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GEORGE (MOUNT STREET) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

Registered Number: 3759332



WILKINS KENNEDY
Chartered Accountants
Bridge House, London Bridge
London SE1 9QR

GEORGE (MOUNT STREET) LIMITED

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GEORGE (MOUNT STREET) LIMITED

COMPANY INFORMATION

DIRECTORS

M.O.H.L. Birley
R.M. Birley
K. Bathia ACA

SECRETARY

K. Bathia ACA

COMPANY NUMBER

3759332

REGISTERED OFFICE

44 Hays Mews
London
W1J 5QB

AUDITORS

Wilkins Kennedy
Bridge House
London Bridge
London
SE1 9QR

SOLICITORS

Macfarlanes
10 Norwich Street
London
EC4A 1BD

BANKERS

Coutts & Co.
Media Banking Office
440 Strand
London
WC2R 0QS

GEORGE (MOUNT STREET) LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2005

The directors submit their report and the audited financial statements for the year ended 31 August 2005.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company, which has remained unchanged during the year, is the ownership and operation of a proprietary club "George".

The directors are determined to reduce the losses in the next financial year.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £442,643 (2004: £234,657).

The directors do not recommend a dividend (2004: £ Nil).

FIXED ASSETS

The movements in fixed assets during the year are set out in Note 7 to the financial statements.

DIRECTORS' AND THEIR INTERESTS

The directors who served during the year, none of whom held a beneficial interest in the company's issued ordinary share capital, were:-

M.O.H.L. Birley	Chairman
R.M. Birley	
K. Bathia	

M.O.H.L. Birley owns all of the issued share capital of Mark Birley Holdings Limited, which owned 82.5% of the share capital of the company at the balance sheet date.

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 and of the profit or loss 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 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 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. 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

POST BALANCE SHEET EVENT

On 24 November 2005 the company's authorised share capital was increased from £100,000 to £2,700,000 by the creation of 2,600,000 "C" ordinary shares of £1 each. On 23 December 2005 1,739,883 of these "C" ordinary shares of £1 each were issued for cash at par, increasing the company's issued share capital to £1,839,883.

GEORGE (MOUNT STREET) LIMITED

DIRECTORS' REPORT

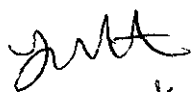
FOR THE YEAR ENDED 31 AUGUST 2005

AUDITORS

Slater & Co. resigned as auditors to the company on 23 January 2006. Wilkins Kennedy were appointed to fill the vacancy arising. A resolution to reappoint Wilkins Kennedy as auditors will be proposed at the next Annual General Meeting.

This report was approved by the Board taking advantage of the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board



K. BATRA

Secretary

Date: 29 June 2006.

GEORGE (MOUNT STREET) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GEORGE (MOUNT STREET) LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6 and 7.

This report is made solely to the company's members, 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 members 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 members 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.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF 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 31 August 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bridge House
London Bridge
LONDON
SE1 9QR


Chartered Accountants
& Registered Auditor

29 June 2006

GEORGE (MOUNT STREET) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2005

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
TURNOVER	2	2,350,557	2,336,423
Cost of sales		(577,327)	(585,793)
GROSS PROFIT		1,773,230	1,750,630
Administrative expenses		(1,926,674)	(1,850,782)
OPERATING LOSS	3	(153,444)	(100,152)
Loss on disposal of fixed asset		(110,520)	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(263,964)	(100,152)
Interest payable	4	(209,038)	(200,786)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(473,002)	(300,938)
Tax on loss on ordinary activities	6	30,359	66,281
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	14	£(442,643)	£(234,657)

There were no recognised gains and losses other than the results of the above two financial years.

There were no acquisitions or discontinued operations during the above two financial years

The notes on pages 6 to 11 form part of these financial statements.

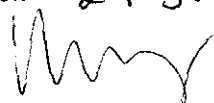
GEORGE (MOUNT STREET) LIMITED

BALANCE SHEET

AS AT 31 AUGUST 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£	£
FIXED ASSETS			
Tangible assets	7	2,510,592	2,886,765
CURRENT ASSETS			
Stock	8	28,745	33,922
Debtors	9	149,605	55,517
Cash at bank and in hand		850	916
		<u>179,200</u>	<u>90,355</u>
CREDITORS: Amounts falling due within one year	10	<u>(1,246,888)</u>	<u>(763,965)</u>
NET CURRENT LIABILITIES		<u>(1,067,688)</u>	<u>(673,610)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,442,904	2,213,155
CREDITORS: Amounts falling due after more than one year	11	<u>(2,791,155)</u>	<u>(3,118,763)</u>
NET LIABILITIES		<u>£(1,348,251)</u>	<u>£(905,608)</u>
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Share premium reserve	13	884,904	884,904
Profit and loss account	14	<u>(2,333,155)</u>	<u>(1,890,512)</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>£(1,348,251)</u>	<u>£(905,608)</u>

The financial statements on pages 4 to 11 which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the Board on 29 June 2006 and signed on its behalf by:



R M BIRLEY

Director

The notes on pages 6 to 11 form part of these financial statements.

