

REGISTERED NUMBER: 4268439 (England and Wales)

Report of the Directors and  
Financial Statements for the Year Ended 31 December 2003  
for  
Embassy London Limited



	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Cash Flow Statement	9
Notes to the Financial Statements	12
Trading and Profit and Loss Account	20

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Embassy London Limited

Company Information  
for the Year Ended 31 December 2003

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**DIRECTORS:**

M N J Fuller  
G S Hollihead  
A.J. Taylor  
T S Wilson

**SECRETARY:**

Ms S E A Standing

**REGISTERED OFFICE:**

29 Old Burlington Street  
London  
W1S 3AN

**REGISTERED NUMBER:**

4268439 (England and Wales)

**AUDITORS:**

Lerman & Co.  
Chartered accountants &  
Registered auditors  
Suite 5, Stanmore Towers  
8-14 Church Road  
Stanmore

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

#### PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an exclusive restaurant and club in Mayfair.

#### REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The Directors are pleased with the turnaround of the company and the longevity of its exclusive and high profile reputation, which continues into 2005.

#### DIVIDENDS

No dividends will be distributed for the year ended 31 December 2003.

#### DIRECTORS

The directors during the year under review were:

M N J Fuller  
G S Hollihead  
A.J. Taylor  
T S Wilson

The beneficial interests of the directors holding office on 31 December 2003 in the issued share capital of the company were as follows:

	31.12.03	1.1.03
<b>Ordinary A Shares £1 shares</b>		
M N J Fuller	-	-
G S Hollihead	-	-
A.J. Taylor	-	-
T S Wilson	-	-
<b>Ordinary B shares £1 shares</b>		
M N J Fuller	52,500	52,500
G S Hollihead	-	5,000
A.J. Taylor	-	-
T S Wilson	-	-
<b>Ordinary C shares £1 shares</b>		
M N J Fuller	392,000	392,000
G S Hollihead	-	-
A.J. Taylor	-	-
T S Wilson	-	-

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.

**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

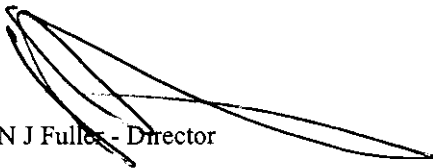
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

**AUDITORS**

The auditors, Lerman & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

  
M N J Fuller - Director

18 January 2005

Report of the Independent Auditors to the Shareholders of  
Embassy London Limited

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We have audited the financial statements of Embassy London Limited for the year ended 31 December 2003 on pages five to nineteen. 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 therein.

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**

As described on pages two and three the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

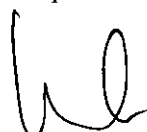
**Basis of audit opinion**

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.

**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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Lerman & Co.  
Chartered accountants &  
Registered auditors  
Suite 5, Stanmore Towers  
8-14 Church Road  
Stanmore

18 January 2005

Embassy London Limited

Profit and Loss Account  
for the Year Ended 31 December 2003

		Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
	Notes		
<b>TURNOVER</b>		2,528,452	2,746,696
Cost of sales		<u>677,493</u>	<u>992,737</u>
<b>GROSS PROFIT</b>		1,850,959	1,753,959
Administrative expenses		<u>1,718,909</u>	<u>2,212,880</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	132,050	(458,921)
Interest receivable and similar income		<u>-</u>	<u>2,685</u>
		132,050	(456,236)
Interest payable and similar charges	4	<u>113,464</u>	<u>142,329</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		18,586	(598,565)
Tax on profit/(loss) on ordinary activities	5	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>18,586</u>	<u>(598,565)</u>
<b>RETAINED PROFIT/(DEFICIT) FOR THE YEAR</b>		<u>18,586</u>	<u>(598,565)</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous period.

