

KINGSTON RESTAURANTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004

Company Registration Number 342~~7~~7721



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KINGSTON RESTAURANTS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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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 2004

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

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 THE 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:

		At 31 December 2004	At 1 January 2004
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	—	—

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 year. 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.

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.

KINGSTON RESTAURANTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

The company operates an equal opportunities policy with regard to recruitment and seeks to offer suitable work and training wherever practicable to persons with disabilities.

An open management policy is operated whereby all members of staff (including part-time and casual staff) are briefed regularly on matters affecting the company.

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

02.05.05

KINGSTON RESTAURANTS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KINGSTON RESTAURANTS LIMITED
YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of Kingston Restaurants Limited for the year ended 31 December 2004 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 OF
KINGSTON RESTAURANTS LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2004

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 2004 and of its profit 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

4 MAY 2005

KINGSTON RESTAURANTS LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2004**

	Note	2004 £	2003 £
TURNOVER	2	6,251,835	5,894,030
Cost of sales		<u>2,075,137</u>	<u>1,917,703</u>
GROSS PROFIT		4,176,698	3,976,327
Administrative expenses		<u>4,071,774</u>	<u>4,023,020</u>
OPERATING PROFIT/(LOSS)	3	104,924	(46,693)
Interest receivable		—	4,410
Interest payable and similar charges	6	<u>(15,149)</u>	<u>(24,159)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		89,775	(66,442)
Tax on profit/(loss) on ordinary activities	7	<u>30,826</u>	<u>3,819</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		58,949	(70,261)
Balance brought forward		<u>(65,489)</u>	<u>4,772</u>
Balance carried forward		<u>(6,540)</u>	<u>(65,489)</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.

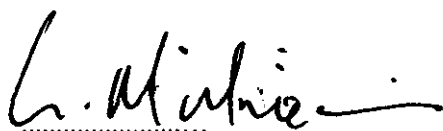
KINGSTON RESTAURANTS LIMITED

BALANCE SHEET

31 DECEMBER 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	8	828,097	892,175
Tangible assets	9	500,633	555,159
Investments	11	5,000	5,000
		<u>1,333,730</u>	<u>1,452,334</u>
CURRENT ASSETS			
Stocks	12	40,778	38,763
Debtors	13	52,955	85,757
Cash in hand		173,981	91,706
		<u>267,714</u>	<u>216,226</u>
CREDITORS: Amounts falling due within one year	14	<u>697,347</u>	<u>802,621</u>
NET CURRENT LIABILITIES		<u>(429,633)</u>	<u>(586,395)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>904,097</u>	<u>865,939</u>
CREDITORS: Amounts falling due after more than one year	15	<u>—</u>	<u>13,639</u>
		<u>904,097</u>	<u>852,300</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	50,637	57,789
		<u>853,460</u>	<u>794,511</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	860,000	860,000
Profit and loss account		(6,540)	(65,489)
SHAREHOLDERS' FUNDS	20	<u>853,460</u>	<u>794,511</u>

These financial statements were approved by the directors on the 02.05.05 and are signed on their behalf by:



G V MICHNIEWICZ

KINGSTON RESTAURANTS LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31 DECEMBER 2004**

	Note	2004 £	2003 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		341,467	279,703
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		—	4,410
Interest paid		<u>(15,149)</u>	<u>(24,159)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(15,149)	(19,749)
TAXATION		(17,978)	(54,679)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		<u>(78,734)</u>	<u>(36,452)</u>
Receipts from sale of fixed assets		—	6,762
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(78,734)	(29,690)
EQUITY DIVIDENDS PAID		—	(75,000)
CASH INFLOW BEFORE FINANCING		229,606	100,585
FINANCING			
(Repayment) of bank loans		<u>(147,331)</u>	<u>(522,906)</u>
NET CASH OUTFLOW FROM FINANCING		(147,331)	(522,906)
INCREASE/(DECREASE) IN CASH	21	<u>82,275</u>	<u>(422,321)</u>

