, equipment and diner units	5% - 20%
Motor vehicles	25%
Computer equipment	33%

Pre opening costs/start up costs

Costs associated with the refurbishment and opening of new units are written off over a period of up to three years from the date of opening. Start up costs are treated as intangibles assets and only relate to Chili's restaurants, these are written off over a period of up to two years.

Licence fees

Costs in respect of licence fees are capitalised and written off over the period of the licence.

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998**1. ACCOUNTING POLICIES (Continued)****Pensions**

The group operates a defined contribution pension scheme for some senior staff members. The pension costs for that scheme represent contributions payable by the group in the year.

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks include base stocks of glasses, cutlery, crockery and uniforms.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made only to the extent that it is probable that the liability will become payable in the foreseeable future.

2. SEGMENTAL ANALYSIS

All turnover was from operations within the United Kingdom.

	Hotel	Restaurants	Total
	£'000	£'000	£'000
1998			
Turnover	1,064	6,662	7,726
Operating profit/(loss)	184	(795)	(611)
Net assets	62	5,670	5,732
1997			
Turnover	1,128	6,322	7,460
Operating profit	211	294	505
Net assets	60	4,694	4,754

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

3. OPERATING (LOSS)/PROFIT

	Current year acquisitions	Other continuing operations	Total continuing	Discontinued	Total
	£'000	£'000	£'000	£'000	£'000
1998					
Turnover	1,210	4,471	5,681	2,045	7,726
Cost of sales	(973)	(4,791)	(5,764)	(1,727)	(7,491)
Gross profit/(loss)	237	(320)	(83)	318	235
Administration Expenses	(304)	(368)	(672)	(174)	(846)
Operating (loss)/profit	(67)	(688)	(755)	144	(611)

	Continuing £'000	Discontinued £'000	Total £'000
1997			
Turnover	4,516	2,944	7,460
Cost of sales	(4,058)	(2,209)	(6,267)
Gross Profit	458	735	1,193
Administration Expenses	(257)	(431)	(688)
Operating profit	201	304	505

The discontinued operations are the AJ's family restaurant division.

Operating (loss)/profit is arrived at after charging:

	1998 £'000	1997 £'000
Depreciation	372	296
Amortisation	39	-
Operating lease rentals:		
Land and buildings - rent	554	327
Auditors' remuneration	26	22
Other remuneration paid to the auditors (not all through the profit and loss account)	185	56
Loss on sale of fixed assets	-	(6)

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

4. EXCEPTIONAL ITEMS

The exceptional items and their effect on taxation are:-

	Gross and net effect £'000
Write down of assets following a review of the portfolio as part of a fundamental reorganisation	(1,458)
Loss on sale of AJ's family restaurants: by the Company	(718)
Credit on consolidation for goodwill on acquisition	419
	(299)
Costs of fundamental reorganisation of the group, following the acquisition of a subsidiary.	(278)
Due to substantial taxation losses, the exceptional items have no effect on taxation in 1998 (1997 £84,000 charge).	

5. INTEREST PAYABLE

	1998 £'000	1997 £'000
Comprises interest on:		
Finance leases	4	5
Bank loans and overdrafts	321	184
	325	189

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

6. EMPLOYEES

Average monthly number of employees, including directors:

	1998	1997
	No	No
Administration and management	19	83
Hotel and catering	419	313
	<hr/>	<hr/>
	438	396
	<hr/> <hr/>	<hr/> <hr/>

	1998	1997
	£'000	£'000
Staff costs, including directors:		
Wages and salaries	2,592	2,579
Social security costs	174	164
Other pension costs	36	38
	<hr/>	<hr/>
	2,802	2,781
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

7. DIRECTORS

Group emoluments of the company's directors:

	Salary & fees £'000	Benefits in kind £'000	1998 Total £'000	1997 Total £'000
Non Executives				
R W Littledale	15	-	15	7
N J Mitchell	7	-	7	4
J Bellak	8	-	8	18
C Halpern	7	-	7	-
Executives				
P G K Tucker	54	20	74	72
P R Moody	34	6	40	45
P Pullan	13	2	15	8
H M Bush	6	-	6	-
G B McGowan	16	-	16	-
	<u>160</u>	<u>28</u>	<u>188</u>	<u>154</u>
			1998	1997
			£'000	£'000
Company contributions to money purchase schemes			<u>21</u>	<u>20</u>
			No	No
Membership of money purchase schemes			<u>3</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

