

MA POTTER'S LIMITED

FINANCIAL STATEMENTS

FOR PERIOD ENDED

30 NOVEMBER 2003

COMPANY REGISTRATION NUMBER 3092239



MA POTTER'S LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

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MA POTTER'S LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

G Jillings FCIB - Chairman
M Tousey
J Gater
J Rimer FCA
S Damji
Mentor UK Limited
J Bocan

COMPANY SECRETARY

J Rimer FCA

REGISTERED OFFICE

153 - 155 Regent Street
London
W1B 4JE

AUDITORS

Menzies
Chartered Accountants
& Registered Auditors
Victoria House
Victoria Road
Farnborough
Hampshire
GU14 7PG

BANKERS

The Royal Bank of Scotland PLC
62-63 Threadneedle Street
PO Box 412
London
EC2R 8LA

MA POTTER'S LIMITED

CHAIRMAN'S STATEMENT

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

As outlined in last year's Annual Report we were delighted to start the year with two Venture Capital Trust managers, Classic Fund Management and Beringea, showing their confidence in the Group with an investment of £2 million, which was further augmented with additional bank finance. This has enabled us to expand our successful casual dining restaurant concept with the majority of outlets located in major shopping malls.

We have increased our national geographic coverage with restaurants in prime locations in London, Birmingham, Brighton, Castleford, Edinburgh, Kingston, Leeds, Manchester, Newcastle, Reading, Sheffield, Solihull, and Wimbledon.

With the uncertain market conditions in the early part of 2003 whilst events in Iraq unfolded, considerable caution was exercised with the result that new openings were limited to Brighton Marina and Castleford and one unit was sold. Refurbishment and improvement to existing sites was undertaken and our more 'drinks led' and up-market "M.A Potters" style was extended.

The 38% increase in our year-end profit, before exceptionals, was very encouraging and we are pleased to declare our first dividend on ordinary shares. Like-for-like sales increased by 4.2% from 2002.

With the improved economic outlook, we have reactivated our expansion programme with two new sites in Cardiff and Glasgow already secured and a further 10 sites under negotiation. We actively seek further locations of between 3,000 - 4,000 sq ft in major shopping and leisure development and prime high street locations.

The current year has started very well and we look to the future with considerable confidence. We anticipate that our expansion programme will lead to a significant improvement in profit.

Our success has been achieved with much help from our loyal and committed staff to whom the Board are deeply grateful.



Godfrey Jilings FCB
Non-Executive Chairman

MA POTTER'S LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the period from 2 December 2002 to 30 November 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the year comprised the operation of branded restaurants.

The expansion of the company, the activities in the year and the review of future prospects are given in the Chairman's Report.

The company re-registered as Ma Potter's PLC on 29 May 2002 and again as Ma Potter's Limited on 19 December 2002.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have recommended the following dividends:

	Period from 2 December 2002 to 30 November 2003 £	Period from 3 December 2001 to 1 December 2002 £
Proposed dividends on ordinary shares	56,006	–
Dividends paid on preference shares	1,236	9,456
	<u>57,242</u>	<u>9,456</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 30 November 2003	At 2 December 2002 or later date of appointment
G Jillings FCIB	Ordinary	–	–
	Preference	–	–
M Tousey	Ordinary	1,200	1,200
	Preference	–	45,000
J Gater	Ordinary	1,025	1,200
	Preference	–	45,000
J Rimer FCA	Ordinary	200	200
	Preference	–	7,500
S Damji	Ordinary	1,025	1,200
	Preference	–	45,000

Mentor UK Limited was appointed as a director on 16 January 2003.

J Bocan was appointed as a director on 8 January 2004.

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 at the end of the period and of the profit or loss for the period then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 11 to 12, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements 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 financial statements comply with the Companies Act 1985. The directors 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.

MA POTTER'S LIMITED

THE DIRECTORS' REPORT (*continued*)

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

DISABLED EMPLOYEES

Disabled employees are given full and fair consideration in all applications for employment. Equal consideration is also given for training, career development and opportunities for promotion.

