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Grant Thornton

Financial Statements Stonebeach Limited

For the period ended 30 September 2007

Company No. 4396961

Company information

Company registration number	4396961
Registered office	32 Bedford Row London WC1R 4EH
Directors	V Scalzo C Marsh
Secretary	V Scalzo
Bankers	HSBC 69 Pall Mall London SW1Y 5EY
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House Kettering Parkway Kettering Venture Park KETTERING NN15 6XR

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Report of the directors

The directors present their report and the financial statements of the company for the 13 months ended 30 September 2007

Principal activities

The principal activity of the company continued to be that of restaurateur

Business review and future developments

The profit for the period after taxation amounted to £228,068 (31 August 2006 - loss £500,909) The directors cannot recommend payment of a dividend (2006 - £Nil)

The directors are encouraged that turnover continues to rise and the company is achieving like for like sales growth and 'gross profit less staff costs' continues to increase due to a reduction in staff costs

During the year the company changed ownership and 100% of the share capital was acquired by Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited)

During the period the directors changed the year end from 31 August to 30 September, the results reported in the financial statements are, therefore, for a 13 month period

During the period an allotment of 150,000 £1 ordinary shares was made to existing members at par value

Financial risk management objectives and policies

The company uses various financial instruments, these include loans, cash, equity investments and various items such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Short term flexibility is achieved by overdraft facilities but currently the company is not using these

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities The company's long term loan is being repaid monthly

Credit risk

The company's principal financial assets are mainly cash with very limited trade debtors The credit risk associated with cash is limited, the principal credit risk arises therefore from its trade debtors However, very few customers are given accounts and these are reviewed regularly and collections are kept up to date

Economic environment

In common with other restaurant businesses, the company relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover

Competition

The company operates in a highly competitive market putting pressure on margin and turnover growth

Legislation

The licensed venue market is regulated and the company continues to monitor legislation to ensure it complies to the current rules and regulations

Key performance indicators

The company is monitored in line with a number of key performance indicators These are formulated at weekly and monthly Board meetings and are reviewed at both operating and Board level

Turnover growth

The company is measured against like for like sales growth

Margin

The company is measured against gross profit less staff and fixed costs with a target of 40%

Budget

The company is measured against EBITDA

Internal control

The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

The key elements of the company's control system are as follows

- a comprehensive budgeting system with an annual budget approved by the Board
- actual results are compared monthly with budgets and past results, as appropriate
- all significant capital expenditure and organisational changes are reviewed and approved by the Board
- the integrity and competence of personnel is ensured through high recruitment standards and subsequent training
- a clearly defined organisation structure

Going concern

The directors of Patissene Valene Holdings Lmuted have confirmed their continuing support for a penod of at least one year from the date of approval of these financial statements

The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements

Post balance sheet events

It is the directors' intention to continue the company's opening programme

Disabled employees

The company's policy of employment of disabled persons is to give full consideration to applications for employment having regard to their particular aptitudes and abilities and to encourage training and career developments for all employees, including disabled employees

Employee involvement

The company has put in place mechanisms to provide information to employees with particular emphasis on operational and health and safety matters Regular meetings are held between site General Managers and Head Office Operational Management

Payment policy and practice

It is the company's policy to establish payment terms with suppliers and to adhere to those terms, provided that the goods and services are in accordance with the agreed terms and conditions

Directors of the company

The present membership of the Board is set out below

C Marsh
V Scalzo

C Marsh and V Scalzo were appointed on 9 July 2007 and 15 September 2006

E Scalzo retired from the Board on 15 September 2006 and R Scalzo on 9 July 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Auditor

Grant Thornton UK LLP offer themselves for re-appointment in accordance with section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD

V Scalzo
Director

27 June 2008

Grant Thornton

Report of the independent auditor to the members of Stonebeach Limited

We have audited the financial statements of Stonebeach Limited for the period ended 30 September 2007 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 15 These financial statements have been prepared under 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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

Grant Thornton

Report of the independent auditor to the members of Stonebeach Limited

Basis of opinion

We conducted our audit in accordance with international standards on auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company's affairs as at 30 September 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements for the period ended 30 September 2007

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Kettering 27 June 2008

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice)

The company's accounting policies are unchanged from the previous period

Going concern

The financial statements have been prepared on a going concern basis, however for the period ending 30 September 2007 the balance sheet shows net current liabilities of £1,775,842 (2006 - £1,936,492) In order that the company may continue to trade and meet its day to day working capital requirements, it is dependent upon the financial support from its parent company, Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) At the balance sheet date there were amounts owing to the parent company of £22,333 (2006 - £Nil)

