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Registered number
2090397



Palmer's
Chartered Accountants

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Stringfellow Restaurants Limited

Report and Accounts

30 June 2003



Registered by the Institute of Chartered
Accountants in England & Wales to carry out
company audit work

VAT No. 395 1200 64
MJ Palmer MBE FCA
CMJ Palmer BA(Hons) ACA

Stringfellow Restaurants Limited
Report and accounts
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Stringfellow Restaurants Limited
Company Information

Directors

P J Stringfellow
C S Silver
R Howe

Secretary

B H Company Secretarial Services

Auditors

Palmers
28 Chipstead Station Parade
Chipstead
Coulsdon
Surrey
CR5 3TF

Bankers

Barclays Bank plc
50 Pall Mall
PO Box 15161R
London
SW1A 1QA

Registered office

235 Old Marylebone Road
London
NW1 5QT

Registered number

2090397

Stringfellow Restaurants Limited

Directors' Report

The directors present their report and accounts for the year ended 30 June 2003.

Principal activities and review of the business

The company's principal activity during the year continued to be that of the operation of "Stringfellows" nightclub in London.

The principal activities of subsidiary undertakings are disclosed in the notes to the accounts. The directors are satisfied with the performance of the company during the year and do not anticipate any significant events in the coming year. However, the directors are continually inspecting and reviewing other potential sites to expand the business.

Results and dividends

The results for the year are shown on the profit and loss account on page 6. The directors have paid an interim dividend amounting to £118,000, and they do not recommend payment of a final dividend.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	£1 Ordinary shares	
	2003	2002
P J Stringfellow	5,000	5,000
C S Silver	495,000	495,000
R Howe	-	-

Political and charitable donations

During the year, the company made charitable contributions totalling £22,023 and donations to the Conservative Party amounting to £7,040.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to:

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

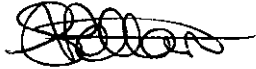
The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Stringfellow Restaurants Limited
Directors' Report

Auditors

A resolution to reappoint Palmers as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on9/7/04.....

A handwritten signature in black ink, appearing to be 'P. Palmer', written over a horizontal line.

BH Company Secretarial Services
Secretary

Stringfellow Restaurants Limited

Independent auditors' report to the shareholders of Stringfellow Restaurants Limited

We have audited the accounts of Stringfellow Restaurants Limited for the year ended 30th June 2003 which comprise pages 6 to 18. These accounts have been prepared under the historical cost convention 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 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Stringfellow Restaurants Limited

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30th June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Palmers

Chartered Accountants and Registered Auditors

28 Chipstead Station Parade
Chipstead
Coulsdon
Surrey
CR5 3TF

9/7/2004

Stringfellow Restaurants Limited
Profit and Loss Account
for the year ended 30 June 2003

	Notes	2003 £	2002 £
Turnover	2	4,570,213	4,940,601
Cost of sales		(2,060,668)	(2,037,218)
Gross profit		<u>2,509,545</u>	<u>2,903,383</u>
Administrative expenses		(2,958,767)	(3,147,931)
Other operating income		73,888	70,656
Operating loss	3	<u>(375,334)</u>	<u>(173,892)</u>
Exceptional items:			
loss on the disposal of tangible fixed assets	4	(23,487)	-
loss on the disposal of investments	4	(1,132)	-
		<u>(24,619)</u>	<u>-</u>
		<u>(399,953)</u>	<u>(173,892)</u>
Income from shares in group undertakings		500,000	-
Interest receivable		38,341	33,700
Interest payable	7	(2,736)	-
Profit/(loss) on ordinary activities before taxation		<u>135,652</u>	<u>(140,192)</u>
Tax on profit/(loss) on ordinary activities	8	4,244	(2,831)
Profit/(loss) for the financial year		<u>139,896</u>	<u>(143,023)</u>
Dividends:			
ordinary dividend on equity shares	9	(118,000)	-
Retained profit/(loss) for the financial year	19	<u>21,896</u>	<u>(143,023)</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit/(loss) for the above two financial years.

Stringfellow Restaurants Limited
Balance Sheet
as at 30 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	10	150,000	150,000
Tangible assets	11	1,183,587	1,316,701
Investments	12	53,587	47,536
		<u>1,387,174</u>	<u>1,514,237</u>
Current assets			
Stocks	13	71,975	78,077
Debtors	14	645,111	637,391
Cash at bank and in hand		176,317	128,540
		<u>893,403</u>	<u>844,008</u>
Creditors: amounts falling due within one year	15	(965,576)	(1,060,896)
Net current liabilities		<u>(72,173)</u>	<u>(216,888)</u>
Total assets less current liabilities		<u>1,315,001</u>	<u>1,297,349</u>
Provisions for liabilities and charges			
Deferred taxation	16	(32,970)	(37,214)
Other provisions		-	-
		<u>1,282,031</u>	<u>1,260,135</u>
Capital and reserves			
Called up share capital	17	500,000	500,000
Revaluation reserve	18	952	952
Profit and loss account	19	781,079	759,183
Shareholders' funds:			
Equity		<u>1,282,031</u>	<u>1,260,135</u>
	20	<u>1,282,031</u>	<u>1,260,135</u>

