

NF RESTAURANTS LIMITED

Director's Report And Accounts

31 January 1996

Registered No: 3028187



NF RESTAURANTS LIMITED

DIRECTORS' REPORT

The Director presents his annual report and the audited accounts for the 11 month period ended 31 January 1996.

Principal Activity

The principal activity of the Company is the operation of a restaurant business.

Results And Dividend

The Company was incorporated on 24 February 1995 and commenced trading from 25 February 1995. The results for the period are set out in the profit and loss account on page 4. The Director does not recommend a final dividend for the year.

The business of 'Nicole's' restaurant was acquired on the 25 February 1995 with net liabilities of £54,963 from the managing caterers who were previously contracted to run the restaurant.

Directors And Directors' Interests

The Director who served the Company during the period was:

S Marks - (Chairman and Managing Director) - appointed 24 February 1995.

Mr S Marks is a Director of the ultimate holding company at 31 January 1996 and his interests in the shares of Group companies are disclosed in the Directors' report of that company.

Fixed Assets

The changes in fixed assets during the year are set out in note 7 to the accounts.

Employees

It is the Company's practice that all employees have access to their immediate superiors and, ultimately to the Chairman, to discuss matters of concern to them as employees; and that the views of employees are sought and taken into account in making decisions which are likely to affect their interests. Furthermore the Company seeks to encourage both the involvement of employees in its performance and a common awareness on the part of all employees of factors affecting its performance. The Company provides equal opportunities and training to all employees and prospective employees including those who are disabled.

Auditors

Our auditors, KPMG, have indicated that a limited liability Company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, a resolution is to be proposed at our Annual General Meeting for the appointment of KPMG Audit Plc as auditor of the Company.

By order of the Board



D SHAH
Company Secretary

1, Old Burlington Street
London W1X 1LA.

17 April 1996

NF RESTAURANTS LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Director 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 Director is required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the accounts comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF NF RESTAURANTS LIMITED

We have audited the accounts on pages 4 to 10.

Respective Responsibilities of Directors and Auditors

As described on page 2 the Company's Director is responsible for the preparation of 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 Director 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 the Company's affairs as at 31 January 1996 and of its loss for the period from 24 February 1995 to 31 January 1996 then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
London

17 April 1996

NF RESTAURANTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 11 MONTH PERIOD ENDED 31 JANUARY 1996**

	Note	1996 £
Turnover	2	915,832
Cost of sales		(410,595)
		<hr/>
Gross profit		505,237
Net operating expenses	3	(520,135)
		<hr/>
Loss on ordinary activities before taxation	4	(14,898)
Tax on loss on ordinary activities		-
		<hr/>
Retained loss for the financial period	13	(14,898)
		<hr/>

The attached notes form part of these accounts.

There were no recognised gains or losses other than the loss stated in the current period.

The Company's results were entirely from acquisitions.

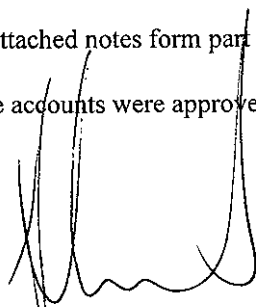
NF RESTAURANTS LIMITED

BALANCE SHEET AT 31 JANUARY 1996

	Note	1996 £
Fixed Assets		
Tangible Assets	7	35,011
		<hr/>
Current Assets		
Stocks	8	6,461
Debtors	9	10,872
Cash at bank and in hand		6,451
		<hr/>
		23,784
		<hr/>
Creditors: amounts falling due within one year	10	(128,654)
		<hr/>
Net Current Liabilities		(104,870)
		<hr/>
Net Liabilities		(69,859)
		<hr/>
Capital and Reserves		
Called up share capital	12	2
Profit and Loss Account	13	(69,861)
		<hr/>
Shareholders' Funds - equity	14	(69,859)
		<hr/>

The attached notes form part of these accounts.

These accounts were approved by the Director on 17 April 1996 and were signed by:



S MARKS
Director

NF RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of accounting

The accounts have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. The accounts have been prepared on the going concern basis since the parent undertaking has indicated that it intends to provide such funds as are necessary for the Company to meet its obligations.