8. TAXATION

	1998 £'000	1997 £'000
The taxation credit/(charge) based on the profit before tax comprises:		
UK Corporation tax at 31% (1997: 33%)	-	(55)
Irrecoverable ACT	(64)	-
Deferred taxation	131	(66)
Prior year adjustments:		
Corporation tax	29	(7)
	<u>96</u>	<u>(128)</u>

9. DIVIDENDS

	1998 £'000	1997 £'000
Interim dividend paid of nil p (1997: 0.16p) per share	-	53
Final dividend declared of nil p (1997: 0.29p) per share	-	97
	<u>-</u>	<u>150</u>

10. EARNINGS PER SHARE

These have been calculated on the weighted average number of shares in issue of 41,448,805 (1997: 32,824,421) and (losses)/earnings of £(2,866,000) (1997: £152,000). The exercise of outstanding share options would not materially dilute earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

11. INTANGIBLE FIXED ASSETS

	Start-up costs £'000	Licence Fees £'000	Total £'000
Cost			
At 31 March 1997	-	-	-
Acquisition of subsidiary	372	232	604
Addition	14	-	14
	<hr/>	<hr/>	<hr/>
At 29 March 1998	386	232	618
	<hr/>	<hr/>	<hr/>
Amortisation			
At 31 March 1997	-	-	-
Acquisition of subsidiary	372	33	405
Charge for the year	1	38	39
	<hr/>	<hr/>	<hr/>
At 29 March 1998	373	71	444
	<hr/>	<hr/>	<hr/>
Net book value			
At 29 March 1998	13	161	174
	<hr/>	<hr/>	<hr/>
At 30 March 1997	-	-	-
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

12. TANGIBLE ASSETS

Group	Land and Buildings £'000	Furniture and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 31 March 1997	9,084	1,873	80	11,037
Additions	439	155	-	594
Acquisition of subsidiary	5,530	745	-	6,275
Disposals	(3,743)	(968)	(17)	(4,728)
At 29 March 1998	11,310	1,805	63	13,178
Depreciation				
At 31 March 1997	288	1,081	43	1,412
Charged in the year	184	173	15	372
Acquisition of subsidiary	140	190	-	330
Disposals	(163)	(746)	(9)	(918)
Provision for permanent diminution	1,160	123	-	1,283
At 29 March 1998	1,609	821	49	2,479
Net book value				
At 29 March 1998	9,701	984	14	10,699
At 30 March 1997	8,796	792	37	9,625

The net book value of the tangible fixed assets includes £14,000 (1997: £37,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £16,000 (1997: £20,000).

The directors considered the market value of the group's portfolio of assets at 29 March 1998 and have written down the book value accordingly.

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

12. TANGIBLE ASSETS (Continued)

Land and buildings comprise:

Group	Freehold properties £'000	Short Leasehold £'000	Total £'000
Cost or valuation	2,488	8,822	11,310
Depreciation	-	(1,609)	(1,609)
	<hr/>	<hr/>	<hr/>
At 29 March 1998	2,488	7,213	9,701
	<hr/>	<hr/>	<hr/>
At 30 March 1997	3,779	5,017	8,796
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

12. TANGIBLE FIXED ASSETS (Continued)

Company	Land and Buildings £'000	Furniture and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 31 March 1997	6,776	1,620	71	8,467
Additions	433	147	-	580
Disposals	(3,743)	(968)	(16)	(4,727)
At 29 March 1998	3,466	799	55	4,320
Depreciation				
At 31 March 1997	288	851	35	1,174
Charged in the year	162	134	15	311
Disposals	(163)	(746)	(9)	(918)
Provision for permanent diminution	1,160	-	-	1,160
At 29 March 1998	1,447	239	41	1,727
Net book value				
At 29 March 1998	2,019	560	14	2,593
At 30 March 1997	6,488	769	36	7,293

The net book value of tangible fixed assets includes £14,000 (1997: £37,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £16,000 (1997: £20,000).

The directors considered the market value of the group's portfolio of assets at 29 March 1998 and have written down the book value accordingly.