The notes form part of these financial statements

Embassy London Limited

Statement of Total Recognised Gains and Losses  
for the Year Ended 31 December 2003

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	Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	18,586	(598,565)
Revaluation	<u>31,981</u>	<u>173,666</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u>50,567</u>	<u>(424,899)</u>

The notes form part of these financial statements



Embassy London Limited

Balance Sheet

31 December 2003

	Notes	31.12.03 £	31.12.02 £
<b>FIXED ASSETS</b>			
Tangible assets	6	2,315,872	2,327,217
<b>CURRENT ASSETS</b>			
Stocks	7	42,020	30,772
Debtors	8	411,571	250,262
Cash at bank and in hand		<u>1,333</u>	<u>367</u>
		454,924	281,401
<b>CREDITORS</b>			
Amounts falling due within one year	9	<u>1,911,943</u>	<u>1,521,380</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,457,019)</u>	<u>(1,239,979)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		858,853	1,087,238
<b>CREDITORS</b>			
Amounts falling due after more than one year	10	<u>741,185</u>	<u>1,020,138</u>
		<u>117,668</u>	<u>67,100</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	492,000	492,000
Revaluation reserve	14	205,647	173,666
Profit and loss account	14	<u>(579,979)</u>	<u>(598,566)</u>
<b>SHAREHOLDERS' FUNDS</b>	17	<u>117,668</u>	<u>67,100</u>

ON BEHALF OF THE BOARD:

  
M N J Fuller - Director

Approved by the Board on 18 January 2005

The notes form part of these financial statements

Embassy London Limited

Cash Flow Statement  
for the Year Ended 31 December 2003

	Notes	Year Ended 31.12.03 £	£	Period 10.8.01 to 31.12.02 £	£
<b>Net cash inflow from operating activities</b>	1		9,981		228,385
<b>Returns on investments and servicing of finance</b>	2		(113,464)		(139,644)
<b>Capital expenditure</b>	2		<u>(52,002)</u>		<u>(2,262,849)</u>
			(155,485)		(2,174,108)
<b>Financing</b>	2		<u>315,171</u>		<u>806,969</u>
<b>Increase/(Decrease) in cash in the period</b>			<u>159,686</u>		<u>(1,367,139)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>	3				
Increase/(Decrease) in cash in the period		108,321		(375,824)	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>133,136</u>		<u>(1,208,335)</u>	
Change in net debt resulting from cash flows			<u>241,457</u>		<u>(1,584,159)</u>
<b>Movement in net debt in the period</b>			241,457		(1,584,159)
<b>Net debt at 1 January</b>			<u>(1,584,159)</u>		<u>-</u>
<b>Net debt at 31 December</b>			<u>(1,342,702)</u>		<u>(1,584,159)</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement  
for the Year Ended 31 December 2003

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
Operating profit/(loss)	132,050	(458,921)
Depreciation charges	95,329	109,297
Increase in stocks	(11,248)	(30,772)
Increase in debtors	(137,904)	(250,262)
(Decrease)/Increase in creditors	<u>(68,246)</u>	<u>859,043</u>
<b>Net cash inflow from operating activities</b>	<u>9,981</u>	<u>228,385</u>

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

	Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
<b>Returns on investments and servicing of finance</b>		
Interest received	-	2,685
Interest paid	(105,111)	(108,346)
Interest element of finance lease payments	(11,008)	(23,983)
Finance costs	<u>2,655</u>	<u>(10,000)</u>
<b>Net cash outflow for returns on investments and servicing of finance</b>	<u>(113,464)</u>	<u>(139,644)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(52,564)	(2,262,849)
Sale of tangible fixed assets	<u>562</u>	<u>-</u>
<b>Net cash outflow for capital expenditure</b>	<u>(52,002)</u>	<u>(2,262,849)</u>
<b>Financing</b>		
Capital repayments in year	(86,486)	254,635
Amount withdrawn by directors	401,657	60,334
Share issue	<u>-</u>	<u>492,000</u>
<b>Net cash inflow from financing</b>	<u>315,171</u>	<u>806,969</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement  
for the Year Ended 31 December 2003

