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KINGSTON RESTAURANTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003

Company Registration Number 342~~5~~7721



TOWNENDS
Chartered Accountants & Registered Auditors
Carlisle Street
Goole
East Riding of Yorkshire
DN14 5DX

KINGSTON RESTAURANTS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

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KINGSTON RESTAURANTS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	G V Michniewicz P A Michniewicz J Atherton P I McEwan
Company secretary	G V Michniewicz
Registered office	39/41 Jameson Street Hull East Riding of Yorkshire
Auditors	Townends Chartered Accountants & Registered Auditors Carlisle Street Goole East Riding of Yorkshire DN14 5DX
Bankers	Royal Bank of Scotland 10 Silver Street HULL East Riding of Yorkshire HU1 1JE
Solicitors	Rollits Rowntree Wharf Navigation Road York YO1 9WE

KINGSTON RESTAURANTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2003

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the operation of quick service restaurants.

The Board consider the results for the year to be satisfactory.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 December 2003	At 1 January 2003 or later date of appointment
G V Michniewicz	'A' Ordinary Shares	430,000	430,000
	'B' Ordinary Shares	—	—
P A Michniewicz	'A' Ordinary Shares	—	—
	'B' Ordinary Shares	—	—
J Atherton	'A' Ordinary Shares	—	—
	'B' Ordinary Shares	—	—
P I McEwan	'A' Ordinary Shares	—	—
	'B' Ordinary Shares	—	—

P I McEwan was appointed as a director on 2 June 2003.

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

KINGSTON RESTAURANTS LIMITED

THE DIRECTORS' REPORT *(continued)*

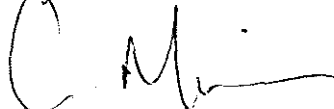
YEAR ENDED 31 DECEMBER 2003

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. The directors 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

A resolution to re-appoint Townends as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



G V MICHNIEWICZ

Company Secretary

Approved by the directors on 19.04.04.

KINGSTON RESTAURANTS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 DECEMBER 2003

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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

KINGSTON RESTAURANTS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*
YEAR ENDED 31 DECEMBER 2003

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 loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



TOWNENDS
Chartered Accountants
& Registered Auditors

Carlisle Street
Goole
East Riding of Yorkshire
DN14 5DX

23 Alan 2004

KINGSTON RESTAURANTS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
TURNOVER	2	5,894,030	6,554,392
Cost of sales		<u>1,917,703</u>	<u>2,114,620</u>
GROSS PROFIT		3,976,327	4,439,772
Administrative expenses		<u>4,023,020</u>	<u>4,200,060</u>
OPERATING (LOSS)/PROFIT	3	(46,693)	239,712
Interest receivable		4,410	4,906
Interest payable	6	<u>(24,159)</u>	<u>(45,479)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(66,442)	199,139
Tax on (loss)/profit on ordinary activities	7	<u>3,819</u>	<u>51,493</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(70,261)	147,646
Dividends	8	—	75,000
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>(70,261)</u>	<u>72,646</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

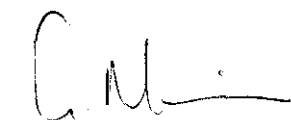
KINGSTON RESTAURANTS LIMITED

BALANCE SHEET

31 DECEMBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Intangible assets	9	892,175	956,253
Tangible assets	10	555,293	743,923
Investments	11	5,000	5,000
		<u>1,452,468</u>	<u>1,705,176</u>
CURRENT ASSETS			
Stocks	12	38,763	41,913
Debtors	13	85,757	96,536
Cash in hand		91,706	514,027
		<u>216,226</u>	<u>652,476</u>
CREDITORS: Amounts falling due within one year	14	<u>802,755</u>	<u>858,186</u>
NET CURRENT LIABILITIES		<u>(586,529)</u>	<u>(205,710)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>865,939</u>	<u>1,499,466</u>
CREDITORS: Amounts falling due after more than one year	15	<u>13,639</u>	<u>563,045</u>
		<u>852,300</u>	<u>936,421</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	57,789	71,649
		<u>794,511</u>	<u>864,772</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	860,000	860,000
Profit and loss account	20	(65,489)	4,772
SHAREHOLDERS' FUNDS	21	<u>794,511</u>	<u>864,772</u>

These financial statements were approved by the directors on the 19.04.04 and are signed on their behalf by:



 G V MICHNIEWICZ

KINGSTON RESTAURANTS LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		279,837	405,629
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,410	4,906
Interest paid		(24,159)	(47,979)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(19,749)	(43,073)
TAXATION		(54,679)	(24,210)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(36,452)	(68,954)
Receipts from sale of fixed assets		6,628	19,250
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(29,824)	(49,704)
EQUITY DIVIDENDS PAID		(75,000)	(60,000)
CASH INFLOW BEFORE FINANCING		100,585	228,642
FINANCING			
Repayment of bank loans		(522,906)	(223,873)
NET CASH OUTFLOW FROM FINANCING		(522,906)	(223,873)
(DECREASE)/INCREASE IN CASH	22	(422,321)	4,769