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998**12. TANGIBLE FIXED ASSETS (Continued)**

Land and buildings comprise:

Company	Freehold properties £'000	Short Leasehold £'000	Total £'000
Cost or valuation	180	3,286	3,466
Depreciation	-	(1,447)	(1,447)
	<hr/>	<hr/>	<hr/>
At 29 March 1998	180	1,839	2,019
	<hr/>	<hr/>	<hr/>
At 30 March 1997	1,471	5,017	6,488
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
29 March 1998

13. INVESTMENTS IN SUBSIDIARY COMPANIES

Company	Shares
Cost	£'000
At 31 March 1997	2,766
Additions - Restaurant House Limited	3,782
- other	56
	<hr/>
At 29 March 1998	6,604
	<hr/>
Provision	
At 31 March 1997	2,427
Provided during the year	56
	<hr/>
At 29 March 1998	2,483
	<hr/>
Net Book Value	
At 29 March 1998	4,121
	<hr/>
At 30 March 1997	339
	<hr/>

Group	Interest in	Principal
Principal trading subsidiaries	ordinary shares	activity
	and voting rights	
Restaurant House Limited	100%	Restaurateurs
Celebrated Hotels Limited	100%	Hoteliers

All the above subsidiaries are included in the consolidation.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

14. ACQUISITION OF SUBSIDIARY

	Initial book value £'000	Fair Value adjustment £'000	Fair value £'000
Intangible fixed assets	199	-	199
Tangible fixed assets	2,008	3,937	5,945
Stocks	72	-	72
Debtors	308	-	308
Cash at bank and in hand	71	-	71
Loans	(499)	-	(499)
Other creditors	(1,327)	-	(1,327)
	<u>832</u>	<u>3,937</u>	<u>4,769</u>
Capital reserve (Note 22)			(987)
Total consideration			<u>3,782</u>
Satisfied by:			
Shares allotted at 2p premium			3,360
Cash in respect of acquisition expenses			422
			<u>3,782</u>

On 15 December 1997 the Group purchased the entire issued share capital of Restaurant House Limited for 28m new ordinary shares of 10p each, issued at a premium of 2p per share.

The fair value adjustment was made to write up the value of the restaurants to a fair market value based on directors valuation after consultation with external valuers at 29 March 1998.

Since the acquisition Restaurant House Limited drew £17,000 from the group's cashflow, paid £15,000 in respect of net returns on investments and servicing of finance, paid £20,000 in respect of capital expenditure and financial investment and £31,000 in respect of financing.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

14. ACQUISITION OF SUBSIDIARY (Continued)

Pre acquisition performance of Restaurant House Limited:

50 weeks to 15 December 1997	£'000
Turnover	3,120
Operating costs	(3,311)
Operating loss	(191)
Net Interest	(56)
Loss before taxation	(247)
Taxation	-
Loss for the financial year	(247)

There were no recognised gains or losses other than those included in the profit and loss account.

Year ended 29 December 1996

Loss for the financial year	(3,165)
-----------------------------	---------

15. STOCKS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Consumables	182	224	62	166

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

16. DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	2,268	2,269
Other debtors	225	-	-	-
ACT recoverable	-	24	-	24
	<u>225</u>	<u>24</u>	<u>2,268</u>	<u>2,293</u>
	<u><u>225</u></u>	<u><u>24</u></u>	<u><u>2,268</u></u>	<u><u>2,293</u></u>
 Due within one year:				
Trade debtors	53	84	7	15
Amounts owed by subsidiary undertakings	-	-	233	3,005
Corporation tax	19	-	65	46
Other debtors	162	162	137	132
Prepayments and accrued income	232	84	168	73
	<u>466</u>	<u>330</u>	<u>610</u>	<u>3,271</u>
	<u><u>466</u></u>	<u><u>330</u></u>	<u><u>610</u></u>	<u><u>3,271</u></u>

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,245	474	1,139	475
Obligations under finance leases	5	10	5	9
	<u>1,250</u>	<u>484</u>	<u>1,144</u>	<u>484</u>
Debt due within one year (note 19)	1,250	484	1,144	484
Trade creditors	589	398	332	363
Amounts owed to subsidiary companies	-	-	337	3,368
Corporation tax	-	71	-	-
Other taxation and social security	287	216	82	180
Proposed dividend	-	97	-	97
Advance corporation tax	-	24	-	24
Other creditor	446	-	429	-
Accruals and deferred income	1,249	558	488	525
	<u>3,821</u>	<u>1,848</u>	<u>2,812</u>	<u>5,041</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans	2,211	3,788	1,832	3,788
Obligations under finance leases	12	23	12	23
	<u>2,223</u>	<u>3,811</u>	<u>1,844</u>	<u>3,811</u>
Debt due after more than one year (Note 19)	2,223	3,811	1,844	3,811

