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MA POTTER'S LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998



MA POTTER'S LIMITED

REGISTERED NUMBER : 3092239

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

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'MA POTTER'S LIMITED

DIRECTORS AND ADVISORS

CHAIRMAN

M Tousey

MANAGING DIRECTOR

J Gater

DIRECTORS

M Tousey
J Gater
J Rimer FCA
S Damji
M Burgess

COMPANY SECRETARY

J Rimer FCA

REGISTERED OFFICE

52/53 Margaret Street
London
W1N 7FE

AUDITORS

Menzies
The Chestnuts
18 East Street
Farnham
Surrey
GU9 7SD

PRINCIPAL BANKER

Barclays Bank Plc
99 Hatton Garden
London
EC1N 8DN

CHAIRMAN'S STATEMENT

Results for the year at operating level were in line with expectations as rent concessions expired and expansion costs were incurred. The Company is pleased with the performance of its newest Ma Potter's Chargrill in The Trafford Centre, Manchester, which opened in September 1998.

The Company raised further finance during the year to fund the beginning of a nation-wide rollout of Ma Potter's Chargrill. As part of our development plans, we decided to sell those units which did not offer significant growth prospects for the future. This affected three of the Company's non-core units over the course of late 1998 and early 1999. A provision in the 1998 accounts has been taken for the necessary write-down of one of these units sold in 1999. We are now well placed to take advantage of the numerous opportunities for new sites with greater profit potential. One of these new sites will be located in the Oracle Shopping Centre in Reading, due to open in September 1999.

Since the end of the 1998 financial year, the Company has raised new equity for its expansion programme which will see two to three new sites opening next year.

The Directors appreciate the continued support and commitment provided by the Company's employees during an exciting phase in the Company's development.



M Tousey

10 August 1999

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The directors submit their report and the audited financial statements for the year ended 30 November 1998.

DIVIDENDS

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Whilst turnover and operating margins have remained in line with the previous year, the expiry of rent concessions has meant a significant increase in administrative costs. This results in an operating profit of £39,370 (1997 - £156,358).

After an exceptional provision for the write-down in value of a sales unit sold afterdate, the directors report a loss before taxation of £74,434 (1997 - profit of £236,862).

The company is in the middle of an expansion programme and the directors plan to open two or three sales outlets in the next financial year. The directors are confident that operating profits will be sustained with a return to overall profitability in the near future.

FIXED ASSETS

Capital expenditure during the year amounted to £481,809, details of which, including all movements in fixed assets, are shown in the notes to the financial statements.

The directors do not consider that there is any significant difference between the market value and net book value of the company's tangible fixed assets.

POST BALANCE SHEET EVENTS

At 30 November 1998 the holders of the convertible loans had committed to convert their loans into ordinary share capital of the company, and in March 1999, such conversion resulted in the issue of 250 £1 ordinary shares.

In June 1999 a further £300,000 was invested in the company when 1,200 £1 ordinary shares were issued.

YEAR 2000 AND THE INTRODUCTION OF THE EURO

The directors have been addressing the risks and uncertainties associated with the Year 2000 problem. They consider that these should not have a significant impact upon the business, but will continue to review matters on an ongoing basis.

The directors have also reviewed the potential impact of the Euro, but consider that there should be no adverse impact upon the business of the company.

DIRECTORS

The directors in office at 30 November 1998 are listed on page 2. J Gater and M Tousey served on the Board throughout the year. J Rimer FCA was appointed to the Board on 1 January 1998, and S Damji and M Burgess were appointed to the Board on 6 June 1999.

REPORT OF THE DIRECTORS**DIRECTORS' INTERESTS**

The directors' interests in the share capital of the company at 1 December 1997 and at 30 November 1998 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

	30 November 1998	1 December 1997
Ordinary shares of £1 each		
M Tousey (beneficial interest)	750	500
J Gater	750	500
J Rimer FCA	-	-
S Damji	-	-
M Burgess	-	-

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 the affairs of the company and of the loss/profit of the company for that year. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Follow applicable Accounting Standards, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

AUDITORS

On 1 July 1999, Saffery Champness resigned from office and Menzies were appointed in their place to fill a casual vacancy. Accordingly, Menzies having expressed their willingness to continue in office as auditors, a resolution proposing their formal appointment will be submitted to the forthcoming Annual General Meeting.