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.03 £	Cash flow £	At 31.12.03 £
Net cash:			
Cash at bank and in hand	367	966	1,333
Bank overdraft	<u>(376,191)</u>	<u>107,355</u>	<u>(268,836)</u>
	<u>(375,824)</u>	<u>108,321</u>	<u>(267,503)</u>
Debt:			
Finance leases	(254,635)	86,486	(168,149)
Debts falling due within one year	(46,650)	(139,950)	(186,600)
Debts falling due after one year	<u>(907,050)</u>	<u>186,600</u>	<u>(720,450)</u>
	<u>(1,208,335)</u>	<u>133,136</u>	<u>(1,075,199)</u>
Total	<u>(1,584,159)</u>	<u>241,457</u>	<u>(1,342,702)</u>

1. ACCOUNTING POLICIES

**Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- in accordance with the property
Plant and machinery	- 20% on cost
Fixtures and fittings	- 10% on cost

**Stocks**

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

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Hire purchase and leasing commitments**

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

**Revaluation of tangible fixed assets**

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

**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.

2. STAFF COSTS

	Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
Wages and salaries	639,657	773,523
Social security costs	<u>48,833</u>	<u>62,769</u>
	<u>688,490</u>	<u>836,292</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2003

2. **STAFF COSTS - continued**

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

	Year Ended 31.12.03	Period 10.8.01 to 31.12.02
Staff	46	53
Directors	<u>4</u>	<u>5</u>
	<u>50</u>	<u>58</u>

3. **OPERATING PROFIT/(LOSS)**

The operating profit (2002 - operating loss) is stated after charging:

	Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
Hire of plant and machinery	14,890	12,118
Other operating leases	138,235	193,237
Depreciation - owned assets	95,329	109,297
Auditors remuneration	<u>2,500</u>	<u>3,000</u>
Directors' emoluments	-	-
Compensation to director for loss of office	<u>-</u>	<u>11,293</u>

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	Year Ended 31.12.03 £	Period 10.8.01 to 31.12.02 £
Bank interest	10,603	18,170
Bank loan interest	52,420	77,773
Other interest	42,088	12,403
Leasing	11,008	23,983
Interest on overdue tax	<u>(2,655)</u>	<u>10,000</u>
	<u>113,464</u>	<u>142,329</u>

5. **TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2003 nor for the period ended 31 December 2002.

6. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Totals £
<b>COST OR VALUATION</b>				
At 1 January 2003	2,084,270	90,984	261,261	2,436,515
Additions	20,591	-	31,973	52,564
Disposals	-	-	(562)	(562)
Revaluations	31,981	-	-	31,981
At 31 December 2003	<u>2,136,842</u>	<u>90,984</u>	<u>292,672</u>	<u>2,520,498</u>
<b>DEPRECIATION</b>				
At 1 January 2003	95,530	13,767	-	109,297
Charge for year	85,329	10,000	-	95,329
At 31 December 2003	<u>180,859</u>	<u>23,767</u>	<u>-</u>	<u>204,626</u>
<b>NET BOOK VALUE</b>				
At 31 December 2003	<u>1,955,983</u>	<u>67,217</u>	<u>292,672</u>	<u>2,315,872</u>
At 31 December 2002	<u>1,988,740</u>	<u>77,217</u>	<u>261,261</u>	<u>2,327,218</u>

6. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 December 2003 is represented by:

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Totals £
Valuation in 2002	173,666	-	-	173,666
Valuation in 2003	31,981	-	-	31,981
Cost	<u>1,931,195</u>	<u>90,422</u>	<u>293,831</u>	<u>2,315,448</u>
	<u>2,136,842</u>	<u>90,422</u>	<u>293,831</u>	<u>2,521,095</u>



Notes to the Financial Statements - continued  
for the Year Ended 31 December 2003