C S Silver
Director

Approved by the board on 9/7/04

Stringfellow Restaurants Limited
Cash Flow Statement
for the year ended 30 June 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating loss		(375,334)	(173,892)
Depreciation charges		155,215	174,994
Decrease in stocks		6,102	6,161
Increase in debtors		(96,293)	(364,867)
Decrease in creditors		(95,320)	(205,692)
Net cash outflow from operating activities		<u>(405,630)</u>	<u>(563,296)</u>
CASH FLOW STATEMENT			
Net cash outflow from operating activities		(405,630)	(563,296)
Returns on investments and servicing of finance	21	535,605	33,700
Taxation		88,573	30,157
Capital expenditure	21	<u>(52,771)</u>	<u>(13,193)</u>
		165,777	(512,632)
Equity dividends paid		<u>(118,000)</u>	<u>-</u>
		47,777	(512,632)
Increase/(decrease) in cash		<u>47,777</u>	<u>(512,632)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		47,777	(512,632)
Change in net debt	22	<u>47,777</u>	<u>(512,632)</u>
Net funds at 1 July		128,540	641,172
Net funds at 30 June		<u>176,317</u>	<u>128,540</u>

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

1 Accounting policies

Basis of preparation of financial statements

The accounts have been prepared under the historical cost convention, as modified by the revaluation of leasehold land and buildings, and in accordance with applicable accounting standards.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These accounts, therefore, present information about the company as an individual undertaking and not about its group.

The accounts are prepared to a date which corresponds to the end of the last trading week in an accounting period. In relation to the current accounting period this date was 28th June 2003 (2002 - 29th June 2002).

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	over the lease term
Fixtures and fittings	20% reducing balance
Motor vehicles	25% reducing balance

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

Unclaimed vouchers

Vouchers are purchased by customers to spend in the club. Unredeemed vouchers, though still legally claimable, are credited to turnover in the profit and loss account after a two year period, in order to comply with Financial Reporting Standard 5 (see note 24 Contingent Liabilities).

Pensions

Pension contributions are charged to the profit and loss account in the period paid.

Investments

Other fixed asset investments are stated at cost less provision for any permanent diminution in value. In respect of listed investments, market value is based on the closing middle market price.

2 Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

Turnover is attributable to the one principal activity of the company, being that of the operation of "Stringfellows" nightclub in London, and arises wholly within the United Kingdom.

3 Operating profit/(loss)	2003	2002
	£	£

This is stated after charging:

Depreciation of owned fixed assets	155,215	174,994
Operating lease rentals - plant and machinery	8,479	6,821
Operating lease rentals - land buildings	476,500	476,500
Auditors' remuneration	5,000	7,600
	<u>5,000</u>	<u>7,600</u>

4 Exceptional items	2003	2002
	£	£

Loss on disposal of plant and machinery	(23,487)	-
Loss on disposal of investments	(1,132)	-
	<u>(24,619)</u>	<u>-</u>

5 Directors' emoluments	2003	2002
	£	£

Emoluments	286,521	286,714
Amounts paid by third parties including subsidiary undertakings	367,439	567,498
Other pension costs	265,318	259,381
	<u>919,278</u>	<u>1,113,593</u>

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

Highest paid director:

Emoluments	129,480	117,939
Other pension costs	238,786	233,443
	<u>368,266</u>	<u>351,382</u>

Number of directors in company pension schemes:

	2003 Number	2002 Number
Other pension schemes	<u>2</u>	<u>2</u>

6 Staff costs

	2003 £	2002 £
Wages and salaries	1,708,693	1,661,799
Social security costs	155,278	141,096
Other pension costs	265,318	259,381
	<u>2,129,289</u>	<u>2,062,276</u>

Average number of employees during the year

	Number	Number
Office and management	13	13
Bar and restaurant staff	92	92
	<u>105</u>	<u>105</u>

7 Interest payable

	2003 £	2002 £
Bank loans and overdrafts	<u>2,736</u>	<u>-</u>

8 Taxation

	2003 £	2002 £
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	-	(34,383)
Deferred tax:		
Origination and reversal of timing differences	(4,244)	37,214
	<u>(4,244)</u>	<u>2,831</u>
Tax on (loss)/profit on ordinary activities		

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	<u>135,652</u>	<u>(140,192)</u>
Standard rate of corporation tax in the UK	30%	30%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	40,696	(42,058)
Effects of:		
Expenses/income not deductible/assessable for tax purposes	(174,557)	(13,167)
Capital allowances for period in excess of depreciation	23,080	22,971
Utilisation of tax losses (including group loss relief)	110,781	32,254
Adjustments to tax charge in respect of previous periods	-	(34,383)
Current tax charge for period	<u>-</u>	<u>(34,383)</u>

Factors that may affect future tax charges

Except for the carry forward on unutilised tax losses amounting £26,435, in the opinion of the directors, there are no significant matters to report that may affect future tax charges.

