

CATERING PARTNERSHIP [HOLDINGS] LIMITED

DIRECTOR'S REPORT

Registered Office:

Bank House
High Street
Lutterworth
Leicestershire

Company No:

3461641

The director presents his first annual report, together with the audited financial statements, for the period ended 30 June 1998.

1 Principal Activity and Review of Business

The company was incorporated on 28 October 1997 as Willoughby [153] Limited and changed its name on 18 February 1998 to Catering Partnership [Holdings] Limited. Since March 1998, the company has acted as the holding company of Catering Partnership Limited whose principal activity was the provision of contract catering services.

The result for the period is set out in the profit and loss account in the attached financial statements. The director is satisfied with the result for the period and of the company's financial position at 30 June 1998, as set out in the Balance Sheet.

2 Dividends

The director recommended the payment of a dividend of £6,000 during the period.

3 Director

The director who held office during the period, together with his beneficial interests in the shares of the company, was as follows:-

**Ordinary Shares
of £1 each**

Mr H Gadsden

950,000

A statement of director's responsibilities is set out on page 2 of the attached financial statements.

4 Auditors

The auditors, Messrs Crowfoot and Company, who were appointed during the period, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board

A M Gadsden

Secretary

27 August 1998



CATERING PARTNERSHIP [HOLDINGS] LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of the company and of the profit or loss of the company for that year. In preparing those financial statements, the director is required to

select suitable accounting policies and then apply them consistently

make judgments and estimates that are reasonable and prudent

prepare the financial statements 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 financial statements comply with the Companies Act 1985. He is 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' REPORT TO THE SHAREHOLDERS OF
CATERING PARTNERSHIP [HOLDINGS] LIMITED**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Director and Auditors

As described on page 2, the company's director is responsible for the preparation of 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.

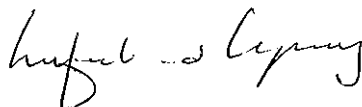
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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 judgments 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 at 30 June 1998 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor

27 August 1998

Chartered Accountants

CATERING PARTNERSHIP [HOLDINGS] LIMITED**PROFIT AND LOSS ACCOUNT****PERIOD ENDED 30 JUNE 1998**

	Note	£	£
Turnover			70,000
Cost of sales			-
			<hr/>
Gross Profit			70,000
Administrative expenses			349
			<hr/>
Operating Profit - continuing activities	2		69,651
Interest payable	3		24,063
			<hr/>
			45,588
Dividends received from shares in group company			6,000
			<hr/>
Profit on ordinary activities before taxation			51,588
Taxation	4		9,573
			<hr/>
Profit on ordinary activities after taxation			42,015
Dividend	5		6,000
			<hr/>
Retained profit for the financial period and as at 30 June 1998			36,015
			<hr/> <hr/>

The company made no recognised gains or losses in the period ended 30 June 1998 except for those included in the profit and loss account.

CATERING PARTNERSHIP [HOLDINGS] LIMITED**BALANCE SHEET - 30 JUNE 1998**

	Note	£	£
Fixed Asset Investment	6		2,014,945
Current Assets			
Prepayments and accrued income		70,000	
Cash at bank		1	
		<hr/>	
		70,001	
		<hr/>	
Creditors: amounts falling due within one year			
Amount owed to group undertakings		270,408	
Loan notes	7	239,997	
Corporation tax		9,573	
Accruals		3,950	
		<hr/>	
		523,928	
		<hr/>	
Net Current Liabilities			(453,927)
			<hr/>
			1,561,018
Creditors: amounts falling due after more than one year			
Loan notes	7	480,003	
Director's loan account		95,000	
		<hr/>	
			575,003
			<hr/>
			986,015
			<hr/>
Capital and Reserves			
Called up share capital	8		950,000
Profit and loss account			36,015
			<hr/>
Shareholders' Funds - equity interests	9		986,015
			<hr/>

Approved by the Board on 27 August 1998

✓
W.C.



Director

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CATERING PARTNERSHIP [HOLDINGS] LIMITED**CASHFLOW STATEMENT****PERIOD ENDED 30 JUNE 1998**

	Note	£
Reconciliation of Operating Profit to Net Cashflow from Operating Activities		
Operating profit		69,651
Increase in debtors		(70,000)
Increase in creditors		369,358
		<hr/>
Net Cash Inflow from Operating Activities		369,009
		<hr/>
Cashflow Statement		
Net cash inflow from operating activities		369,009
Returns on investments and servicing of finance	12	(18,063)
Acquisitions and disposals	12	(344,945)
Dividends paid		(6,000)
		<hr/>
Increase in cash		1
		<hr/>
Reconciliation of Net Cash Inflow to Movement in Net Debt		
Increase in cash in the period		1
Issue of loan notes	13	(720,000)
		<hr/>
Net debt at 30 June 1998	13	(719,999)
		<hr/>

CATERING PARTNERSHIP [HOLDINGS] LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 1998

1 Accounting Policies

a Basis of Accounting

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

The accounts present information about the company as an individual undertaking and not about its group. Group accounts are not required as the group qualifies as a medium-sized group under the terms of the Companies Act 1985.