7.	<b>STOCKS</b>	31.12.03	31.12.02
		£	£
	Stocks	<u>42,020</u>	<u>30,772</u>
8.	<b>DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	31.12.03	31.12.02
		£	£
	Trade debtors	197,200	2,627
	Other debtors	35,772	56,041
	Staff loans	1,394	435
	Directors' current accounts	23,405	-
	Prepayments	<u>153,800</u>	<u>191,159</u>
		<u>411,571</u>	<u>250,262</u>
9.	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	31.12.03	31.12.02
		£	£
	Bank loans and overdrafts (see note 11)	455,436	422,841
	Finance leases (see note 12)	147,414	141,547
	Trade creditors	325,139	436,414
	Amounts owed to group undertakings	32,900	37,615
	Social security and other taxes	140,548	161,563
	VAT	112,192	113,082
	Other creditors	106,495	39,806
	Wages & salaries	11,447	5,056
	Directors' current accounts	485,396	60,334
	Accrued expenses	<u>94,976</u>	<u>103,122</u>
		<u>1,911,943</u>	<u>1,521,380</u>
10.	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	31.12.03	31.12.02
		£	£
	Bank loans (see note 11)	720,450	907,050
	Finance leases (see note 12)	<u>20,735</u>	<u>113,088</u>
		<u>741,185</u>	<u>1,020,138</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2003

11. LOANS

An analysis of the maturity of loans is given below:

	31.12.03 £	31.12.02 £
Amounts falling due within one year or on demand:		
Bank overdrafts	268,836	376,191
Bank loans	<u>186,600</u>	<u>46,650</u>
	<u>455,436</u>	<u>422,841</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>186,600</u>	<u>155,500</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>533,850</u>	<u>559,800</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>-</u>	<u>191,750</u>

12. OBLIGATIONS UNDER LEASING AGREEMENTS

	31.12.03 £	Finance leases 31.12.02 £
Net obligations repayable:		
Within one year	147,414	141,547
Between one and five years	<u>20,735</u>	<u>113,088</u>
	<u>168,149</u>	<u>254,635</u>

The following operating lease payments are committed to be paid within one year:

	31.12.03 £	Land and buildings 31.12.02 £
Expiring:		
In more than five years	<u>135,000</u>	<u>135,000</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2003

## 13. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.03 £	31.12.02 £
20,000	Ordinary A shares	£1	20,000	20,000
80,000	Ordinary B shares	£1	80,000	80,000
392,000	Ordinary C shares	£1	392,000	392,000
508,000	Ordinary shares	£1	<u>508,000</u>	<u>508,000</u>
			<u>1,000,000</u>	<u>1,000,000</u>

## 14. RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 January 2003	(598,565)	173,666	(424,899)
Retained profit for the year	18,586	-	18,586
No description	-	<u>31,981</u>	<u>31,981</u>
At 31 December 2003	<u>(579,979)</u>	<u>205,647</u>	<u>(374,332)</u>

## 15. TRANSACTIONS WITH DIRECTORS

The following loans to directors subsisted during the year ended 31 December 2003:

	£
<b>G S Hollihead</b>	
Balance outstanding at start of year	1,568
Balance outstanding at end of year	8,073
Maximum balance outstanding during year	<u>8,073</u>
<b>A.J. Taylor</b>	
Balance outstanding at start of year	2,001
Balance outstanding at end of year	2,001
Maximum balance outstanding during year	<u>2,001</u>

## 16. RELATED PARTY DISCLOSURES

Included within other creditors due within one year is a loan of £32,900 due to the Inn on the Green Limited, a company owning 20,000 Class A Ordinary Shares.

During the year the company was charged £50,000 (2002 - £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 year the company was charged £43,808 (2002 - £56,149) for consultancy services provided by Fleur Cuisine Limited, a company owned by Gary Hollihead, a director of the company.

During the year the company recharged Fleur Cuisine Limited £2,500 (2002 - £50,000) and Empower Limited £8,750 (2002 - £50,000), being their share of promotional costs related to image building for Gary Hollihead and Mark Fuller.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.03	31.12.02
	£	£
Profit/(Loss) for the financial year	18,586	(598,565)
Other recognised gains and losses relating to the year (net)	31,981	173,666
Issue of shares	-	492,000
<b>Net addition to shareholders' funds</b>	<b>50,567</b>	<b>67,101</b>
Opening shareholders' funds	67,100	(1)
<b>Closing shareholders' funds</b>	<b>117,667</b>	<b>67,100</b>
 Equity interests	 117,667	 67,100

18. CONTROLLING PARTY

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