9 Equity dividends

	2003 £	2002 £
Equity dividends on ordinary shares - interim paid (23.6p per share)	<u>118,000</u>	<u>-</u>

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

10 Intangible fixed assets

£

Trademark:

Cost

At 1 July 2002 150,000

At 30 June 2003 150,000

Amortisation

At 30 June 2003 -

Net book value

At 30 June 2003 150,000

At 30 June 2002 150,000

The trademark relates to the name "Stringfellows". In the opinion of the directors, this trademark is regarded as having an indefinite useful economic life and hence, is not amortised. Furthermore, the directors consider that its current economic value is significantly in excess of its book value.

11 Tangible fixed assets

	Short leasehold land and buildings £	Motor vehicles and fixtures & fittings £	Total £
Cost			
At 1 July 2002	1,551,918	948,683	2,500,601
Additions	-	45,588	45,588
Disposals	-	(101,467)	(101,467)
At 30 June 2003	1,551,918	892,804	2,444,722
Depreciation			
At 1 July 2002	616,887	567,013	1,183,900
Charge for the year	73,336	81,879	155,215
On disposals	-	(77,980)	(77,980)
At 30 June 2003	690,223	570,912	1,261,135
Net book value			
At 30 June 2003	861,695	321,892	1,183,587
At 30 June 2002	935,031	381,670	1,316,701

The company's short leasehold was revalued as at 1st January 1994 by the directors, in conjunction with their professional advisors, on an open market value for existing use. During 2001, FRS 15 "Tangible Fixed Assets" was first implemented and the company adopted the transitional provisions of retaining the carrying value relating to the previous valuation, and no longer updating that valuation. On an historical cost basis, land and buildings would have been included as follows:

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

Short leasehold land and buildings	2003 £	2002 £
Historical cost	1,201,066	1,201,066
Cumulative depreciation based on historical cost	495,440	435,386

12 Investments

	Investments in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1 July 2002	16	47,520	47,536
Additions	2	267,847	267,849
Disposals	-	(261,798)	(261,798)
At 30 June 2003	18	53,569	53,587

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Cabaret of the Angels Limited	England and Wales	Ordinary	100
Angels of Mayfair Limited	England and Wales	Ordinary	100
Angels in the City Limited	England and Wales	Ordinary	100
Marylebone Securities Limited	England and Wales	Ordinary	100
Lap Dancing Limited	England and Wales	Ordinary	100
Softchoice Limited	England and Wales	Ordinary	100
Clearflex Limited	England and Wales	Ordinary	100
Stringfellow.com Limited	England and Wales	Ordinary	100
Lickin' Records Limited	England and Wales	Ordinary	100

Financial information summary - subsidiaries:

	Nature of business	Aggregate capital & reserves at last accounting date £	Profit for the last financial year £
Cabaret of the Angels Limited	An agency in the leisure industry	967,583	355,895
Angels of Mayfair Limited	Non-trading	2	-
Angels in the City Limited	Non-trading	2	-
Marylebone Securities Limited	Non-trading	2	-
Lap Dancing Limited	Non-trading	2	-
Softchoice Limited	Non-trading	2	-
Clearflex Limited	Non-trading	2	-
Stringfellow.com Limited	Non-trading	2	-
Lickin' Records Limited	Record production	(114,686)	(114,688)

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

Other investments	2003	2002
	£	£
Government stocks at cost	<u>53,569</u>	<u>47,520</u>
Valuation:		
Government stocks at market value	<u>53,741</u>	<u>47,773</u>

13 Stocks	2003	2002
	£	£
Finished goods and goods for resale	<u>71,975</u>	<u>78,077</u>

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

14 Debtors	2003	2002
	£	£
Trade debtors	329,538	175,368
Other debtors	34,858	55,208
Corporation tax	-	88,573
Prepayments and accrued income	<u>280,715</u>	<u>318,242</u>
	<u>645,111</u>	<u>637,391</u>