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

	2003 £	2002 £
Operating (loss)/profit	(46,693)	239,712
Amortisation	64,078	64,078
Depreciation	149,269	143,749
Loss on disposal of fixed assets	69,185	8,930
Decrease in stocks	3,150	3,471
Decrease/(increase) in debtors	10,779	(2,800)
Increase/(decrease) in creditors	30,069	(51,511)
Net cash inflow from operating activities	279,837	405,629

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents sales during the year, exclusive of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	- 20 year life
Franchise fee	- 20 year life

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 5 - 10 years straight line
-------------------	------------------------------

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

Tax deferred is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise. The liability arising is discounted to reflect its net present value at the balance sheet date.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.
 An analysis of turnover is given below:

	2003 £	2002 £
United Kingdom	<u>5,894,030</u>	<u>6,554,392</u>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	2003 £	2002 £
Directors' emoluments	93,185	92,669
Amortisation	64,078	64,078
Depreciation of owned fixed assets	149,269	143,749
Loss on disposal of fixed assets	69,185	8,930
Auditors' remuneration		
- as auditors	3,000	3,000
Operating lease costs:		
Land and buildings	<u>827,537</u>	<u>881,523</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003 No	2002 No
Restaurant staff	232	295
Office and management	<u>14</u>	<u>16</u>
	<u>246</u>	<u>311</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	1,566,156	1,716,686
Social security costs	72,718	69,054
Other pension costs	9,360	9,360
	<u>1,648,234</u>	<u>1,795,100</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2003 £	2002 £
Aggregate emoluments	93,185	92,669
Value of company pension contributions to money purchase schemes	<u>9,360</u>	<u>9,360</u>
	<u>102,545</u>	<u>102,029</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

5. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003 No	2002 No
Money purchase schemes	<u>2</u>	<u>2</u>

6. INTEREST PAYABLE

	2003 £	2002 £
Interest payable on bank borrowing	<u>24,159</u>	<u>45,479</u>

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2002 - 19.21%)	18,000	55,000
Over/under provision in prior year	<u>(321)</u>	<u>210</u>
Total current tax	17,679	55,210
Deferred tax:		
Decrease in deferred tax provision	<u>(13,860)</u>	<u>(3,717)</u>
Tax on (loss)/profit on ordinary activities	<u>3,819</u>	<u>51,493</u>

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2002 - 19.21%).

	2003 £	2002 £
(Loss)/profit on ordinary activities before taxation	<u>(66,442)</u>	<u>199,139</u>
Profit on ordinary activities multiplied by corporation tax at a rate of 19% (2002:19.21%)	(12,624)	38,255
Expenses not deductible for corporation tax	12,346	12,312
Depreciation for the year in excess of capital allowances	13,860	3,717
Other short term timing differences	21	343
Adjustment to tax charge in respect of differing rate used in the calculation of deferred tax	—	42
Movement in the year in respect of the effect of deferred tax discounting	4,397	331
Adjustment to tax charge in respect of prior years	<u>(321)</u>	<u>210</u>
Total current tax (note 7(a))	<u>17,679</u>	<u>55,210</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

8. DIVIDENDS

The following dividends have been proposed in respect of the year:

	2003 £	2002 £
Proposed dividend on ordinary shares	—	<u>75,000</u>

9. INTANGIBLE FIXED ASSETS

	Goodwill £	Franchise Fees £	Total £
COST			
At 1 January 2003 and 31 December 2003	<u>1,191,555</u>	<u>90,000</u>	<u>1,281,555</u>
AMORTISATION			
At 1 January 2003	302,457	22,845	325,302
Charge for the year	<u>59,578</u>	<u>4,500</u>	<u>64,078</u>
At 31 December 2003	<u>362,035</u>	<u>27,345</u>	<u>389,380</u>
NET BOOK VALUE			
At 31 December 2003	<u>829,520</u>	<u>62,655</u>	<u>892,175</u>
At 31 December 2002	<u>889,098</u>	<u>67,155</u>	<u>956,253</u>

10. TANGIBLE FIXED ASSETS

	Plant & Machinery £
COST	
At 1 January 2003	1,301,333
Additions	36,452
Disposals	<u>(152,836)</u>
At 31 December 2003	<u>1,184,949</u>
DEPRECIATION	
At 1 January 2003	557,410
Charge for the year	149,269
On disposals	<u>(77,023)</u>
At 31 December 2003	<u>629,656</u>
NET BOOK VALUE	
At 31 December 2003	<u>555,293</u>
At 31 December 2002	<u>743,923</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

11. INVESTMENTS

	Trade Investment £
COST	
At 1 January 2003 and 31 December 2003	<u>5,000</u>
NET BOOK VALUE	
At 31 December 2003	<u>5,000</u>
At 31 December 2002	<u>5,000</u>

12. STOCKS

	2003 £	2002 £
Finished goods	<u>38,763</u>	<u>41,913</u>

Stocks consist of foodstuffs and packaging materials.

