

Quaglino's Restaurant Limited

Registered No. 2591701

DIRECTORS

Sir Terence Conran (Chairman)

D Gunewardena

J Kissin

SECRETARY

D Gunewardena

AUDITORS

Ernst & Young

Becket House

1 Lambeth Palace Road

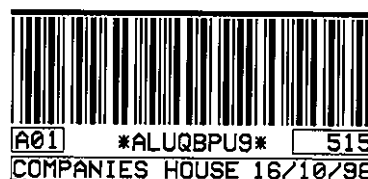
London SE1 7EU

REGISTERED OFFICE

22 Shad Thames

London SE1 2YU

ERNST & YOUNG



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1996.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 5 and shows a profit for the year before taxation of £2,019,546 (1995 – profit of £1,424,785). A dividend of £350,000 was paid during the year, which leaves a profit of £989,245 to be retained.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is that of restaurateurs.

The directors consider the results, which represent a substantial improvement in profits compared with the equivalent period last year, to be very satisfactory.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year are as listed on page 1. Their interests in the ordinary share capital of the company were as follows:

	<i>Ordinary shares 31 March 1996</i>	<i>Ordinary shares 31 March 1995</i>
J Kissin	20	20

167 Ordinary Shares are held by the parent undertaking, Conran Holdings Limited, a company controlled by Sir Terence Conran and in which D Gunewardena has an interest. The interests of the directors in Conran Holdings Limited are disclosed in the accounts of that company.

EVENTS SINCE THE BALANCE SHEET DATE

The company has agreed to purchase the intermediate lease on its main property from Sir Terence Conran for a premium of £3 million. This transaction is expected to be completed during the financial year 1996/7.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

11 OCT 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS

to the members of Quaglino's Restaurant Limited

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

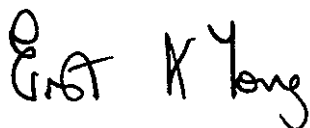
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

11 OCT 1996

Quaglino's Restaurant Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1996

	Notes	1996 £	1995 £
TURNOVER	2	9,812,883	9,210,542
Cost of sales		(7,376,132)	(7,218,899)
GROSS PROFIT		2,436,751	1,991,643
Administrative expenses		(467,485)	(508,913)
OPERATING PROFIT	3	1,969,266	1,482,730
Interest receivable	6	59,073	8,822
Interest payable and similar charges	7	(8,793)	(66,767)
		49,623	(57,945)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,019,546	1,424,785
Tax on profit on ordinary activities	8	(680,301)	(445,002)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,339,245	979,783
Dividends	9	(350,000)	(350,000)
PROFIT RETAINED FOR THE FINANCIAL YEAR		989,245	629,783

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company for the year of £1,339,245 (1995 – £979,783).

Quaglino's Restaurant Limited

BALANCE SHEET

at 31 March 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	10	1,932,913	2,095,586
CURRENT ASSETS			
Stock		64,075	118,458
Debtors	11	439,268	284,858
Cash at bank	12(a)	1,259,894	2,169
		1,763,237	405,485
CREDITORS: amounts falling due within one year	13	(2,029,274)	(1,573,440)
NET CURRENT LIABILITIES		(266,037)	(1,167,955)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,666,876	927,631
FINANCING			
CREDITORS: amounts falling due after more than one year	14	—	250,000
SHAREHOLDERS' FUNDS			
Called up share capital	15	200	200
Profit and loss account	16	1,666,676	677,431
		1,666,876	927,631

Director

11 OCT 1996

Quaglino's Restaurant Limited

STATEMENT OF CASH FLOWS

for the year ended 31 March 1996

	Notes	1996 £	1995 £
Net cash inflow from operating activities	3(b)	2,525,392	1,658,547
RETURNS ON INVESTMENTS AND SERVICING FINANCE			
Interest receivable		53,327	8,822
Interest paid		(8,920)	(66,767)
Dividends paid		(350,000)	(350,000)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(305,593)</u>	<u>(407,945)</u>
TAXATION			
UK corporation tax paid		<u>(266,558)</u>	<u>(50,765)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(132,321)	(80,241)
Receipts from sales of tangible fixed assets		651	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(131,670)</u>	<u>(80,241)</u>
NET CASH INFLOW BEFORE FINANCING		<u>1,821,571</u>	<u>1,119,596</u>
FINANCING			
Repayment of loan from parent undertaking	12(b)	250,000	1,298,000
Loan to group undertaking	12(b)	103,000	—
NET CASH OUTFLOW FROM FINANCING		<u>353,000</u>	<u>1,298,000</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12(a)	<u>1,468,571</u>	<u>(178,404)</u>
		<u>1,821,571</u>	<u>1,119,596</u>