EMPLOYEE INVOLVEMENT

The company recognises the importance of good employee relations and communications and this is assisted by regular management visits to all restaurants. Employees are kept informed of and express their views on activities which are of concern to them or which are likely to affect their interests.

AUDITORS

Menzies have expressed their willingness to continue in office as auditors and in accordance with Section 385(2) of the Companies Act 1985 a resolution proposing their re-appointment will be submitted to the forthcoming Annual General Meeting.

Signed by order of the directors



J Rimmer FCA
Company Secretary

Approved by the directors on 5 May 2004

MA POTTER'S LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 12.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 company's affairs as at 30 November 2003 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Victoria House
Victoria Road
Farnborough
Hampshire
GU14 7PG

21 5 04

Menzies
MENZIES
Chartered Accountants
& Registered Auditors

MA POTTER'S LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

	Note	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
TURNOVER	2	11,511,243	9,153,280
Cost of sales		2,762,836	2,321,319
GROSS PROFIT		8,748,407	6,831,961
Administrative expenses		8,050,118	6,327,482
OPERATING PROFIT	3	698,289	504,479
Loss on disposal of discontinued operations	6	(402,450)	—
		295,839	504,479
Interest receivable		15,938	3,725
Interest payable	7	(234,916)	(152,913)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		76,861	355,291
Tax on profit on ordinary activities	8	63,035	137,019
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,826	218,272
Dividends (including non-equity)	9	57,242	9,456
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL PERIOD		(43,416)	208,816

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

The notes on pages 11 to 19 form part of these financial statements.

MA POTTER'S LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

Equity shareholders' funds

	Period from 2 Dec 02 to 30 Nov 03 £	£	Period from 3 Dec 01 to 1 Dec 02 £	£
Profit for the financial period		13,826		218,272
Dividends		(57,242)		(9,456)
		(43,416)		208,816
New equity share capital subscribed	1,730		-	
Net premium on new share capital subscribed	516,967		-	
		518,697		-
Purchase of own equity shares	(350)		-	
Premium on purchase of own shares	(350,892)		-	
		(351,242)		-
Net addition to funds		124,039		208,816
Opening shareholders' equity funds		1,160,893		952,077
Closing shareholders' equity funds		1,284,932		1,160,893

NON-EQUITY SHAREHOLDERS' FUNDS

	Period from 2 Dec 02 to 30 Nov 03 £	£	Period from 3 Dec 01 to 1 Dec 02 £	£
Opening shareholders' non-equity funds		150,000		150,000
Purchase of own non-equity shares		(150,000)		-
Closing shareholders' non-equity funds		-		150,000

The notes on pages 11 to 19 form part of these financial statements.

MA POTTER'S LIMITED

BALANCE SHEET

30 NOVEMBER 2003

	Note	30 Nov 03 £	£	1 Dec 02 £	£
FIXED ASSETS					
Tangible assets	10		6,150,692		5,532,433
Investments	11		6		6
			<u>6,150,698</u>		<u>5,532,439</u>
CURRENT ASSETS					
Stocks	12	75,536		64,818	
Debtors	13	367,629		281,651	
Cash at bank and in hand		345,562		107,705	
		<u>788,727</u>		<u>454,174</u>	
CREDITORS: Amounts falling due within one year	14	<u>2,543,370</u>		<u>2,725,935</u>	
NET CURRENT LIABILITIES			(1,754,643)		(2,271,761)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,396,055</u>		<u>3,260,678</u>
CREDITORS: Amounts falling due after more than one year	15		<u>2,764,910</u>		<u>1,613,402</u>
			<u>1,631,145</u>		<u>1,647,276</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17		346,213		336,383
			<u>1,284,932</u>		<u>1,310,893</u>
CAPITAL AND RESERVES					
Called-up share capital	22		5,380		154,000
Share premium account	23		883,705		398,550
Other reserves	24		150,350		-
Profit and loss account	25		245,497		758,343
SHAREHOLDERS' FUNDS (including non-equity interests)			<u>1,284,932</u>		<u>1,310,893</u>

These financial statements were approved by the directors on the 5 May 2004 and are signed on their behalf by:

M Tousey



G Gillings



The notes on pages 11 to 19 form part of these financial statements.