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

	2004 £	2003 £
Operating profit/(loss)	104,924	(46,693)
Amortisation	64,078	64,078
Depreciation	128,400	149,269
Loss on disposal of fixed assets	4,860	69,185
(Increase)/decrease in stocks	(2,015)	3,150
Decrease in debtors	32,802	10,779
Increase in creditors	8,418	29,935
Net cash inflow from operating activities	<u>341,467</u>	<u>279,703</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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 2004

2. TURNOVER

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

	2004 £	2003 £
United Kingdom	<u>6,251,835</u>	<u>5,894,030</u>

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2004 £	2003 £
Amortisation	64,078	64,078
Depreciation of owned fixed assets	128,400	149,269
Loss on disposal of fixed assets	4,860	69,185
Auditors' remuneration		
- as auditors	2,000	2,000
Operating lease costs:		
Land and buildings	<u>836,217</u>	<u>827,537</u>

4. PARTICULARS OF EMPLOYEES

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

	2004 No	2003 No
Restaurant staff	263	232
Office and management	<u>13</u>	<u>14</u>
	<u>276</u>	<u>246</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	1,667,816	1,566,156
Social security costs	71,115	72,718
Other pension costs	9,030	9,360
	<u>1,747,961</u>	<u>1,648,234</u>

5. DIRECTORS' EMOLUMENTS

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

	2004 £	2003 £
Aggregate emoluments	97,438	93,185
Value of company pension contributions to money purchase schemes	9,030	9,360
	<u>106,468</u>	<u>102,545</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

5. DIRECTORS' EMOLUMENTS *(continued)*

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

	2004 No	2003 No
Money purchase schemes	<u>2</u>	<u>2</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest payable on bank borrowing	<u>15,149</u>	<u>24,159</u>

7. TAXATION ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2003 - 19%)	38,000	18,000
Over/under provision in prior year	<u>(22)</u>	<u>(321)</u>
Total current tax	37,978	17,679
Deferred tax:		
Origination and reversal of timing differences	<u>(7,152)</u>	<u>(13,860)</u>
Tax on profit/(loss) on ordinary activities	<u>30,826</u>	<u>3,819</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2003 - 19%).

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>89,775</u>	<u>(66,442)</u>
Profit on ordinary activities multiplied by corporation tax at a rate of 19% (2003:19%)	17,057	(12,624)
Expenses not deductible for corporation tax	12,175	12,346
Depreciation for the year in excess of capital allowances	7,152	13,860
Other short term timing differences	(49)	21
Movement in the year in respect of the effect of deferred tax discounting	1,665	4,397
Adjustment to tax charge in respect of prior years	<u>(22)</u>	<u>(321)</u>
Total current tax (note 7(a))	<u>37,978</u>	<u>17,679</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

8. INTANGIBLE FIXED ASSETS

	Goodwill £	Franchise Fees £	Total £
COST			
At 1 January 2004 and 31 December 2004	<u>1,191,555</u>	<u>90,000</u>	<u>1,281,555</u>
AMORTISATION			
At 1 January 2004	362,035	27,345	389,380
Charge for the year	<u>59,578</u>	<u>4,500</u>	<u>64,078</u>
At 31 December 2004	<u>421,613</u>	<u>31,845</u>	<u>453,458</u>
NET BOOK VALUE			
At 31 December 2004	<u>769,942</u>	<u>58,155</u>	<u>828,097</u>
At 31 December 2003	<u>829,520</u>	<u>62,655</u>	<u>892,175</u>

9. TANGIBLE FIXED ASSETS

	Plant & Machinery £
COST	
At 1 January 2004	1,180,947
Additions	78,734
Disposals	<u>(8,760)</u>
At 31 December 2004	<u>1,250,921</u>
DEPRECIATION	
At 1 January 2004	625,788
Charge for the year	128,400
On disposals	<u>(3,900)</u>
At 31 December 2004	<u>750,288</u>
NET BOOK VALUE	
At 31 December 2004	<u>500,633</u>
At 31 December 2003	<u>555,159</u>

10. CAPITAL COMMITMENTS

At the year end date, the board of directors had authorised extensive refurbishment work to be carried out at the company's restaurant in Jameson Street, Hull. A significant element of the refurbishment project is in the nature of repairs and renewals.

