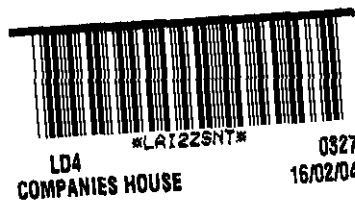

EMBASSY LONDON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2002



EMBASSY LONDON LIMITED

COMPANY INFORMATION

DIRECTORS	M N J Fuller (appointed 10/08/2001) G S Hollihead (appointed 10/8/2001) A J Taylor (appointed 28/10/2002) T Wilson (appointed 28/10/2002) G M Campbell Gough (appointed 28/01/2002 & resigned 28/10/2002)
SECRETARY	S E A Standings
COMPANY NUMBER	4268439
REGISTERED OFFICE	82 St John Street London EC1M 4JN
AUDITORS	Audit Assure Chartered Accountants 82 St John Street London EC1M 4JN

EMBASSY LONDON LIMITED

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DIRECTORS' REPORT
For the period ended 31 December 2002

The directors present their report and the financial statements for the period ended 31 December 2002.

STATEMENT OF 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 period. 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;
- 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company runs an exclusive restaurant and club in Mayfair

Directors' Assessment of the current and future trading position of the company

Since the launch of the Embassy restaurant and club, the directors have been pleased with the progress and growth of the company.

Embassy was launched as a high profile prestigious new style restaurant and club, requiring a huge amount of PR, marketing and one-off start up costs which amounted to just over £340,000.

The directors created a successful formula with the intention of rapid expansion. Due to the unfortunate terrorist activities of the year, the plans for growth were delayed. During 2003/2004 these plans have been implemented and further expansion is expected.

The profile and performance of the company anticipated by the directors were achieved. The Embassy is now a reputable and exclusive London brand that continues to attract major clients, as the 2003 trading figures will reflect. In only the company's second year of trading an overall profit is indicated. The directors expect this success to continue and improve in 2004.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £598,563.

The directors do not recommend the payment of a dividend.

DIRECTORS' REPORT
For the period ended 31 December 2002

DIRECTORS

The directors who served during the period and their beneficial interests in the company's issued share capital were:

	Ordinary A shares of £1 each		Ordinary B shares of £1 each		Ordinary C shares of £1 each	
	<u>31/12/02</u>	<u>10/8/01</u>	<u>31/12/02</u>	<u>10/8/01</u>	<u>31/12/02</u>	<u>10/8/01</u>
M N J Fuller (appointed 10/08/2001)	-	20,000 *	52,500	-	392,000	-
G S Hollihead (appointed 10/8/2001)	-	-	5,000	-	-	-
A J Taylor (appointed 28/10/2002)	-	-	-	-	-	-
T Wilson (appointed 28/10/2002)	-	-	-	-	-	-
G M Campbell Gough (appointed 28/01/2002 & resigned 28/10/2002)	-	-	-	-	-	-

(* held on date of
appointment)

The beneficial interest shown for M N J Fuller includes 18,750 B shares and 61,000 C shares held by his wife, as well as 15,000 B shares and 38,000 C shares held by trustees on behalf of his children.

AUDITORS

The auditors, Audit Assure, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 13/02/2004 and signed on its behalf.

M N J Fuller
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMBASSY LONDON LIMITED

We have audited the financial statements of Embassy London Limited for the period ended 31 December 2002 set out on pages 5 to 16. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 9.

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 auditor's 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMBASSY LONDON LIMITED

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Audit Assure



Audit Assure

Chartered Accountants
Registered Auditor

82 St John Street
London
EC1M 4JN

16/02/2004

EMBASSY LONDON LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 31 December 2002

	Note	Period Ended 31 December 2002 £
TURNOVER	1, 2	2,746,696
Cost of sales		(992,737)
GROSS PROFIT		1,753,959
Administrative expenses (including start up costs)		(2,212,878)
Operating loss before start up costs	(209,107)	
Start up costs	(249,812)	
Operating loss after start up costs	(458,919)	
OPERATING LOSS	3	(458,919)
Interest receivable		2,685
Interest payable	5	(142,329)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(598,563)
TAX ON LOSS ON ORDINARY ACTIVITIES		-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(598,563)

All amounts relate to continuing operations.

The notes on pages 9 to 16 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 31 December 2002

	Period Ended 31 December 2002 £
LOSS FOR THE FINANCIAL PERIOD	(598,563)
Unrealised surplus on revaluation of property	173,666
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	(424,897)

The notes on pages 9 to 16 form part of these financial statements.