MA POTTER'S LIMITED

CASH FLOW STATEMENT

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

	Period from 2 Dec 02 to 30 Nov 03 £	£	Period from 3 Dec 01 to 1 Dec 02 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,026,275		957,902
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	15,938		3,725	
Interest paid	(187,532)		(107,374)	
Interest element of hire purchase and finance lease	(47,384)		(45,539)	
Non-equity dividends paid	(1,236)		(9,456)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(220,214)		(158,644)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(1,749,861)		(1,911,220)	
Receipts from sale of fixed assets	116,460		53,738	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(1,633,401)		(1,857,482)
CASH OUTFLOW BEFORE FINANCING		(827,340)		(1,058,224)
FINANCING				
Issue of equity share capital	1,730		-	
Share premium on issue of equity share capital	485,155		-	
Purchase of own equity shares	(350)		-	
Purchase of own non-equity shares	(150,000)		-	
Premium on purchase of own equity and non-equity shares	(319,080)		-	
Repayment of debenture loans	1,242,104		-	
Increase in bank loans and loan stock	60,500		599,658	
Capital element of hire purchase and finance lease	82,603		(59,190)	
NET CASH INFLOW FROM FINANCING		1,402,662		540,468
INCREASE/(DECREASE) IN CASH		575,322		(517,756)

The notes on pages 11 to 19 form part of these financial statements.

MA POTTER'S LIMITED

CASH FLOW STATEMENT *(continued)*

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Operating profit	698,289	504,479
Depreciation	610,305	464,840
Loss on disposal of fixed assets	2,387	30,859
Increase in stocks	(10,718)	(11,136)
Increase in debtors	(85,978)	(75,674)
(Decrease)/increase in creditors	(188,010)	44,534
Net cash inflow from operating activities	1,026,275	957,902

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	30 Nov 03 £	1 Dec 02 £
Increase/(decrease) in cash in the period	575,322	(517,756)
Net cash (inflow) from debentures	(1,242,104)	—
Net cash (inflow) from bank loans and loan stock	(60,500)	(599,658)
Cash outflow in respect of hire purchase and finance lease	(82,603)	59,190
	(809,885)	(1,058,224)
Change in net debt	(809,885)	(1,058,224)
Net debt at 2 December 2002	(2,477,181)	(1,418,957)
Net debt at 30 November 2003	(3,287,066)	(2,477,181)

ANALYSIS OF CHANGES IN NET DEBT

	At 2 Dec 2002 £	Cash flows £	At 30 Nov 2003 £
Net cash:			
Cash in hand and at bank	107,705	237,857	345,562
Overdrafts	(337,465)	337,465	—
	(229,760)	575,322	345,562
Debt:			
Debt due within 1 year	(458,563)	(249,270)	(707,833)
Debt due after 1 year	(1,494,562)	(1,053,334)	(2,547,896)
Hire Purchase and finance lease agreements	(294,296)	(82,603)	(376,899)
	(2,247,421)	(1,385,207)	(3,632,628)
Net debt	(2,477,181)	(809,885)	(3,287,066)

The notes on pages 11 to 19 form part of these financial statements.

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Impairment review

The directors undertake an impairment review of fixed assets on an annual basis.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- Over the life of the lease
Fixtures & Fittings and Equipment	- 10%-15% reducing balance monthly
Motor Vehicles	- 25% reducing balance monthly

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Leasing and hire purchase commitments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

In accordance with UITF 28, rent free periods offered to the company are spread over the period over which the benefit is considered to relate.

Assets financed under hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful economic lives.

Finance charges and interest in connection with finance leases and hire purchase contracts are charged to the profit and loss account on the sum of the digits or actuarial basis.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Consolidation

The company has taken advantage of the statutory exemption not to prepare group accounts, by virtue of its size, as permitted by Section 248 of the Companies Act 1985.

