Company Registration No. 02180521 (England and Wales)

SME FAST FOODS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 MARCH 2004

KLSA

Chartered Accountants



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SME FAST FOODS LIMITED

COMPANY INFORMATION

Directors	M F Esmail S B Esmail
Secretary	S B Esmail A M Esmail
Company number	02180521
Registered office	145 Uxbridge Road Money Hill Rickmansworth Herts WD3 2DW
Auditors	KLSA 28-30 St.John's Square London EC1M 4DN
Bankers	Royal Bank of Scotland 354 Station Road, Harrow Middlesex HA1 2XZ

SME FAST FOODS LIMITED

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SME FAST FOODS LIMITED

DIRECTORS' REPORT
FOR THE PERIOD ENDED 28 MARCH 2004

The directors present their report and financial statements for the period ended 28 March 2004.

Principal activities and review of the business
The principal activity of the company in the period under review were that of operating franchise restaurants.

The results for the period and the financial position at the period end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends
The results for the period are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Future developments
The directors aim to continue with the management policies which has resulted in the company's steady growth in recent years.

Directors
The following directors have held office since 31 March 2003:

M F Esmail
S B Esmail

Directors' interests
The directors' interests in the shares of the ultimate parent company were as stated below:

	Ordinary shares of £ 1 each	
	28 March 2004	**31 March 2003**
M F Esmail	255,000	255,000
S B Esmail	125,000	125,000

Charitable donations	***2004***	***2003***
	£	**£**
During the period the company made the following payments:		
Charitable donations	32,350	6,250

Taxation status
The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution proposing that KLSA be reappointed as auditors of the company will be put to the Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

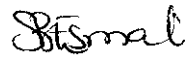
Directors' responsibilities

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.

On behalf of the board



S B Esmail
Director
20 July 2004

SME FAST FOODS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SME FAST FOODS LIMITED

We have audited the financial statements of SME Fast Foods Limited on pages 4 to 16 for the period ended 28 March 2004. 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 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 March 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KLSA
Chartered Accountants
Registered Auditor
28-30 St.John's Square
London
EC1M 4DN

20 July 2004

SME FAST FOODS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 28 MARCH 2004

	Notes	2004 £	2003 £
Turnover	2	1,456,626	1,364,945
Cost of sales		(483,728)	(445,156)
Gross profit		972,898	919,789
Administrative expenses		(728,138)	(670,226)
Other operating income		27,322	28,335
Operating profit	3	272,082	277,898
Other interest receivable and similar income		1,204	-
Interest payable and similar charges	4	(19,988)	(24,194)
Profit on ordinary activities before taxation		253,298	253,704
Tax on profit on ordinary activities	5	(79,614)	(71,631)
Profit on ordinary activities after taxation	15	173,684	182,073

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SME FAST FOODS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 28 MARCH 2004

	2004 £	2003 £
Profit for the financial period	173,684	182,073
Unrealised (deficit)/surplus on revaluation of properties	-	243,864
Total recognised gains and losses relating to the period	173,684	425,937

SME FAST FOODS LIMITED

BALANCE SHEET
AS AT 28 MARCH 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Intangible assets	6		55,250		62,750
Tangible assets	7 and 8		1,371,286		1,405,227
			1,426,536		1,467,977
Current assets					
Stocks	9	7,666		6,576	
Debtors	10	69,724		231,130	
Cash at bank and in hand		475,229		244,261	
		552,619		481,967	
Creditors: amounts falling due within one year	11	(222,620)		(269,221)	
Net current assets			329,999		212,746
Total assets less current liabilities			1,756,535		1,680,723
Creditors: amounts falling due after more than one year	12		(264,206)		(357,773)
Provisions for liabilities and charges	13		(61,657)		(65,962)
			1,430,672		1,256,988
Capital and reserves					
Called up share capital	14		100		100
Revaluation reserve	15		243,864		243,864
Profit and loss account	15		1,186,708		1,013,024
Shareholders' funds - equity interests	16		1,430,672		1,256,988