NOTES TO THE ACCOUNTS

at 31 March 1996

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents sales to outside customers at invoiced amounts excluding service charge and Value Added Tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on the original cost of the assets at the following fixed instalments rates:

Plant and equipment	–	over 4 years
Furniture, fixtures and fittings	–	over 4 years
Computer and office equipment	–	over 4 years
Leasehold improvements	–	over the term of the lease
Safety equipment	–	over 4 years

Crockery, linen and staff uniforms are accounted for on a renewals basis.

The expected useful lives of all tangible fixed assets, except leasehold improvements, were revised during the prior accounting period from 7 years to 4 years.

The directors consider these to be more prudent estimates of the expected useful lives of these assets.

Stocks

Stocks are stated at the lower of cost and net realisable value on a first-in, first-out basis.

Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Any benefit received as an incentive to sign a lease is spread on a straight-line basis over the period to the first rent review date, in accordance with UITF12.

2. TURNOVER

Turnover, attributable to continuing operations, is derived from the sale of food, wines, spirits, beverages and sundry items.

Quaglino's Restaurant Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

3. OPERATING PROFIT

(a) This is stated after charging:

	1996	1995
	£	£
Depreciation – standard	291,521	178,387
– exceptional	–	100,828
Auditors' remuneration – audit	6,532	6,000
– other services	1,833	12,275
Lease rentals on land and buildings	213,436	193,542
Staff costs (see note 5)	2,398,946	2,171,498
Loss on disposal of fixed assets	383	–

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1996	1995
	£	£
Operating profit	1,969,266	1,482,730
Depreciation	291,521	279,215
Write-down of fixed assets	19,685	27,374
Loss on disposal of tangible fixed assets	383	–
Decrease in debtors	52,775	50,159
Decrease/(increase) in stock	54,383	(3,424)
Increase/(decrease) in creditors	137,379	(177,507)

4. DIRECTORS' REMUNERATION

The company has an agreement with Terence Conran Limited, a company beneficially owned by Sir Terence Conran, for the provision of the services of Sir Terence Conran as a director and Chairman, and D Gunewardena as a director. These directors are remunerated by that company.

The fees payable by the company under this agreement are subject to annual review and for the year to 31 March 1996 amounted to £71,777 (1995 – £75,000). No remuneration is payable directly to these directors nor are any pension contributions payable on their behalf.

Management services are provided to the company by Conran Restaurants Limited, a fellow subsidiary undertaking and J Kissin is remunerated by this company.

5. STAFF COSTS

Staff costs consist of:

	1996	1995
	£	£
Wages	2,488,074	3,131,702
Less: service charge receivable (until 30 June 1995)	(302,039)	(1,275,569)
Social security	212,911	315,365

Quaglino's Restaurant Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

5. STAFF COSTS (continued)

From 1 July 1995 a system was introduced such that service charges are collected and distributed by a "Tronc" committee which is independent of the company. From this date therefore, service charge income and costs have not been accounted for by the company.

The average number of employees during the year was 209 (1995 – 213).

6. INTEREST RECEIVABLE

	1996	1995
	£	£
Bank interest receivable	59,073	8,822

7. INTEREST PAYABLE

	1996	1995
	£	£
Bank interest payable and similar charges	6,872	7,881
Loan from parent undertaking	1,921	58,886
	8,793	66,767

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
UK Corporation tax at 33%	680,301	482,702
Over provision in previous period	–	(37,700)
	680,301	445,002

The over provision of previous period taxation resulted principally from a change in accounting for group relief. Full payment is now made for the benefits of tax losses surrendered by other group undertakings.