GEORGE (MOUNT STREET) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:-

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Going concern

The accounts have been prepared on the going concern basis. The company incurred a loss for the year after taxation of £442,643 and at 31 August 2005 reported net liabilities of £1,348,251. As reported in note 20, the company's parent undertaking has invested £1.7 million of share capital in December 2005, and has indicated its willingness to support the company for at least 12 months from the date of signature of the accounts.

1.3 Turnover

Turnover represents subscriptions earned and net sales to members, net of value added tax.

Subscriptions received are credited to the profit and loss account on an accruals basis. The proportion of subscriptions treated as unearned is carried forward at the balance sheet date and credited to the profit and loss account in the following year. Subscriptions are not repayable under any circumstances.

1.4 Stock

Stocks have been valued at the lower of cost and net realisable value.

1.5 Depreciation

Depreciation is provided on a straight line basis on all fixed assets at rates calculated to write off the cost over their expected useful lives as follows:-

Leasehold properties	Period of lease
Plant, equipment and motor vehicles	10 - 20% per annum
Furniture, fixtures and fittings	10 - 20% per annum

1.6 Leasing

Annual rentals under operating leases are charged to the profit and loss account on an accruals basis.

1.7 Pension costs

The group operates a defined contribution pension scheme. The amount charged to the profit and loss account represents contributions payable by the company in respect of the financial year.

GEORGE (MOUNT STREET) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1. ACCOUNTING POLICIES - continued

1.8 Deferred taxation

The charge for taxation takes into account taxation deferred as a result of material timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

2. TURNOVER

All turnover and the loss before taxation were generated by the company's proprietary club in the United Kingdom.

3. OPERATING LOSS

	2005	2004
	£	£
This is stated after charging		
Depreciation of fixed assets	379,530	377,680
Operating lease rentals – property	107,600	107,600
Auditors' remuneration – current auditors	6,000	-
Auditors' remuneration – previous auditors	11,193	14,396
	<hr/>	<hr/>

4. INTEREST PAYABLE

On bank loan and overdraft	174,190	167,261
Paid to fellow subsidiary undertaking	34,848	33,525
	<hr/>	<hr/>
	£209,038	£200,786

5. DIRECTORS AND EMPLOYEES

Staff costs during the year amounted to:

Wages and salaries	807,126	731,629
Social security costs	64,992	63,620
	<hr/>	<hr/>
	£872,118	£795,249

	Number	Number
The average monthly number of employees including directors during the year was:		
Catering	46	44
Administration	5	4
	<hr/>	<hr/>

The directors did not receive any remuneration for their services during the year (2004: £Nil).

GEORGE (MOUNT STREET) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

6. TAXATION	2005 £	2004 £
Current tax	-	-
Adjustment to prior years	2,787	53,802
Payment for surrender of losses	27,572	12,479
	<u>£30,359</u>	<u>£66,281</u>
<u>Reconciliation of current tax charge</u>		
Loss on ordinary activities before taxation	(473,002)	(300,938)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2004: 30%)	(141,900)	(90,281)
Expenses not deductible for tax purposes	39,866	6,419
Depreciation in excess of capital allowances	74,462	71,383
Losses surrendered	27,572	12,479
	<u>£ -</u>	<u>£ -</u>

At the balance sheet date the company has tax losses to carry forward of £395,563. A deferred tax asset has not been recognised in respect of these losses due to the uncertainty of future profits arising to utilise the losses.

7. TANGIBLE FIXED ASSETS	Leasehold property £	Plant and equipment £	Furniture, fixtures & fittings £	Total £
Cost				
At 1 September 2004	3,145,572	551,783	389,884	4,087,239
Additions	106,413	7,463	-	113,876
Disposals	(139,500)	(21,500)	(20,400)	(181,400)
	<u>3,112,485</u>	<u>537,746</u>	<u>369,484</u>	<u>4,019,715</u>
At 31 August 2005				
Depreciation				
At 1 September 2004	639,689	348,023	212,762	1,200,474
Charge for the year	196,981	111,849	70,699	379,529
On disposals	(37,040)	(18,260)	(15,580)	(70,880)
	<u>799,630</u>	<u>441,612</u>	<u>267,881</u>	<u>1,509,123</u>
At 31 August 2005				
Net Book Value				
At 31 August 2005	<u>£2,312,855</u>	<u>£96,134</u>	<u>£101,603</u>	<u>£2,510,592</u>
At 31 August 2004	<u>£2,505,883</u>	<u>£203,760</u>	<u>£177,122</u>	<u>£2,886,765</u>