The financial statements were approved by the Board on 20 July 2004

M F Esmail
Director

SME FAST FOODS LIMITED

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 MARCH 2004

	£	2004 £	£	2003 £
Net cash inflow from operating activities		426,389		104,421
Returns on investments and servicing of finance				
Interest received	1,204		-	
Interest paid	(19,988)		(24,194)	
Net cash outflow for returns on investments and servicing of finance		(18,784)		(24,194)
Taxation		(85,870)		(101,163)
Capital expenditure				
Payments to acquire tangible assets	-		(8,724)	
Net cash outflow for capital expenditure		-		(8,724)
Net cash inflow/(outflow) before management of liquid resources and financing		321,735		(29,660)
Financing				
Repayment of long term bank loan	(90,767)		(74,779)	
Net cash outflow from financing		(90,767)		(74,779)
Increase/(decrease) in cash in the period		230,968		(104,439)

SME FAST FOODS LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 MARCH 2004

1	**Reconciliation of operating profit to net cash inflow from operating activities**	**2004**	**2003**
		£	**£**
	Operating profit	272,082	277,898
	Depreciation of tangible assets	33,941	36,950
	Amortisation of intangible assets	7,500	7,500
	(Increase)/decrease in stocks	(1,090)	311
	Decrease/(increase) in debtors	161,406	(118,278)
	Decrease in creditors within one year	(47,450)	(99,960)
	Net cash inflow from operating activities	426,389	104,421

2	**Analysis of net funds/(debt)**	**31 March 2003**	**Cash flow**	**Other non-cash changes**	**28 March 2004**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	244,261	230,968	-	475,229
	Debt:				
	Debts falling due within one year	(56,200)	(2,800)	-	(59,000)
	Debts falling due after one year	(357,773)	93,567	-	(264,206)
		(413,973)	90,767	-	(323,206)
	Net (debt)/funds	(169,712)	321,735	-	152,023

3	***Reconciliation of net cash flow to movement in net funds/(debt)***	***2004***	***2003***
		£	**£**
	Increase/(decrease) in cash in the period	230,968	(104,439)
	Cash outflow from decrease in debt	90,767	74,779
	Movement in net funds/(debt) in the period	321,735	(29,660)
	Opening net debt	(169,712)	(140,052)
	Closing net funds/(debt)	152,023	(169,712)

SME FAST FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 MARCH 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% on the cost of bulidings.
Land and buildings Leasehold	Over the term of the lease.
Fixtures, fittings & equipment	10% reducing balance.

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

1.5 Stock

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

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.7 Related party transactions

The company has taken advantage of the disclosure exemption in Financial Reporting Standard 8 and therefore has not disclosed details of transactions with group companies in these financial statements.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

3	**Operating profit**	**2004**	**2003**
		£	**£**
	Operating profit is stated after charging:		
	Amortisation of intangible assets	7,500	7,500
	Depreciation of tangible assets	33,941	36,950
	Auditors' remuneration	2,000	2,000
	and after crediting:		
	Rents receivable	27,322	28,335

4	**Interest payable**	**2004**	**2003**
		£	**£**
	On bank loans and overdrafts	19,988	22,378
	Other interest	-	1,816
		19,988	24,194

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

5 Taxation	2004 £	2003 £
Domestic current year tax		
U.K. corporation tax	83,919	83,653
Adjustment for prior years	-	(8,088)
Current tax charge	83,919	75,565
Deferred tax		
Deferred tax charge/credit current year	(4,305)	(3,934)
	79,614	71,631
Factors affecting the tax charge for the period		
Profit on ordinary activities before taxation	253,298	253,704
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	75,989	76,111
Effects of:		
Depreciation add back	12,432	13,335
Capital allowances	(3,820)	(5,093)
Adjustments to previous periods	-	(8,088)
Other tax adjustments	(682)	(700)
	7,930	(546)
Current tax charge	83,919	75,565