9. DIVIDENDS

	1996	1995
	£	£
Ordinary final paid	350,000	350,000

Quaglino's Restaurant Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

10. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Linen and staff uniforms</i>	<i>Crockery cutlery etc</i>	<i>Furniture, fixtures and fittings</i>	<i>Plant and kitchen equipment</i>	<i>Maintenance and safety equipment</i>	<i>Total</i>
	£	£	£	£	£	£	£
Cost:							
At 1 April							
1995	1,788,770	36,427	73,804	212,397	460,648	3,856	2,575,902
Additions	50,094	—	—	42,704	49,222	7,546	149,566
Disposals	—	—	—	—	(3,100)	—	(3,100)
Write offs	—	(3,168)	(16,517)	—	—	—	(19,685)
At 31 March							
1996	1,838,864	33,259	57,287	255,101	506,770	11,402	2,702,683
Depreciation:							
At 1 April							
1995	184,154	—	—	87,336	207,398	1,428	480,316
Disposals	—	—	—	—	(2,067)	—	(2,067)
Provided during year	85,437	—	—	66,643	138,577	864	291,521
At 31 March							
1996	269,591	—	—	153,979	343,908	2,292	769,770
Net book value:							
At 31 March							
1996	1,569,273	33,259	57,287	101,122	162,862	9,110	1,932,913
At 31 March							
1995	1,604,616	36,427	73,804	125,061	253,250	2,428	2,095,586

11. DEBTORS: due within one year

	1996	1995
	£	£
Trade debtors	217,441	188,902
Amounts owed by group undertakings	107,999	1,513
Prepayments	59,181	63,240
Other debtors	9,006	—
ACT debtor	45,641	31,203
	<u>439,268</u>	<u>284,858</u>

Quaglino's Restaurant Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

12. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

(a) Cash at bank and in hand:

	1996 £	1995 £
Beginning of the year	(208,677)	(30,273)
Cash inflow/(outflow)	1,468,571	(178,404)
End of the year	<u>1,259,894</u>	<u>(208,677)</u>

ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

(b) Loans from group undertakings:

	1996 £	1995 £
Beginning of the year	(250,000)	(1,548,000)
Cash inflow	353,000	1,298,000
	<u>103,000</u>	<u>(250,000)</u>

13. CREDITORS: amounts falling due within one year

	1996 £	1995 £
Payments received on account	21,470	16,700
Trade creditors	300,805	359,913
Amounts owed to group undertakings	127,028	42,940
Other creditors	23,851	2,374
Bank overdraft	—	210,847
Accruals	292,362	199,385
Corporation tax	492,259	463,310
Other taxation and social security costs	356,966	262,671
Payable to group undertakings in respect of group relief	414,533	15,300
	<u>2,029,274</u>	<u>1,573,440</u>

14. CREDITORS: amounts falling due after more than one year

	1996 £	1995 £
Loan from parent undertaking	<u>—</u>	<u>250,000</u>

Quaglino's Restaurant Limited

NOTES TO THE ACCOUNTS

at 31 March 1996

15. SHARE CAPITAL

	1996	Authorised 1995	1996	Allotted, called up and fully paid 1995
	No.	No.	£	£
Ordinary shares of £1 each	1,000	1,000	200	200

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £
At 1 April 1995	200	677,431
Retained profit for the year	—	989,245
At 31 March 1996	200	1,666,676

17. LEASE COMMITMENTS

The company leases certain land and buildings. The rents payable under these leases are subject to reviews at intervals specified in the lease. The rental for the year on these leases was £213,436 (1995 – £193,543).

The current annual rentals under the foregoing leases are as follows:

	Property 1996 £
Operating leases which expire:	
– within 1 year	—
– within 2 – 5 years	—
– after 5 years	221,750
	221,750

18. CAPITAL COMMITMENTS

There are no significant capital commitments.

19. ULTIMATE PARENT UNDERTAKING

Quaglinos Restaurant Limited is a subsidiary of Conran Holdings Limited, registered in England and Wales. The results of Quaglinos Restaurant Limited are consolidated into the accounts of Conran Holdings Limited.