13. DEBTORS

	2003 £	2002 £
Other debtors	40,000	40,000
Prepayments and accrued income	<u>45,757</u>	<u>56,536</u>
	<u>85,757</u>	<u>96,536</u>

Other debtors are in respect of repayable security deposits falling due after more than one year.

14. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	256,500	230,000
Trade creditors	188,010	191,808
Other creditors including taxation and social security:		
Corporation tax	18,000	55,000
Other taxation and social security	174,691	183,143
Dividends payable	—	75,000
	<u>637,201</u>	<u>734,951</u>
Accruals and deferred income	<u>165,554</u>	<u>123,235</u>
	<u>802,755</u>	<u>858,186</u>

The bank loan, the aggregate total of which amounts to £270,139 is repayable in monthly instalments of £22,504 representing capital and interest.

The bank loan and overdraft is secured by the company.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

15. CREDITORS: Amounts falling due after more than one year

	2003	2002
	£	£
Bank loans and overdrafts	<u>13,639</u>	<u>563,045</u>

Following a review of the company's banking facilities during the year, cash deposits have been applied in reduction of long term loans, the objective being to achieve an overall improvement in interest costs incurred by the company. This action resulted in equal reductions in current assets and creditors falling due after more than one year.

16. PENSIONS

The company operates a defined contribution pension scheme on behalf of its directors. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are paid based upon the recommendations of a qualified actuary. The annual commitment under this scheme is for contributions of £9,360 (2002 - £9,360).

17. DEFERRED TAXATION

	2003	2002
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	71,649	75,366
Profit and loss account movement arising during the year	<u>(13,860)</u>	<u>(3,717)</u>
Provision carried forward	<u>57,789</u>	<u>71,649</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003	2002
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>57,789</u>	71,649
	<u>57,789</u>	<u>71,649</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

18. RELATED PARTY TRANSACTIONS

During the year the company purchased services from McDonalds Restaurants Limited, which owns 430,000 'A' ordinary shares of £1 each in the company. The purchases were made on a normal commercial trading basis and were made up as follows:-

	2003 £	2002 £
Rent	827,537	881,523
Advertising	281,941	302,353
Service charges	283,135	314,865
	<u>1,392,613</u>	<u>1,498,741</u>

At 31 December 2003, the company owed McDonalds Restaurants Limited £109,152 (2002 - £108,982) in respect of the provision of these services.

There is no ultimate controlling party.

19. SHARE CAPITAL**Authorised share capital:**

	2003 £	2002 £
430,000 'A' Ordinary shares of £1 each	430,000	430,000
430,000 'B' Ordinary shares of £1 each	430,000	430,000
	<u>860,000</u>	<u>860,000</u>

Allotted, called up and fully paid:

	2003 No	£	2002 No	£
'A' Ordinary shares of £1 each	430,000	430,000	430,000	430,000
'B' Ordinary shares of £1 each	430,000	430,000	430,000	430,000
	<u>860,000</u>	<u>860,000</u>	<u>860,000</u>	<u>860,000</u>

20. PROFIT AND LOSS ACCOUNT

	2003 £	2002 £
Balance brought forward	4,772	(67,874)
(Accumulated loss)/retained profit for the financial year	<u>(70,261)</u>	<u>72,646</u>
Balance carried forward	<u>(65,489)</u>	<u>4,772</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
(Loss)/Profit for the financial year	(70,261)	147,646
Dividends	<u>—</u>	<u>(75,000)</u>
	(70,261)	72,646
Opening shareholders' equity funds	864,772	792,126
Closing shareholders' equity funds	<u>794,511</u>	<u>864,772</u>

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
(Decrease)/increase in cash in the period	(422,321)	4,769
Net cash outflow from bank loans	<u>522,906</u>	<u>223,873</u>
	100,585	228,642
Change in net debt	100,585	228,642
Net debt at 1 January 2003	(279,018)	(507,660)
Net debt at 31 December 2003	<u>(178,433)</u>	<u>(279,018)</u>

23. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2003 £	Cash flows £	At 31 Dec 2003 £
Net cash:			
Cash in hand and at bank	514,027	(422,321)	91,706
Debt:			
Debt due within 1 year	(230,000)	(26,500)	(256,500)
Debt due after 1 year	(563,045)	549,406	(13,639)
	(793,045)	522,906	(270,139)
Net debt	<u>(279,018)</u>	<u>100,585</u>	<u>(178,433)</u>