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

19. DEBT ANALYSIS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
The total debt is analysed as follows:				
Bank overdraft	852	-	839	-
Bank loans	2,604	4,262	2,132	4,263
Obligations under finance leases	17	33	17	32
	<u>3,473</u>	<u>4,295</u>	<u>2,988</u>	<u>4,295</u>
	<u><u>3,473</u></u>	<u><u>4,295</u></u>	<u><u>2,988</u></u>	<u><u>4,295</u></u>

The total debt is repayable as follows:

Within one year	1,250	484	1,144	484
Between one and two years	305	484	305	484
Between two and five years	905	1,375	905	1,375
After more than five years	1,013	1,952	634	1,952
	<u>3,473</u>	<u>4,295</u>	<u>2,988</u>	<u>4,295</u>
	<u><u>3,473</u></u>	<u><u>4,295</u></u>	<u><u>2,988</u></u>	<u><u>4,295</u></u>

The loans are secured by way of a fixed and floating charge over the property and other assets of the group.

The debt repayable after more than five years is repayable at equal quarterly instalments and is subject to interest of 1.5% above base rate.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Amounts provided		Amounts not provided	
	1998	1997	1998	1997
Deferred taxation	£'000	£'000	£'000	£'000
Comprises:				
Accelerated capital allowances	-	131	427	(45)
Other timing differences	-	-	-	(1)
Losses	-	(40)	(1,775)	(113)
	-	91	(1,348)	(159)

Company	Amounts provided		Amounts not provided	
	1998	1997	1998	1997
Deferred taxation	£'000	£'000	£'000	£'000
Comprises:				
Accelerated capital allowances	-	131	106	-
Losses	-	(40)	(443)	-
ACT	-	-	-	-
	-	91	(337)	-

21. CALLED UP SHARE CAPITAL

	Authorised			
	1998	1998	1997	1997
	No'000	£'000	No'000	£'000
Ordinary shares of 10p each	88,500	8,850	50,000	5,000

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

21. CALLED UP SHARE CAPITAL (Continued)

	1998 No'000	Allotted and fully paid		1997 £'000
		1998 £'000	1997 No'000	
Ordinary shares of 10p each	61,394	6,139	33,394	3,339

On 15 December 1997 the Company acquired Restaurant House Limited. The acquisition was financed by the issue of 28m new shares at 12p. The resulting premium of £560,000 has been credited to the share premium account.

Share Options

Under the Executive Share Option scheme the directors may grant options to eligible employees which may be subject to specified performance criteria.

The aggregate number of shares which may be issued in the form of share options, is restricted to 10% of the issued share capital of the company.

Options are exercisable three years after being granted, and are granted at the prevailing market value at the date of issue.

Directors' share options are approved by the Remuneration Committee.

Directors Share Options

Director	At start of year No	Lapsed No	Granted No	At end of year No	Exercise price	Exercisable from
P G K Tucker	600,000	-	-	600,000	18p	05/12/98
	-	-	400,000	400,000	13.5p	11/02/01
	-	-	400,000	400,000	11p	11/02/01
P R Moody	187,500	-	-	187,500	16p	31/12/97
	162,500	-	-	162,500	18p	05/12/98
P Pullan	250,000	(250,000)	-	-	-	-
B McGowan	-	-	1,000,000	1,000,000	13.5p	11/02/01
	-	-	400,000	400,000	11p	11/02/01
H M Bush	-	-	1,200,000	1,200,000	13.5p	11/02/01
	-	-	1,000,000	1,000,000	11p	11/02/01
	1,200,000	(250,000)	4,400,000	5,350,000		

The price movement in the year was: high 18p, low 9p and at 29 March 1998. 11½p.

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

21. CALLED UP SHARE CAPITAL (Continued)

Employees' Share Options

Options issued in respect of non directors are 305,000 shares at 18p, exercisable between 1 April 1999 and 28 January 2000 (1995: 605,000 options exercisable at 18p each at varying dates up to 28 January 2000).