The total cost of the refurbishment work is estimated at £350,000.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

11. INVESTMENTS

	Trade Investment £
COST	
At 1 January 2004 and 31 December 2004	<u>5,000</u>
NET BOOK VALUE	
At 31 December 2004	<u>5,000</u>
At 31 December 2003	<u>5,000</u>

12. STOCKS

	2004 £	2003 £
Finished goods	<u>40,778</u>	<u>38,763</u>

Stocks consist of foodstuffs and packaging materials.

13. DEBTORS

	2004 £	2003 £
Other debtors	10,000	40,000
Prepayments and accrued income	<u>42,955</u>	<u>45,757</u>
	<u>52,955</u>	<u>85,757</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

	2004 £	2003 £
Bank loans and overdrafts	122,808	256,500
Trade creditors	167,431	188,010
Other creditors including taxation and social security:		
Corporation tax	38,000	18,000
Other taxation and social security	<u>184,515</u>	<u>174,691</u>
	512,754	637,201
Accruals and deferred income	<u>184,593</u>	<u>165,420</u>
	<u>697,347</u>	<u>802,621</u>

The bank loan, the aggregate total of which amounts to £122,808 is repayable in monthly instalments of £10,000 representing capital and interest.

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

	2004 £	2003 £
Bank loans and overdrafts	<u>—</u>	<u>13,639</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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 £9,030 (2003 - £9,360).

17. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2004 £	2003 £
Provision brought forward	57,789	71,649
Profit and loss account movement arising during the year	<u>(7,152)</u>	<u>(13,860)</u>
Provision carried forward	<u>50,637</u>	<u>57,789</u>

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

	2004 £	2003 £
Excess of taxation allowances over depreciation on fixed assets	<u>50,637</u>	<u>57,789</u>
	<u>50,637</u>	<u>57,789</u>

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:-

	2004 £	2003 £
Rent	836,217	827,537
Advertising	311,655	281,941
Service charges	301,226	283,135
	<u>1,449,098</u>	<u>1,392,613</u>

At 31 December 2004, the company owed McDonalds Restaurants Limited £125,468 (2003 - £109,152) in respect of the provision of these services.

There is no ultimate controlling party.

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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

	2004 £	2003 £
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:

	2004 No	£	2003 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. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit/(Loss) for the financial year	58,949	(70,261)
Opening shareholders' equity funds	794,511	864,772
Closing shareholders' equity funds	<u>853,460</u>	<u>794,511</u>

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	£	2003 £	£
Increase/(decrease) in cash in the period	82,275		(422,321)	
Net cash outflow from bank loans	<u>147,331</u>		<u>522,906</u>	
		<u>229,606</u>		100,585
Change in net funds		229,606		100,585
Net debt at 1 January 2004		(178,433)		(279,018)
Net funds at 31 December 2004		<u>51,173</u>		<u>(178,433)</u>

KINGSTON RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

22. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2004 £	Cash flows £	At 31 Dec 2004 £
Net cash:			
Cash in hand and at bank	<u>91,706</u>	<u>82,275</u>	<u>173,981</u>
Debt:			
Debt due within 1 year	(256,500)	133,692	(122,808)
Debt due after 1 year	<u>(13,639)</u>	<u>13,639</u>	<u>—</u>
	<u>(270,139)</u>	<u>147,331</u>	<u>(122,808)</u>
Net funds	<u>(178,433)</u>	<u>229,606</u>	<u>51,173</u>