The directors of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) have confirmed their continuing support for a period of at least one year from the date of approval of these financial statements

The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts

Revenue arising from the sale of goods is recognised when significant risks and benefits of ownership of the product has been transferred to the buyer

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation Depreciation is calculated to write down the cost less estimated residual value of each asset over its expected useful life, as follows

Leasehold improvements	-	Over the term of the lease
Plant and machinery	-	15 - 25% per annum reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value after provisions are made in respect of obsolete and slow moving items

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases Rentals under operating leases are charged against profits on a straight line basis over the period of the lease

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity There is no effect on the financial statements as a result of this policy

Profit and loss account

	Note	13 months ended 30 September 2007 £	Year ended 31 August 2006 £
Turnover		**3,245,898**	2,279,756
Cost of sales		**(654,682)**	(739,074)
Gross profit		**2,591,216**	1,540,682
Administrative expenses		**(2,363,148)**	(1,978,818)
Operating profit/(loss)	1	**228,068**	(438,136)
Interest payable and similar charges		**-**	(62,773)
Profit/(loss) on ordinary activities before taxation		**228,068**	(500,909)
Tax on profit/(loss) on ordinary activities	3	**-**	-
Profit/(loss) for the period	9	**228,068**	(500,909)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the profit for the period as set out above

Balance sheet

	Note	30 September 2007		31 August 2006	
		£	£	£	£
Fixed assets					
Tangible assets	4		**1,648,660**		1,431,242
Current assets					
Stocks	5	**51,700**		24,750	
Debtors	6	**1,396,953**		86,327	
Cash at bank and in hand		**2,800**		2,300	
		1,451,453		113,377	
Creditors: amounts falling due within one year	7	**(3,227,295)**		(2,049,869)	
Net current liabilities			**(1,775,842)**		(1,936,492)
			(127,182)		(505,250)
Capital and reserves					
Called up share capital	8		**150,100**		100
Profit and loss account	9		**(277,282)**		(505,350)
Shareholders' funds	10		**(127,182)**		(505,250)

These financial statements were approved by the Board of Directors and authorised for issue on 27 June 2008.
They were signed on its behalf by

V Scalzo
Director

C Marsh
Director

Notes to the financial statements

1 Turnover on profit/(loss) on ordinary activities before taxation

The turnover and profit/(loss) on ordinary activities before taxation is attributable to the one activity as disclosed in the Report of the Directors

Operating profit/(loss) is stated after charging

	13 months ended 30 September 2007	Year ended 31 August 2006
	£	£
Depreciation of tangible assets	**303,309**	256,594
Auditors' remuneration - statutory audit of the financial statements	**-**	4,500
Operating lease rentals - land and buildings	**371,250**	300,000

2 Directors and employees

Staff costs during the period were as follows

	13 months ended 30 September 2007	Year ended 31 August 2006
	£	£
Wages and salaries	**1,256,967**	1,016,006
Social security costs	**105,176**	84,452
	1,362,143	1,100,458

Directors and employees (continued)

The average number of employees of the company during the period was as follows

	13 months ended 30 September 2007	Year ended 31 August 2006
Directors	-	3
Staff	**78**	54
	78	57

Remuneration in respect of directors was as follows

	13 months ended 30 September 2007	Year ended 31 August 2006
	£	£
Emoluments	-	22,000

3 Tax on profit/(loss) on ordinary activities

The tax charge represents

	13 months ended 30 September 2007	Year ended 31 August 2006
	£	£
Current tax		
In respect of the period		
UK corporation tax	-	-

Tax on profit/(loss) on ordinary activities (continued)

Factors affecting current tax charge

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19 46% (2006 - 19%) The differences can be explained as follows

	13 months ended 30 September 2007 £	Year ended 31 August 2006 £
Profit/(loss) on ordinary activities before tax	**228,068**	(500,909)
Profit/(loss) on ordinary activities multiplied by the standard rate of tax	**44,382**	(95,173)
Effect of		
Expenses not deductible for tax purposes	-	7,438
Capital allowances in excess of depreciation	**(4,446)**	48,753
(Utilisation)/creation of trading losses	**(39,936)**	38,982
Current tax charge for the period	-	-

4 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 September 2006	147,300	1,635,821	1,783,121
Additions	122,476	398,251	520,727
At 30 September 2007	269,776	2,034,072	2,303,848
Depreciation			
At 1 September 2006	43,613	308,266	351,879
Provided in the period	22,481	280,828	303,309
At 30 September 2007	66,094	589,094	655,188
Net book amount			
At 30 September 2007	**203,682**	**1,444,978**	**1,648,660**
At 31 August 2006	103,687	1,327,555	1,431,242