15 Creditors: amounts falling due within one year	2003	2002
	£	£
Trade creditors	175,094	236,727
Amounts owed to group undertakings and undertakings in which the company has a participating interest	229,706	222,356
Other taxes and social security costs	162,277	147,234
Other creditors	206,766	263,530
Accruals and deferred income	<u>191,733</u>	<u>191,049</u>
	<u>965,576</u>	<u>1,060,896</u>

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

16 Deferred taxation			2003	2002
			£	£
Accelerated capital allowances			32,970	37,214
Undiscounted provision for deferred tax			32,970	37,214
			2003	2002
			£	£
At 1 July			37,214	-
Deferred tax charge in profit and loss account			(4,244)	37,214
At 30 June			32,970	37,214
17 Share capital			2003	2002
			£	£
Authorised:				
Ordinary shares of £1 each			1,000,000	1,000,000
	2003	2002	2003	2002
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
18 Revaluation reserve			2003	2002
			£	£
At 1 July			952	952
At 30 June			952	952
19 Profit and loss account			2003	2002
			£	£
At 1 July			759,183	902,206
Retained profit/(loss)			21,896	(143,023)
At 30 June			781,079	759,183

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

20 Reconciliation of movement in shareholders' funds	2003	2002
	£	£
At 1 July	1,260,135	1,403,158
Profit/(loss) for the financial year	139,896	(143,023)
Dividends	(118,000)	-
At 30 June	1,282,031	1,260,135

21 Gross cash flows	2003	2002
	£	£
Returns on investments and servicing of finance		
Dividends received	500,000	-
Interest received	38,341	33,700
Interest paid	(2,736)	-
	535,605	33,700
 Capital expenditure		
Payments to acquire tangible fixed assets	(45,588)	(51,801)
Payments to acquire investments	(267,849)	(219,246)
Receipts from sales of investments	260,666	257,854
	(52,771)	(13,193)

22 Analysis of changes in net debt	At 1 Jul 2002	Cash flows	Non-cash changes	At 30 Jun 2003
	£	£	£	£
Cash at bank and in hand	128,540	47,777	-	176,317
Total	128,540	47,777	-	176,317

23 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	Land and buildings	Other	Other
	2003	2002	2003	2002
	£	£	£	£
Operating leases which expire:				
within two to five years	-	-	7,405	-
in over five years	476,500	476,500	-	-
	476,500	476,500	7,405	-

Stringfellow Restaurants Limited
Notes to the Accounts
for the year ended 30 June 2003

24 Contingent liabilities

In order to comply with Financial Reporting Standard 5, unclaimed "Heavenly Pound Vouchers" are credited to the profit and loss account on a periodic basis, as stated in the accounting policies. However, the directors consider (on advice) that such vouchers can be redeemed at any time. In addition to the liability for unclaimed vouchers included in other creditors, therefore, the company has a contingent liability of approximately £550,000.

25 Related parties

During the year, the company paid an amount of £86,143 (2002: £97,897) to New Leaf Productions Ltd, a trading company (and formerly trading partnership) controlled by the daughter of P J Stringfellow and her husband. The goods and services were provided on normal commercial terms and were made in respect of graphic design and production artwork for promotional material and for the purchase of computer equipment and services.

Cabaret of the Angels Limited (COA), a subsidiary undertaking of the company, charged Stringfellow Restaurants Limited (SRL) a management fee of £150,000 (2002: £150,000) for the year ended 30th June 2003. At the balance sheet date, an amount of £229,706 (2002: £222,356) was owed to COA.

SRL also acts as guarantor for COA with regard to a bank loan, which amounted to £250,702 (2002: £284,407) at the balance sheet date.

On 3rd March 2003, COA declared a dividend of £500,000, which was paid to SRL on 4th March 2003.

The following entities are deemed to be related parties by virtue of P J Stringfellow and C S Sliver's other directorships and interests:

St Martins Lane Investments Limited

The worldwide non-product licensing branding operation has been contracted to St Martins Lane Investments Limited (SMLI) in return for an upstream royalty of 10% of the income received to this company.

SMLI incurred expenses during the year, amounting to £71,895 (2002: £19,000), for which payment was made by SRL. Total amounts recoverable from SMLI at the balance sheet date amounted to £118,450 (2002: £22,506) and were repaid in full after the end of the financial year.

St Peters France SARL

SMLI owns 100% of St Peters France SARL (SPF), a company incorporated in France. During the year, SRL charged SPF a management fee amounting to £48,000 (2002: £16,000). In addition, SPF incurred expenses, amounting to £4,097 (2002: £34,169), for which payment was made by SRL. Interest charged, during the year, on outstanding balances with SPF amounted to £3,370 (2002: £363). Total amounts recoverable from SPF at the balance sheet date amounted to £81,453 (2002: £55,208) and were repaid in full after the end of the financial year.

26 Controlling party

The controlling and ultimate controlling party of the company is C S Silver, a director of the company.