By Order of the Board



J Rimer FCA
Secretary

10 August 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF

MA POTTER'S LIMITED

We have audited the financial statements on pages 7 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the company's financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The Chestnuts
18 East Street
Farnham
Surrey
GU9 7SD

10 August 1999

Menzies
Menzies
Chartered Accountants
and Registered Auditors

MA POTTER'S LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 NOVEMBER 1998**

		1998	1997
	Note	£	£
TURNOVER	2	2,152,663	2,130,991
Cost of sales		635,628	616,379
GROSS PROFIT		1,517,035	1,514,612
Administrative and other operating costs		1,480,124	1,358,254
OPERATING PROFIT		36,911	156,358
Exceptional items	3	(87,316)	91,393
Interest receivable	4	117	6,695
		(50,288)	254,446
Interest payable	5	24,146	17,584
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(74,434)	236,862
Tax on (loss)/profit on ordinary activities	6	2,303	41,638
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	18	(76,737)	195,224

All amounts above are derived from continuing operations and the company has no recognised gains or losses other than the (loss)/profit for the financial periods detailed above.

The notes on pages 9 to 18 form part of these financial statements.

MA POTTER'S LIMITED

BALANCE SHEET

30 NOVEMBER 1998

		1998		1997	
	Note	£	£	£	£
FIXED ASSETS					
Tangible fixed assets	9		842,728		537,699
Investments	10		2		-
			<u>842,730</u>		<u>537,699</u>
CURRENT ASSETS					
Stock	11	17,466		15,991	
Debtors	12	98,814		36,306	
Cash at bank and in hand		15,282		73,661	
		<u>131,562</u>		<u>125,958</u>	
CREDITORS: amounts falling due within one year	13	664,894		430,637	
NET CURRENT (LIABILITIES)			<u>(533,332)</u>		<u>(304,679)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			309,398		233,020
CREDITORS: amounts falling due after more than one year	14		216,711		66,315
PROVISION FOR LIABILITIES AND CHARGES	16		13,357		10,638
			<u>79,330</u>		<u>156,067</u>
CAPITAL AND RESERVES					
Called up share capital	17		1,750		1,000
Profit and loss account	18		77,580		155,067
EQUITY SHAREHOLDERS' FUNDS			<u>79,330</u>		<u>156,067</u>


The financial statements were approved by the Board of Directors on 10 August 1999

DIRECTORS

M Tousey



J Gater



The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

1 ACCOUNTING POLICIES

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Accounting convention

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

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.

Income from investments

Investment income comprises dividends declared during the accounting period in respect of listed and un-listed investments, interest receivable on term deposits and fixed interest securities and rents receivable.

Depreciation

Depreciation is charged on the following bases to reduce the cost of the company's tangible fixed assets to their net realisable values over their estimated useful lives at the following rates:

Leasehold land and buildings	Over the length of the lease
Motor vehicles	25% reducing balance
Furniture and equipment	Over 4 years
Fixtures and fittings	Over 7 years

Fixed asset investments

Fixed asset investments are included in the balance sheet at cost after provision for any permanent diminution in value.

Stock

Stock is stated at the lower of cost and net realisable value. In the case of raw materials and consumable stores, cost means purchase price calculated on a first in, first out basis. Net realisable value means the estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Deferred taxation

Provision is made for deferred taxation on the liability method for all short-term timing differences. Provision is also made for long-term timing differences, except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future. Such tax not provided for is disclosed as a contingent liability.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

1 ACCOUNTING POLICIES (continued)

Lease commitments and hire purchase contracts

Payments under operating leases are charged to the profit and loss account as incurred.

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

Assets financed under finance leases are capitalised in the balance sheet at their fair value and are depreciated over the shorter of the term of the lease and 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.

2 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and (loss)/profit on ordinary activities before taxation is attributable to the principal activity of the company.

The (loss)/profit is stated after charging:

	1998	1997
	£	£
Depreciation	87,220	53,594
Loss/(Profit) on disposal of tangible fixed assets	2,244	(6,320)
Auditors' remuneration	4,600	8,050
Directors' emoluments	133,423	175,226
	<u>133,423</u>	<u>175,226</u>

During the year ended 30 November 1998, the company paid rent amounting to £275,190 in respect of its leasehold premises.