Leasehold land and buildings

The cost of leasehold land and buildings included in tangible fixed assets relates to costs directly attributable to the design and commissioning of new restaurants up to the date a restaurant is opened and enhancements thereafter. Attributable labour costs are also included. The expenses are depreciated over the period from when the restaurant opens to the end of the lease term.

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

1. ACCOUNTING POLICIES *(continued)*

Preliminary expenses

To comply with UITF abstract 24 the company includes these expenses as fixed assets where they are directly attributable to the commissioning of new restaurants. Otherwise they are written off to the profit and loss account.

The capitalised costs will include labour and travel costs where they are considered to relate specifically to the acquisition of new restaurants. If a decision is made not to proceed with a new restaurant the costs are immediately written off to the profit and loss account.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
United Kingdom	11,511,243	9,153,280

3. OPERATING PROFIT

Operating profit is stated after charging:

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Depreciation of owned fixed assets	535,687	387,831
Depreciation of assets held under hire purchase and finance lease agreements	74,618	77,009
Loss on disposal of fixed assets	2,387	30,859
Auditors' remuneration - as auditors	13,250	9,500

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 2 Dec 02 to 30 Nov 03 No	Period from 3 Dec 01 to 1 Dec 02 No
Number of production staff	405	326
Number of administrative staff	7	7
	412	333

The aggregate payroll costs of the above were:

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Wages and salaries	3,600,779	2,857,449
Social security costs	256,725	194,122
	3,857,504	3,051,571

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Emoluments receivable	311,842	305,134

Emoluments of highest paid director:

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Total emoluments (excluding pension contributions):	138,537	136,827

6. LOSS ON TERMINATION OF DISCONTINUED OPERATIONS

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Termination of discontinued operations: Loss on closure of branch	402,450	-

7. INTEREST PAYABLE

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Interest payable on borrowing	187,532	107,374
Finance charges	47,384	45,539
	234,916	152,913

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Current tax:		
UK Corporation tax based on the results for the period at 19% (2002 - 27%)	53,205	-
Total current tax	53,205	-
Deferred tax:		
Increase in deferred tax provision	9,830	137,019
Tax on profit on ordinary activities	63,035	137,019

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19% (2002 - 27%).

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Profit on ordinary activities before taxation	76,861	355,291
Profit/(loss) on ordinary activities by rate of tax	14,604	95,929
Permanent differences	71,958	7,159
Timing differences	(33,357)	(103,088)
Total current tax (note 8(a))	53,205	-

9. DIVIDENDS

The following dividends have been paid or proposed in respect of the period:

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Proposed dividend on ordinary shares	56,006	-
Dividend paid on preference shares	1,236	9,456
	57,242	9,456

10. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures & Fittings and equipment £	Motor Vehicles £	Total £
COST				
At 2 December 2002	1,291,133	5,190,367	21,784	6,503,284
Additions	169,037	1,549,218	31,606	1,749,861
Disposals	(76,808)	(521,098)	(38,586)	(636,492)
At 30 November 2003	1,383,362	6,218,487	14,804	7,616,653
DEPRECIATION				
At 2 December 2002	207,558	757,254	6,039	970,851
Charge for the period	81,376	523,816	5,113	610,305
On disposals	(6,265)	(99,322)	(9,608)	(115,195)
At 30 November 2003	282,669	1,181,748	1,544	1,465,961
NET BOOK VALUE				
At 30 November 2003	1,100,693	5,036,739	13,260	6,150,692
At 1 December 2002	1,083,575	4,433,113	15,745	5,532,433

All properties are held under short leases (less than 50 years).

Hire Purchase and finance lease agreements

Included within the net book value of £6,150,692 is £644,343 (2002 - £461,987) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £74,618 (2002 - £77,009).