EMBASSY LONDON LIMITED

BALANCE SHEET
As at 31 December 2002

	Note	31 December 2002	
		£	£
FIXED ASSETS			
Tangible fixed assets	6		2,327,218
CURRENT ASSETS			
Stocks	7	30,772	
Debtors	8	253,831	
Cash in hand		367	
		<u>284,970</u>	
CREDITORS: amounts falling due within one year	9	<u>(1,524,947)</u>	
NET CURRENT LIABILITIES			<u>(1,239,977)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,087,241</u>
CREDITORS: amounts falling due after more than one year	10		<u>(1,020,138)</u>
NET ASSETS			<u><u>67,103</u></u>
CAPITAL AND RESERVES			
Called up share capital	11		492,000
Revaluation reserve	12		173,666
Profit and loss account			<u>(598,563)</u>
SHAREHOLDERS' FUNDS - All Equity	13		<u><u>67,103</u></u>

The financial statements were approved by the board on 13/02/2004 and signed on its behalf.


M N J Fuller
Director

The notes on pages 9 to 16 form part of these financial statements.

CASH FLOW STATEMENT
For the period ended 31 December 2002

	Note	Period Ended 31 December 2002 £
Net cash flow from operating activities	14	326,334
Returns on investments and servicing of finance	15	(139,644)
Capital expenditure and financial investment	15	(2,262,849)
CASH OUTFLOW BEFORE FINANCING		(2,076,159)
Financing	15	1,700,335
DECREASE IN CASH IN THE PERIOD		(375,824)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 16)
For the period ended 31 December 2002

	Period Ended 31 December 2002 £
Decrease in cash in the period	(375,824)
Cash outflow from increase in debt and lease financing	(1,208,335)
MOVEMENT IN NET DEBT IN THE PERIOD	(1,584,159)
Net funds at 10 August 2001	-
NET DEBT AT 31 DECEMBER 2002	(1,584,159)

The notes on pages 9 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards, as modified by the revaluation of the leasehold building.

1.2 Going Concern

The accounts have been prepared on a going concern basis. This basis depends upon the continuing support of M N J Fuller, a director of the company. The company's operations are currently funded by an overdraft and bank loan. This facility is secured against the assets of the company and guaranteed by M N J Fuller personally, who is intending to continue his support for the foreseeable future.

1.3 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land and buildings	-	Over the	period of the lease
Fixtures and Fittings	-	10%	straight line
Other Fixed Assets	-	20%	straight line

1.5 Revaluation of tangible fixed assets

The leasehold building and trade fixtures and fittings have been revalued on an existing use basis with the surplus transferred to a revaluation reserve.

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2. TURNOVER

The whole of the turnover is attributable to restaurant and club trade.

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

3. OPERATING LOSS

The operating loss is stated after charging:

	Period Ended 31 December 2002 £
Depreciation of tangible fixed assets:	
- owned by the company	109,297
Auditors' remuneration	3,000
Operating lease rentals:	
- other operating leases	193,237
	<u>305,534</u>

During the period, no director received any emoluments.

4. STAFF COSTS

Staff costs were as follows:

	Period Ended 31 December 2002 £
Wages and salaries	773,523
Social security costs	62,769
	<u>836,292</u>

The average monthly number of employees, including directors, during the period was as follows:

	Period Ended 31 December 2002
Staff	53
Directors	5
	<u>58</u>

5. INTEREST PAYABLE

	Period Ended 31 December 2002 £
On bank loans and overdrafts	95,943
On other loans	12,403
On finance leases and hire purchase contracts	23,983
Other interest payable	10,000
	<u>142,329</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

6. TANGIBLE FIXED ASSETS

	Land and buildings	Furniture, fittings and equipment	Other fixed assets	Total
	£	£	£	£
Cost or valuation				
Additions	1,910,604	261,261	90,984	2,262,849
Revaluation surplus	173,666	-	-	173,666
At 31 December 2002	<u>2,084,270</u>	<u>261,261</u>	<u>90,984</u>	<u>2,436,515</u>
Depreciation				
Charge for the period	95,530	-	13,767	109,297
At 31 December 2002	<u>95,530</u>	<u>-</u>	<u>13,767</u>	<u>109,297</u>
Net book value				
At 31 December 2002	<u>1,988,740</u>	<u>261,261</u>	<u>77,217</u>	<u>2,327,218</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 December 2002 £
Land and buildings	<u>423,833</u>

The related depreciation charge for the period was £21,192.

The directors valued short leasehold land and buildings, including trade fixtures, fittings, furniture, furnishings and equipment, at £2,250,000 as at 31 December 2002 on an existing use value basis. They have based their valuation on a valuation given on 25 June 2001 by an independent firm of Chartered Surveyors, which took into consideration the trading potential of the business. The directors do not consider the valuation to have materially changed.

If the property and trade fixtures and fittings had not been revalued they would have been stated at a historic cost less depreciation of £2,076,335.

The trade fixtures and fittings have not been depreciated as the directors have deemed their value, as at the period end, to be in excess of purchase cost. Any potential depreciation would be immaterial.

7. STOCKS

	31 December 2002 £
Finished goods and goods for resale	<u>30,772</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

The difference between purchase price or production cost of stocks and their replacement cost is not material.