6 Intangible fixed assets	Goodwill £
Cost	
At 31 March 2003 & at 28 March 2004	150,000
Amortisation	
At 31 March 2003	87,250
Charge for the period	7,500
At 28 March 2004	94,750
Net book value	
At 28 March 2004	55,250
At 30 March 2003	62,750

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

7 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 31 March 2003 & at 28 March 2004	158,966	532,321	539,047	1,230,334
Depreciation				
At 31 March 2003	1,538	5,323	268,246	275,107
Charge for the period	1,538	5,323	27,080	33,941
At 28 March 2004	3,076	10,646	295,326	309,048
Net book value				
At 28 March 2004	155,890	521,675	243,721	921,286
At 30 March 2003	152,105	532,321	270,801	955,227

8 Tangible fixed assets

	Investment properties £
Cost or valuation	
At 31 March 2003 & at 28 March 2004	450,000

The valuations of investment properties were made as at 30 March 2003 by R. Whitley & Co., Chartered Surveyors, on an open market basis. No depreciation is provided in respect of these properties.

In the opinion of the directors, the market values of the investment properties have not significantly changed from the previous valuation.

On an historical cost basis these would have been included at an original cost of £206,136 (2003 - £206,136).

9 *Stocks*	***2004*** £	***2003*** £
Raw materials and consumables	7,666	6,576

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

10 Debtors	2004 £	2003 £
Amounts owed by parent and fellow subsidiary undertakings	68,261	230,319
Other debtors	1,463	811
	69,724	231,130

11 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	59,000	56,200
Trade creditors	66,664	50,358
Amounts owed to parent and fellow subsidiary undertakings	-	60,817
Corporation tax	28,702	30,653
Other taxes and social security costs	48,058	44,476
Other creditors	11,096	10,563
Accruals and deferred income	9,100	16,154
	222,620	269,221

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

12 Creditors: amounts falling due after more than one year	2004 £	2003 £
Bank loans	264,206	357,773
Analysis of loans		
Not wholly repayable within five years by instalments:	51,515	132,973
Wholly repayable within five years	271,691	281,000
	323,206	413,973
Included in current liabilities	(59,000)	(56,200)
	264,206	357,773
Instalments not due within five years	51,515	132,973
Loan maturity analysis		
In more than one year but not more than two years	59,000	56,200
In more than two years but not more than five years	153,690	168,600
In more than five years	51,515	132,973

The bank loans and overdraft are secured by a fixed charge over the freehold properties and by a debenture over the other assets of the company. The loans are subject to commercial rates of interest.

13 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 31 March 2003	65,962
Profit and loss account	(4,305)
Balance at 28 March 2004	61,657

The deferred tax liability is made up as follows:

	2004 £	2003 £
Accelerated capital allowances	61,657	65,962

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 28 MARCH 2004

14 Share capital

	2004	2003
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	*100*	*100*

15 Statement of movements on reserves

	Revaluation reserve	Profit and loss account
	£	£
Balance at 31 March 2003	243,864	1,013,024
Retained profit for the period	-	173,684
Balance at 28 March 2004	243,864	1,186,708

16 *Reconciliation of movements in shareholders' funds*

	2004	2003
	£	£
Profit for the financial period	173,684	182,073
Other recognised gains and losses	-	243,864
Net addition to shareholders' funds	173,684	425,937
Opening shareholders' funds	1,256,988	831,051
Closing shareholders' funds	1,430,672	1,256,988

17 Contingent liabilities

The company has given cross guarantees to the bankers of the holding company and some of its fellow subsidiary companies.

18 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2004 Number	2003 Number
Average number of employees	18	18

Employment costs

	£	£
Wages and salaries	254,345	234,278
Social security costs	20,602	16,463
	274,947	250,741

19 Control

In the opinion of the directors, the ultimate parent company is SME Group Plc., a company registered in England and Wales.

SME Group Plc. prepares group financial statements and copies can be obtained from 449B Alexandra Avenue, Rayners Lane, Harrow, Middlesex HA2 9SE.