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

11. INVESTMENTS

	Shares in group undertakings £
COST	
At 2 December 2002 and 30 November 2003	6
NET BOOK VALUE	
At 30 November 2003	6
At 1 December 2002	6

Basis of exemption from preparing group accounts

The financial statements present information about Ma Potter's Limited as an individual undertaking and do not include the results of its subsidiary undertakings:

	Country of incorporation	Class of share held	Percentage held by Ma Potter's Limited
Chargrill Limited	England	Ordinary	100%
Espresso Limited	England	Ordinary	100%
Espresso UK Limited	England	Ordinary	100%

The company has taken advantage of Section 248(1) of the Companies Act 1985 which permits a parent undertaking not to prepare group accounts where the group in question satisfied two or more of the criteria set out in Section 249(3) of the Companies Act 1985 and so qualifies as a small or medium sized group.

Accordingly, no group accounts have been prepared.

All of the above companies have an issued share capital of £2 and have net assets of £2. They hold various leases but have not traded since incorporation.

12. STOCKS

	30 Nov 03 £	1 Dec 02 £
Stock	75,536	64,818

13. DEBTORS

	30 Nov 03 £	1 Dec 02 £
Other debtors	170,412	125,026
Prepayments and accrued income	197,217	156,625
	367,629	281,651

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

14. CREDITORS: Amounts falling due within one year

	30 Nov 03 £	1 Dec 02 £
Bank loans and overdrafts	707,833	796,028
Trade creditors	661,552	622,647
Amounts owed to group undertakings	6	6
Other creditors including taxation and social security:		
Corporation tax	53,205	-
Other taxation and social security	223,461	127,597
Hire Purchase and finance lease agreements	159,885	175,456
Dividends payable	56,006	-
Other creditors	55,478	639,726
	<u>1,917,426</u>	<u>2,361,460</u>
Accruals and deferred income	625,944	364,475
	<u>2,543,370</u>	<u>2,725,935</u>

The bank loans are secured by fixed and floating charges over the assets of the company and an unlimited guarantee from all the company's subsidiaries. They are due for instalments within three to four years with interest rates of between 1.25% and 1.5% above LIBOR depending on compliance with various terms. There are also life assurance policies totalling £1,198,064 in respect of the two Executive directors of the company which are held by the bank as security.

15. CREDITORS: Amounts falling due after more than one year

	30 Nov 03 £	1 Dec 02 £
Loan stock	1,242,104	-
Bank loans	1,305,792	1,494,562
Other creditors:		
Hire Purchase and finance lease agreements	217,014	118,840
	<u>2,764,910</u>	<u>1,613,402</u>

The bank loans are secured by fixed and floating charges over the assets of the company and an unlimited guarantee from all the company's subsidiaries. They are due for repayment by instalment within three to four years with interest rates of between 1.25% and 1.5% above LIBOR, depending on compliance with various terms. There are also life assurance policies totalling £1,198,064 in respect of the two Executive directors of the company which are held by the bank as security.

The loan stock comprises three tranches:

	£
Due for repayment 31 July 2008	400,000
Due for repayment 31 July 2009	500,000
Due for repayment 31 July 2010	500,000
	<u>1,400,000</u>
Less: Issue costs	157,896
	<u>1,242,104</u>

Interest is payable at 5% until 31 December 2005, 6% in 2006, 7% in 2007 and 8% in 2008 and until redemption. The loans are secured against the assets of the company ranking behind the security granted to the bank.

16. COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

Future commitments under hire purchase and finance lease agreements are as follows:

	30 Nov 03 £	1 Dec 02 £
Amounts payable within 1 year	159,885	175,456
Amounts payable between 2 to 5 years	217,014	118,840
	<u>376,899</u>	<u>294,296</u>

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

17. DEFERRED TAXATION

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
The movement in the deferred taxation provision during the period was:		
Provision brought forward	336,383	199,364
Profit and loss account movement arising during the period	9,830	137,019
Provision carried forward	346,213	336,383
The provision for deferred taxation consists of the tax effect of timing differences in respect of:		
	30 Nov 03 £	1 Dec 02 £
Excess of taxation allowances over depreciation on fixed assets	346,213	336,383
	346,213	336,383