5 Stocks

	30 September 2007 £	31 August 2006 £
Finished goods	**51,700**	24,750

6 Debtors

	30 September 2007 £	31 August 2006 £
Trade debtors	**4,968**	36,910
Amounts owed by group undertakings	**1,258,423**	-
Other debtors	**-**	1,270
Prepayments	**133,562**	48,147
	1,396,953	86,327

7 Creditors: amounts falling due within one year

	30 September 2007 £	31 August 2006 £
Bank loans and overdrafts	**2,190,190**	1,173,348
Trade creditors	**288,645**	85,345
Amounts owed to group undertakings	**456,265**	310,000
Social security and other taxes	**160,124**	81,300
Other creditors	**-**	62,117
Amounts due under finance leases and hire purchase contracts	**-**	165,042
Accruals	**132,071**	172,717
	3,227,295	2,049,869

The bank facility is secured by a fixed and floating charge over all the assets of the company

8 Share capital

	30 September 2007 £	31 August 2006 £
Authorised		
Equity shares		
151,000 (2006 - 1,000) Ordinary shares of £1 each	**151,000**	1,000

	30 September 2007 £	31 August 2006 £
Allotted, called up and fully paid		
Equity shares		
150,100 Ordinary shares of £1 each	**150,100**	100

Allotments during the year

The company made an allotment of 150,000 ordinary £1 shares at £1 per share on 15 September 2006 to existing members

9 Reserves

	Profit and loss account £
Balance at 1 September 2006	(505,350)
Profit for the period	228,068
Balance at 30 September 2007	**(277,282)**

10 Reconciliation of movements in shareholders' funds

	30 September 2007 £	31 August 2006 £
Profit/(loss) for the financial period and net increase/(decrease) in shareholders' funds	**228,068**	(500,909)
Issue of shares	**150,000**	-
Opening shareholders' funds	**(505,250)**	(4,341)
Closing shareholders' funds	**(127,182)**	(505,250)

11 Leasing commitments

Operatıng lease payments amountıng to £455,716 (2006 - £300,000) are due wıthın one year The leases to whıch these relate expıre as follows

	Land and buildings	
	30 September 2007	31 August 2006
	£	£
In more than five years	**455,716**	300,000

12 Contingent liabilities

In 2007 the company entered ınto a cross company guarantee wıth ıts connected companıes, namely Patısserıe Valerıe Lımıted, Leonardo Lımıted, Patısserıe Valerıe Express Lımıted, Hewmark Lımıted, La Boheme Lımıted, Patısserıe Valerıe Holdıngs Lımıted (formerly Pımco 2531 Lımıted) and Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) Thıs guaranteed the Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) bank loan of £17m If Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) defaults on that loan the company wıll be requıred to make good The dırectors belıeve the fınancıal condıtıon of Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) ıs such that thıs guarantee wıll not be called upon

In 2006 the company was part of a cross company guarantee wıth ıts connected companıes, namely Hewmark Lımıted, Patısserıe Valerıe Lımıted, Leonardo Lımıted and Patısserıe Valerıe Express Lımıted Thıs guaranteed the Stonebeach Lımıted bank loan of £654,872 The cross guarantee no longer exısts

13 Controlling party

Patısserıe Valerıe Holdıngs Lımıted (formerly Pımco 2531 Lımıted) ıs the company's controllıng related party by vırtue of ıts shareholdıng The ultımate controllıng related party of the company ıs Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) as a result of ıts shareholdıng ın Patısserıe Valerıe Holdıngs Lımıted (formerly Pımco 2531 Lımıted)

The largest and smallest group of undertakıngs for whıch group accounts have been drawn up ıs that headed by Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted), ıncorporated ın England and Wales Copıes of the group accounts can be obtaıned from Companıes House

14 Related party transactions

At 30 September 2007 the company owed £Nıl (2006 - £62,117) to the former dırector R Scalzo

As a result of a change ın ownershıp durıng the perıod, the company ıs a wholly owned subsıdıary and ıs exempt from the requırements of FRS 8 to dısclose transactıons wıth other members of the group headed by Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) on the grounds that the consolıdated accounts of Patısserıe Holdıngs Lımıted (formerly Pımco 2597 Lımıted) are publıcly avaılable

15 Capital commitments

The company had no capıtal commıtments at 30 September 2007 or 31 August 2006