Details of the company's subsidiary undertaking are given in note 6 below.

b Turnover

Turnover represents net invoiced goods and services excluding VAT. All the company's turnover related to its principal activity and was derived from the United Kingdom.

2 Operating Profit **£**

is stated after charging:-

Director's remuneration	-
Auditors' remuneration	350

The director received remuneration of £26,579 from the subsidiary company, Catering Partnership Limited, for his services as a director of that company, together with pension contributions of £10,008 during the subsidiary's financial year ending 30 June 1998.

3 Interest Payable **£**

On loan notes	24,000
On bank overdraft	63
	<hr/>
	24,063
	<hr/>

4 Taxation **£**

Corporaton tax at 21% on the taxable result for the period.	9,573
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The company is a close company under the terms of the Income and Corporation Taxes Act 1988.

CATERING PARTNERSHIP [HOLDINGS] LIMITED**NOTES TO THE FINANCIAL STATEMENTS****(Continued)****PERIOD ENDED 30 JUNE 1998**

5	Dividend	£
	Paid during the period	6,000
		<u> </u>

6 Investments - Shares in Group Undertaking

Catering Partnership Limited:-

3,000 ordinary shares of £1 each and
5,000 'A' ordinary shares of £1 each

at cost and director's valuation:

Additions during the year and as at 30 June 1998 2,014,945

The investment represents 100% of the issued share capital of Catering Partnership Limited, a company registered in England and Wales.

Catering Partnership Limited made a profit after tax and dividends of £80,994 for the year ended 30 June 1998 and its aggregate capital and reserves stood at £193,613 at that date.

7 Loan Notes

	Amounts falling due within One Year £	Amounts falling due within One to Two Years £	Amounts falling due within Two to Five Years £	Aggregate Amount £
'A' loan notes	210,415	138,195	276,390	625,000
'AA' loan notes	6,250	6,250	12,500	25,000
'B' loan notes	23,332	15,556	31,112	70,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	239,997	160,001	320,002	720,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The loan notes, which were issued during the period, are non-transferable and bear interest at 10% per annum. If the company fails to make any repayment instalments on or before the due date, or fails to comply with any of the other terms of the respective loan notes, the 'A' and 'AA' loan notes are convertible into redeemable 'A' preference shares, in the capital of the company at the option of the holder.

CATERING PARTNERSHIP [HOLDINGS] LIMITED**NOTES TO THE FINANCIAL STATEMENTS****(Continued)****PERIOD ENDED 30 JUNE 1998**

8 Called Up Share Capital	£
Authorised	
950,000 ordinary shares of £1 each	950,000
650,000 redeemable 'A' preference shares of £1 each	650,000
	<hr/>
	1,600,000
	<hr/>
Allotted, issued and fully paid	
950,000 ordinary shares of £1 each	950,000
	<hr/>

During the period, the company issued 950,000 ordinary shares of £1 each at par to provide its initial funds.

If the 'A' preference shares are issued, they will carry seven votes for each share, compared to one vote per share for the ordinary shares. The 'A' preference shares bear the right to a fixed cumulative net cash dividend of 10 pence per annum. Repayment of the 'A' preference shares plus any arrears of dividends thereon is to be given first priority on any winding up of the company. Any 'A' preference shares in issue are redeemable in full by 31 December 2010.

9 Reconciliation of Movement in Shareholders' Funds	£
Issue of share capital	950,000
Profit for the period	42,015
Dividends paid	(6,000)
	<hr/>
Closing shareholders' funds	986,015
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10 Controlling Party and Related Party Transactions

The controlling party is the director, Mr H Gadsden, by reason of his majority holding in the share capital of the company. An amount of £95,000 was due to Mr H Gadsden at 30 June 1998 included within creditors falling due after more than one year on the Balance Sheet.

The company has entered into a cross guarantee with its subsidiary, Catering Partnership Limited, in respect of bank borrowings.

During the period, the company received loans from its subsidiary company, Catering Partnership Limited, totalling £270,408. This amount remained outstanding at the year end, and is included within Creditors falling due within one year on the Balance Sheet.

Accrued Management charges to the subsidiary, amounting to £70,000, have been included in these financial statements.

CATERING PARTNERSHIP [HOLDINGS] LIMITED**NOTES TO THE FINANCIAL STATEMENTS****(Continued)****PERIOD ENDED 30 JUNE 1998****11 Comparative Figures**

As these are the company's first financial statements, there are no comparative figures.

12 Gross Cashflows**Returns on Investments and Servicing of Finance**

	£
Interest paid	(24,063)
Dividends received	6,000
	<hr/>
	(18,063)
	<hr/> <hr/>

Acquisitions and Disposals

Purchases of investments in subsidiary undertakings	(344,945)
	<hr/> <hr/>

13 Analysis of Changes in Net Debt

	Cashflows £	Other Changes £	At 30 June 1998 £
Cash at bank	1	-	1
Loan notes	-	(720,000)	(720,000)
	<hr/>	<hr/>	<hr/>
	1	(720,000)	(719,999)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14 Major non-cash transactions

During the period the company financed the purchase of investments in subsidiary undertakings by means of cash payments as shown in Note 12 above and the issue of 950,000 ordinary shares of £1 each at par and the issue of loan notes to the value of £720,000.