18. COMMITMENTS UNDER OPERATING LEASES

At 30 November 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 30 Nov 03 £	1 Dec 02 £
Operating leases which expire:		
Within 1 year	26,430	–
Within 2 to 5 years	–	51,430
After more than 5 years	1,395,671	1,316,100
	1,422,101	1,367,530

The company guarantees ten leases and three agreements for leases held by its 100% owned subsidiary undertaking, Chargrill Limited. The value of these amount to £1,282,571 per annum.

The company also guarantees one lease which is held by its 100% subsidiary undertaking, Espresso Limited. The value of this lease amounts to £79,400 per annum.

The company also guarantees one lease which is held by its 100% subsidiary undertaking, Espresso UK Limited. The value of this lease amounts to £33,700 per annum.

The costs in relation to these leases are charged to the operating company, Ma Potter's Limited and are included in the figures above for contracts to the extent they are due to be paid over the next twelve months.

19. CAPITAL COMMITMENTS

At 30 November 2003, the company had no material capital commitments.

20. CONTINGENT LIABILITIES

There are potential liabilities of £115,000 per annum in respect of two leases assigned by the company during the period 2002 - 2003.

21. RELATED PARTY TRANSACTIONS

During the year, the company was invoiced for £7,500 (2002 : £7,500) in respect of Company Secretarial and administrative assistance by JD Rimer & Co. Chartered Accountants, a business owned by J Rimer, who is a non-executive director of Ma Potter's Limited.

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

22. SHARE CAPITAL

Authorised share capital:

	30 Nov 03 £	1 Dec 02 £
10,000 Ordinary shares of £1 each	10,000	10,000
150,000 Redeemable Preference shares of £1 each	150,000	150,000
	<u>160,000</u>	<u>160,000</u>

Allotted, called up and fully paid:

	30 Nov 03		1 Dec 02	
	No	£	No	£
Ordinary shares of £1 each	5,380	5,380	4,000	4,000
Redeemable Preference shares of £1 each	–	–	150,000	150,000
	<u>5,380</u>	<u>5,380</u>	<u>154,000</u>	<u>154,000</u>

During the year the company made an allotment of 1,730 ordinary £1 shares at £346.82 per share. The difference of £598,270 between the total consideration of £600,000 and the total nominal value of £1,730 has been credited to the share premium account.

The company also re-purchased 350 ordinary £1 shares held equally by J Gater and S Damji, for a total consideration of £300,000. Both shareholders were serving as directors of the company at the date of the transaction. The share re-purchase was considered to be in the beneficial interest of the company.

All of the 150,000 £1 preference shares were redeemed during the year. The difference of £51,242 between the total consideration of £201,242 and the total nominal value of £150,000 represents the redemption premium. This has been debited to the profit and loss reserves.

23. SHARE PREMIUM ACCOUNT

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Balance brought forward	398,550	398,550
Premium on shares issued in the period	598,270	–
Amortisation of loan stock issue costs	(31,812)	–
Share issue expenses	(81,303)	–
Balance carried forward	<u>883,705</u>	<u>398,550</u>

24. OTHER RESERVES

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Capital redemption reserve:		
Purchase of own shares	<u>150,350</u>	<u>–</u>

25. PROFIT AND LOSS ACCOUNT

	Period from 2 Dec 02 to 30 Nov 03 £	Period from 3 Dec 01 to 1 Dec 02 £
Balance brought forward	758,343	549,527
(Accumulated loss)/retained profit for the financial period	(43,416)	208,816
Purchase of own shares: equity	(300,000)	–
Purchase of own shares: non-equity	(201,242)	–
Amortisation of loan stock issue costs	31,812	–
Balance carried forward	<u>245,497</u>	<u>758,343</u>

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2002 TO 30 NOVEMBER 2003

26. ULTIMATE CONTROL

Due to the structure of share ownership, no individual controls the company.