Under Financial Reporting Standard No. 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary of an EC parent undertaking.

Depreciation

Depreciation is provided to write off the cost or valuation less estimated residual value of fixed assets by equal annual instalments over their useful lives, which are estimated to be as follows:

Plant, equipment,
fixtures and fittings - 3 to 10 years

Stocks

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

Deferred taxation

Deferred taxation is provided using the liability method to take account of timing differences between the recognition of income and expenditure for taxation and accounting purposes to the extent that it is probable that an actual liability will crystallise.

Goodwill

Goodwill purchased, being the excess of acquisition costs over the fair value of the net assets acquired, is written off directly against reserves in the year of acquisition.

2. Turnover

Turnover represents takings from restaurant customers net of value added tax. The turnover arises from the sale of food and drinks in the United Kingdom.

3. Net Operating Expenses

	1996 £
Selling costs	520,135

NF RESTAURANTS LIMITED

NOTES (continued)

4. Loss On Ordinary Activities Before Taxation

The loss on ordinary activities before taxation is stated after charging the following:-

	1996 £
Depreciation	1,707

Auditors' remuneration was paid by the holding company.

5. Director's Emoluments

The Director received no remuneration for his services to the Company.

6. Staff Numbers And Costs

All staff are employed by French Connection Retail Limited, a fellow subsidiary undertaking. Details of staff numbers and costs are shown in that Company's accounts.

7. Tangible Fixed Assets

	Plant equipment, fixtures and fittings £
Cost	
At 24 February 1995	-
Additions	36,718
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At 31 January 1996	36,718
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Depreciation:	
At 24 February 1995	-
Provided during the period	1,707
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At 31 January 1996	1,707
	<hr/>
Net book value:	
At 31 January 1996	35,011
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NF RESTAURANTS LIMITED

NOTES (continued)

8. Stocks

	1996 £
Beverages and food stuffs	6,461

9. Debtors

	1996 £
Trade debtors	9,408
Prepayments and accrued income	1,464
	<hr/> 10,872 <hr/>

10. Creditors: amounts falling due within one year

	1996 £
Amounts owed to Group undertakings	99,961
Taxation and social security	8,940
Accruals and deferred income	19,753
	<hr/> 128,654 <hr/>

11. Provisions For Liabilities And Charges

Deferred Taxation

The amount provided for deferred taxation and the full potential liability, calculated on the liability method, at 33 per cent is set out below:

	Amount Provided £	1996 Full Potential liability £
Accelerated capital allowances	-	2,000

NF RESTAURANTS LIMITED

NOTES (continued)

12. Called Up Share Capital

	1996 £
Equity	
Authorised, allotted, called up and fully paid:	
2 ordinary shares of £1 each	2

The two ordinary shares were issued at par on incorporation of the Company.

13. Reserves

	Profit and Loss Account £
At 24 February 1995	-
Retained loss for the period	(14,898)
Goodwill on acquisition of business	(54,963)
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At 31 January 1996	(69,861)
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14. Reconciliation of movements in Shareholders' Funds

	1996 £
Loss for the financial period	(14,898)
Goodwill on acquisition of written off	(54,963)
	<hr/>
	(69,861)
	<hr/>
Issue of shares	2
	<hr/>
Closing shareholders' funds	(69,859)
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15. Contingent Liabilities

The Group holding company raises finance for, and guarantees the bank borrowings of certain subsidiary undertakings. Subsidiary undertakings may, within certain constraints, be obliged to meet these group banking liabilities. The banking facility is secured by a first legal charge over the freehold land and buildings of Group companies which are registered in the United Kingdom and Hong Kong and by a floating charge over all the assets owned by Group companies which are registered in the United Kingdom and Hong Kong. At 31 January 1996 the Group and the Group holding company had borrowings in respect of this facility of £1,052,000 and £991,000 respectively.

NF RESTAURANTS LIMITED

16. Pension Costs

The Company is a member of the Group's Contracted Out Money Purchase Scheme, particulars of which are disclosed in the accounts of the holding company, French Connection Group PLC.

17. Ultimate Holding Company

The ultimate holding company is French Connection Group PLC, which is incorporated in Great Britain and registered in England and Wales. Copies of the Group accounts may be obtained from Companies House.