The company's turnover and (loss)/profit has not been analysed by class of business.

3 EXCEPTIONAL ITEM

	1998	1997
	£	£
Profit on disposal of lease	-	91,393
Provision on disposal of trading outlet	(87,316)	-
	<u>(87,316)</u>	<u>-</u>

The 1998 exceptional item relates to a provision to reduce to the disposal proceeds the value of one of the company's trading outlets which was sold after the year end (see note 9).

MA POTTER'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

4 INTEREST RECEIVABLE

	1998	1997
	£	£
Deposit interest receivable	117	6,695

5 INTEREST PAYABLE

	1998	1997
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years:		
Bank loan and overdraft interest	10,195	13,094
Hire purchase and finance lease interest	11,584	4,490
Interest on other loans	2,367	-
	24,146	17,584

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£	£
U.K. corporation tax at 21% (1997 - 22%)	6,313	31,000
Deferred tax charge	2,719	10,638
	9,032	41,638
Prior year adjustments - corporation tax	(6,729)	-
	2,303	41,638

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

7 STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	1998	1997
	£	£
Wages and salaries	762,602	780,238

The average weekly number of employees during the year was as follows:

	1998	1997
	No.	No.
Office and administration	5	5
Catering	83	75
	88	80

8 DIRECTORS' EMOLUMENTS

Directors' emoluments were as follows:

	1998	1997
	£	£
Total emoluments	133,423	175,226
Compensation for loss of office	-	13,750
	133,423	188,976

None of the directors accrued any pension benefits during the year (1997 - £nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

9 TANGIBLE FIXED ASSETS

	Leasehold land and buildings	Motor vehicles	Furniture and equipment	Fixtures and fittings	Total
	£	£	£	£	£
COST					
At 1 December 1997	270,955	91,084	57,869	184,586	604,494
Additions	330,635	3,000	64,767	83,407	481,809
Disposals	(3,250)	-	(2,576)	(1,653)	(7,479)
At 30 November 1998	598,340	94,084	120,060	266,340	1,078,824
DEPRECIATION					
At 1 December 1997	17,678	2,989	11,329	34,799	66,795
Charge for the year	14,450	22,774	20,247	29,749	87,220
Released on disposals	(3,250)	-	(332)	(1,653)	(5,235)
Write-down on revaluation (see note 3)	80,883	-	-	6,433	87,316
At 30 November 1998	109,761	25,763	31,244	69,328	236,096
NET BOOK VALUE					
At 30 November 1997	253,277	88,095	46,540	149,787	537,699
At 30 November 1998	488,579	68,321	88,816	197,012	842,728

Financing

Details of tangible fixed assets held under finance leases and hire purchase contracts which are included above, are as follows:

	1998	1997
	£	£
Net book value at 30 November 1998	148,413	65,044
Depreciation charge for the year	24,206	8,167

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

10 INVESTMENTS

	Unlisted
	£
COST	
At 1 December 1997	-
Additions	2
At 30 November 1998	<u>2</u>
AMOUNTS WRITTEN OFF	
At 1 December 1997	-
At 30 November 1998	<u>-</u>
NET BOOK VALUE	
At 30 November 1997	-
At 30 November 1998	<u>2</u>

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 undertaking:

	Country of incorporation	Class of share held	Percentage held by Ma Potter's Limited
Chargrill 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.

Chargrill Limited has an issue share capital of £2 and has net assets of £2. It holds various leases but has had no trading activity since its incorporation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

11 STOCK

	1998	1997
	£	£
Raw materials and consumables	17,466	15,991

There were no significant differences between the replacement cost and the values disclosed for all categories of stock.

12 DEBTORS

	1998	1997
	£	£
Trade debtors	-	988
Taxation recoverable	14,397	-
Other debtors	11,688	13,532
Prepayments and accrued income	72,729	21,786
	98,814	36,306

All amounts included above are considered receivable within one year of the balance sheet date.