GEORGE (MOUNT STREET) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

8. STOCKS	2005	2004
	£	£
Wines, spirits, tobacco and food	<u>£28,745</u>	<u>£33,922</u>
9. DEBTORS		
Trade debtors	24,442	20,449
Amount due from subsidiary undertakings	22,661	-
Other debtors	4,446	5,042
Corporation tax recoverable	27,572	12,478
Prepayments and accrued income	70,484	17,548
	<u>£149,605</u>	<u>£55,517</u>
10. CREDITORS : Amounts falling due within one year		
Bank overdraft (secured)	307,227	133,353
Bank loans (see Note 11)	280,000	-
Trade creditors	145,580	83,939
Amounts due to fellow subsidiary undertakings	3,917	20,617
Other creditors	3,047	5,848
Other taxes and social security costs	81,270	99,821
Accruals	136,145	135,835
Income received in advance	289,702	284,552
	<u>£1,246,888</u>	<u>£763,965</u>
11. CREDITORS : Amounts falling due after one year		
Bank loan	2,380,000	2,660,000
Amounts due to fellow subsidiary undertakings	411,155	458,763
	<u>£2,791,155</u>	<u>£3,118,763</u>

The bank loans and overdraft are secured on the leasehold properties, by a fixed and floating charge over all other assets of the company and by a personal guarantee from M O H L Birley limited to £3,050,000. One bank loan is repayable in instalments commencing 1 December 2005. The other bank loan has no fixed terms of repayment and will be reviewed in November 2006. The bank loans are due to be repaid in full within five years of the balance sheet date.

Subsequent to the year end a refinancing arrangement has been agreed that has resulted in the replacement of bank loan with finance from the company's parent company, Mark Birley Holdings Limited.

GEORGE (MOUNT STREET) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

12. SHARE CAPITAL	2005	2004
	£	£
Authorised, allotted, issued and fully paid		
51,000 'A' Ordinary shares of £1 each	51,000	51,000
26,500 'B' Ordinary shares of £1 each	26,500	26,500
22,500 'C' Ordinary shares of £1 each	22,500	22,500
	<u>£100,000</u>	<u>£100,000</u>
All shares rank pari passu		
13. SHARE PREMIUM RESERVE		
Premium received on issue of:		
'A' Ordinary shares	333,905	333,905
'B' Ordinary shares	173,500	173,500
'C' Ordinary shares	377,499	377,499
	<u>£884,904</u>	<u>£884,904</u>
14. PROFIT AND LOSS ACCOUNT		
Retained loss for the year	(442,643)	(234,657)
Retained loss at 1 September 2004	(1,890,512)	(1,655,855)
Retained loss at 31 August 2005	<u>£(2,333,155)</u>	<u>£(1,890,512)</u>
15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS		
Loss for the year	(442,643)	(234,657)
Shareholders funds at 1 September 2004	(905,608)	(670,951)
Shareholders funds at 31 August 2005	<u>£(1,348,251)</u>	<u>£(905,608)</u>
16. COMMITMENTS		
At 31 August 2005 the company had contracted capital expenditure of £300,000 (2004: £Nil).		
At 31 August 2005 the company had an annual commitment under a non-cancellable land and buildings operating lease of £107,600 (2004: £107,600).		
17. PARENT UNDERTAKING AND CONTROLLING PARTY		
Mark Birley Holdings Limited, a company incorporated in United Kingdom is the company's parent undertaking and M.O.H.L Birley who controls 100% of the shares in Mark Birley Holdings Limited is the company's ultimate controlling party.		

GEORGE (MOUNT STREET) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

18. RELATED PARTY TRANSACTIONS

The company had transactions, during the year under review, with related parties, as defined in Financial Reporting Standard No.8, as follows:-

The company received central and other services from its fellow subsidiary undertakings as follows:-

	2005 £	2004 £
Annabel's (Berkeley Square) Limited	15,000	15,000
Harry's Bar Limited	38,420	37,153

Certain services were received from and provided to fellow subsidiary, for which no charges were made. The directors do not consider the sums involved to be material.

Amounts owed to/(by) related parties at the year end were as follows:

	Relationship	2005 £	2004 £
Annabel's (Berkeley Square) Limited	Fellow subsidiary	22,661	(17,025)
Mark's Club (Charles Street) Limited	Fellow subsidiary	(1,061)	(1,020)
Harry's Bar Limited	Fellow subsidiary	(2,856)	(2,572)
Mark Birley Associates Limited	Fellow subsidiary	(411,155)	(458,763)

The loan from Mark Birley Associates Limited carried interest at 2% above bank base rate. Interest charged in the year amounted to £34,848 (2004: £33,525).

Mark Birley Associates Limited, a fellow subsidiary undertaking, provided management services to the company to the value of £117,502 (2004: £116,841).

19. CONTINGENT LIABILITIES

The company has received a claim from the Inland Revenue relating to National Minimum Wage. Having taken advice, the directors do not believe that there is any liability beyond that already provided in these financial statements.

20. POST BALANCE SHEET EVENTS

On 30 November 2005 the company's authorised share capital was increased from £100,000 to £2,700,000 by the creation of 2,600,000 "C" ordinary shares of £1 each. On 23 December 2005 1,739,883 of these "C" ordinary shares of £1 each were issued for cash at par, increasing the company's issued share capital to £1,839,883.