8. DEBTORS

	31 December 2002 £
Due within one year	
Trade debtors	2,627
Other debtors	60,045
Prepayments and accrued income	191,159
	<u>253,831</u>

Included within other debtors due within one year are loans to G Hollihead and A Taylor, directors, amounting to £1,568 and £2,001 respectively. The maximum amounts outstanding during the period were the final balances.

9. CREDITORS:
Amounts falling due within one year

	31 December 2002 £
Bank loans and overdrafts	422,841
Net obligations under finance leases and hire purchase contracts	141,547
Trade creditors	436,414
Social security and other taxes	274,645
Other creditors	146,380
Accruals and deferred income	103,120
	<u>1,524,947</u>

Included within other creditors due within one year is a loan from M N J Fuller, a director, amounting to £63,903.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

10. CREDITORS:

Amounts falling due after more than one year

31 December
2002
£

Bank loans	907,050
Net obligations under finance leases and hire purchase contracts	113,088
	<u>1,020,138</u>

Included within the above are amounts falling due as follows:

31 December
2002
£

Between one and two years

Bank loans	155,500
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Between two and five years

Bank loans	559,800
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Over five years

Bank loans	191,750
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Creditors include amounts not wholly repayable within 5 years as follows:

31 December
2002
£

Repayable by instalments	191,750
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Amounts not wholly repayable within 5 years are to be repaid by monthly instalments of £15,550.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

31 December
2002
£

Between two and five years	113,088
----------------------------	---------

The loan is secured by a fixed and floating charge over the assets of the company and by a guarantee for £828,000 given by M N J Fuller.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

11. SHARE CAPITAL

	31 December 2002 £
Authorised	
20,000 Ordinary A shares of £1 each	20,000
80,000 Ordinary B shares of £1 each	80,000
392,000 Ordinary C shares of £1 each	392,000
508,000 Ordinary shares of £1 each	508,000
	<u>1,000,000</u>
Allotted, called up and fully paid	
20,000 Ordinary A shares of £1 each	20,000
80,000 Ordinary B shares of £1 each	80,000
392,000 Ordinary C shares of £1 each	392,000
	<u>492,000</u>

The company issued 20,000 Ordinary £1 Class A shares, 80,000 Ordinary £1 Class B shares and 392,000 Ordinary Class C shares at par.

12. RESERVES

Revaluation reserve	£
Surplus on revaluation	173,666
	<u>173,666</u>
At 31 December 2002	<u>173,666</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 2002 £
Loss for the period	(598,563)
Shares issued during the period	492,000
Surplus on revaluation	173,666
	<u>67,103</u>
Closing shareholders' funds	<u>67,103</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

14. NET CASH FLOW FROM OPERATING ACTIVITIES

	Period Ended 31 December 2002 £
Operating loss	(458,919)
Depreciation of tangible fixed assets	109,297
Increase in stocks	(30,772)
Increase in debtors	(266,956)
Increase in creditors	973,684
NET CASH INFLOW FROM OPERATIONS	326,334

15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period Ended 31 December 2002 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	2,685
Interest paid	(118,346)
Hire purchase interest	(23,983)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(139,644)

	Period Ended 31 December 2002 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	
Purchase of tangible fixed assets	(2,262,849)

	Period Ended 31 December 2002 £
FINANCING	
Issue of ordinary shares	492,000
New secured loans	953,700
Principal payment under finance lease	254,635
NET CASH INFLOW FROM FINANCING	1,700,335

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

16. ANALYSIS OF CHANGES IN NET DEBT

	10 August 2001 £	Cash flow £	Other non-cash changes £	31 December 2002 £
Cash at bank and in hand:	-	367	-	367
Bank overdraft	-	(376,191)	-	(376,191)
	-	(375,824)	-	(375,824)
DEBT :				
Finance leases	-	(254,635)	-	(254,635)
Debts due within one year	-	(953,700)	907,050	(46,650)
Debts falling due after more than one year	-	-	(907,050)	(907,050)
NET	-	(1,584,159)	-	(1,584,159)

17. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 31 December 2002 £
Expiry date:	
After more than 5 years	135,000

18. RELATED PARTY TRANSACTIONS

Included within other creditors due within one year is a loan of £37,615 due to The Inn on the Green Limited, a company owning 20,000 Class A Ordinary Shares.

During the period the company was charged £60,014 for consultancy services provided by Empower Limited, a company owned by Mark and Mandy Fuller, the former being a director of the company.

During the period the company was charged £56,149 for consultancy services provided by Fleur Cuisine Limited, a company owned by Garry Hollihead, a director of the company.

During the period the company recharged Fleur Cuisine Limited £50,000 and Empower Limited £50,000, being their share of promotional costs relating to image building for Garry Hollihead and Mark Fuller.

19. CONTROLLING PARTY

The company is controlled by M N J Fuller, by virtue of his majority shareholding.