13 CREDITORS: amounts falling due within one year

	1998	1997
	£	£
Bank loans	65,305	49,456
Bank overdraft	-	33,195
Other loan	100,000	-
Net obligations under finance leases	31,224	9,380
Trade creditors	157,459	83,509
Current corporation tax	10,094	31,000
Social security and other taxes	40,898	84,802
Advance corporation tax payable	188	-
Accruals and deferred income	259,726	139,295
	664,894	430,637

The bank loans are secured by fixed and floating charges over the assets of the company.

The other loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

14 CREDITORS: amounts falling due after more than one year

	1998	1997
	£	£
Bank loan	14,695	10,544
Convertible unsecured loans (note 23)	100,000	-
Net obligations under hire purchase contracts	102,016	55,771
	<u>216,711</u>	<u>66,315</u>

The bank loan is secured by fixed and floating charges over the assets of the company.

The convertible unsecured loans were interest-free, non-refundable, and were converted into ordinary share capital in March 1999 (note 17).

15 LEASE COMMITMENTS AND HIRE PURCHASE CONTRACTS

Net obligations under finance leases and hire purchase contracts:

	1998	1997
	£	£
Within one year	31,224	9,380
Between two to five years	102,016	55,771
	<u>133,240</u>	<u>65,151</u>

The obligations under finance leases and hire purchase contracts are repayable by monthly instalments.

16 PROVISION FOR LIABILITIES AND CHARGES

	1998	1997
	£	£
Deferred taxation	13,357	10,638
	<u>13,357</u>	<u>10,638</u>

Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability, including the amount provided are set out below:

	Amount Provided		Potential Liability	
	1998	1997	1998	1997
	£	£	£	£
Accelerated capital allowances	<u>13,357</u>	<u>10,638</u>	<u>13,357</u>	<u>10,638</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

16 PROVISION FOR LIABILITIES AND CHARGES (continued)

Deferred taxation

	1998	1997
	£	£
At 1 December 1997	10,638	-
Provided	2,719	10,638
At 30 November 1998	13,357	10,638

17 CALLED UP SHARE CAPITAL

	1998	1997
	£	£
Authorised		
Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
Ordinary shares of £1 each		
At 1 December 1997	1,000	8
Shares issued during the year	750	995
Shares cancelled during the year	-	(3)
At 30 November 1998	1,750	1,000

On 31 July 1998, a bonus issue of 750 £1 ordinary shares was made.

In March 1999 the convertible loans under note 14 totalling £100,000 were converted into 250 £1 ordinary shares.

In June 1999 a further 1200 £1 ordinary shares were issued for a cash consideration of £300,000.

18 PROFIT AND LOSS ACCOUNT

	1998	1997
	£	£
At 1 December 1997	155,067	97,085
(Loss)/Profit for the financial year	(76,737)	195,224
Share movement - bonus issue	(750)	(992)
Share movement - transfer to capital redemption reserve	-	(3)
Purchase of own shares	-	(136,247)
At 30 November 1998	77,580	155,067

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
(Loss)/Profit for the financial year	(76,737)	195,224
Shares cancelled	-	(3)
Purchase of own shares	-	(136,247)
	<hr/>	<hr/>
Opening shareholders' funds	(76,737) 156,067	58,974 97,093
Closing shareholders' funds	<hr/> 79,330 <hr/>	<hr/> 156,067 <hr/>

20 COMMITMENTS UNDER OPERATING LEASES

The company is committed to making the following payments under operating leases over the next twelve months:

	Land and buildings
	£
Contracts to expire after five years	273,333

21 CAPITAL COMMITMENTS

The company had no capital commitments at 30 November 1998 (1997 - £nil).

22 CONTINGENT LIABILITIES

The company guarantees two leases and one agreement for lease held by its 100% owned subsidiary undertaking, Chagrill Limited. The value of the leases amounts to £232,500 per annum.

The costs in relation to these leases are charged to the operating company, Ma Potter's Limited.

23 RELATED PARTY TRANSACTIONS

a) At 30 November 1998, two of the company's directors, J Rimer and M Burgess, had committed to subscribe for ordinary share capital in the company. The investments amounted to £50,000 each and are shown as 'Convertible unsecured loans' under note 14. The investments were unsecured, interest free and were converted into ordinary share capital in March 1999.

b) At 30 November 1998, M Burgess had loaned the company £100,000 as a short-term source of finance. The loan was unsecured and attracted interest at a commercial rate.

c) The directors as shown on page 2 control the company.