22. RESERVES

Group	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000
At 30 March 1997	991	419	5
Retained loss	-	-	(2,866)
Disposals	-	(419)	-
New shares issued	560	-	-
Expenses on issue of shares	(84)	-	-
Capital Reserve on acquisition	-	987	-
	<hr/>	<hr/>	<hr/>
At 29 March 1998	1,467	987	(2,861)
	<hr/>	<hr/>	<hr/>

Cumulative goodwill written off against group reserves is £202,000 (1997: £202,000).

Company	Share Premium Account £'000	Profit and loss account £'000
At 30 March 1997	991	382
Retained loss	-	(2,964)
New shares issued	560	-
Expenses on issue of shares	(84)	-
	<hr/>	<hr/>
At 29 March 1998	1,467	(2,582)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Total recognised (losses)/gains	(2,866)	152	(2,964)	297
Dividends	-	(150)	-	(150)
Proceeds of share issues (net)	3,276	628	3,276	628
Share options exercised	-	15	-	15
Capital reserve on acquisition	987	419	-	-
Release of capital reserve on disposal	(419)	-	-	-
(Decrease)/increase in shareholders' funds	987	1,064	312	790
Opening shareholders' funds	4,754	3,690	4,712	3,922
Closing shareholders' funds	5,732	4,754	5,024	4,712

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998	1997
	£'000	£'000
Operating (loss)/profit	(611)	505
Exceptional reorganisation costs	(278)	(152)
Amortisation	39	-
Depreciation charged	372	296
(Profit) on sale of fixed assets	-	(5)
Working capital movements:		
Decrease/(increase) in Stocks	114	(100)
(Increase)/decrease in Debtors	(32)	573
(Increase) in Creditors	(104)	(129)
Net Cash (outflow)/inflow from continuing operating activities	(500)	988

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	1998 £'000	1997 £'000
(Decrease) in cash	(1,123)	(636)
Cash outflow/(inflow) from debt and lease finance	2,173	(2,177)
Increase/(decrease) in net debt from cash flows	1,050	(2,813)
Loan acquired with subsidiary	(499)	(1,225)
Reduction /(increase) in net debt	551	(4,038)
Net debt at beginning of period	(3,994)	44
Net debt at end of period	(3,443)	(3,994)

26. ANALYSIS OF NET DEBT

£'000	Cash at bank and in hand	Bank overdraft	Loans	Finance Leases	Changes in debt	Changes in net /(debt)
31 March 1997	301	-	(4,262)	(33)	(4,295)	(3,994)
Cash flow	(271)	(852)	2,157	16	2,173	1,050
Acquisition of subsidiary excluding cash and overdraft	-	-	(499)	-	(499)	(499)
29 March 1998	30	(852)	(2,604)	(17)	(2,621)	(3,443)

27. CAPITAL COMMITMENTS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Contracted but not provided	481	128	481	128

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

28. OPERATING LEASE COMMITMENTS

Operating lease commitments payable in the next year, analysed according to the period in which each lease expires, are as follows:-

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Land and buildings	11	-	11	-
Expiring within 1 year	25	46	25	46
Expiring after 5 years	612	281	306	281
	<u>648</u>	<u>327</u>	<u>342</u>	<u>327</u>
Other				
Expiring within 1 year	15	32	15	32
Expiring in 2-5 years	-	23	-	23
Expiring within 1-2 years	4	-	4	-
	<u>19</u>	<u>55</u>	<u>19</u>	<u>55</u>

NOTES TO THE FINANCIAL STATEMENTS

29 March 1998

29. RELATED PARTY TRANSACTIONS

The company has relied on the exemption under FRS8 from disclosing transactions with group companies on the basis that the company has only wholly owned subsidiaries.

Transactions between the Group and Domino's Pizza Group Limited, a company related to C Harpern (a director), are set out below. At 29 March 1998 the two companies were no longer related parties.

	1998 £'000	1997 £'000
Administration support and services	15	-
Delivery charges	-	-
Sale of motor vehicles	-	-
Rent	-	-
	<hr/>	<hr/>

30. POST BALANCE SHEET EVENTS

The Group is in the process of renegotiating all bank facilities. As a result, more long term facilities will be available, represented by the conversion of the £852,000 overdraft (see note 26), into a long term loan.