Stonebeach Limited

Financial statements

For the year ended 31 August 2006

Grant Thornton

Company No. 4396961

Company information

Company registration number	4396961
Registered office	32 Bedford Row London WC1R 4EH
Directors	V Scalzo R Scalzo
Secretary	V Scalzo
Bankers	HSBC 69 Pall Mall London SW1Y 5EY
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Elgin House Billing Road Northampton NN1 5AU

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 August 2006

Principal activities

The principal activity of the company continued to be that of restauranteurs In April 2005 the company opened a new shop in Piccadilly From March 2005 the company commenced the development and fitting of a third shop in Spitalfields which opened in December 2006

Results and dividends

The loss for the year after taxation amounted to £500,909 (2005 - profit £30,594) The directors have not recommended a dividend in the year

Business is in line with the directors' expectations and continues to trade in line with budget

Directors and their interests in the shares of the company

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

	Ordinary shares of £1 each	
	At 31 August 2006	At 1 September 2005
V Scalzo	-	-
R Scalzo	-	-
E Scalzo	-	-

E Scalzo retired from the Board on 15 September 2006

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 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

Statement of directors' responsibilities (continued)

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

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

In 2005 the company entered into a cross company guarantee with its connected companies, namely Hewmark Limited, Patisserie Valerie Limited, Leonardo Limited and Patisserie Valerie Express Limited This guaranteed the Stonebeach Limited bank loan of £654,872 If Stonebeach Limited defaults on that loan the company will be required to make good The directors believe the financial condition of Stonebeach Limited is such that this guarantee will not be called upon

Key performance indicators

The company is monitored in line with four key performance indicators

Turnover

Due to the nature of the brand that Valeries have, the business is measured against like for like turnover per month and year to date

Gross margin

The business is measured to a gross margin in excess of 71% and this is expected to increase once EPOS is introduced in 2007

Wage costs

Wages, being the principal controlled overhead, are measured against sales and a target cost of 35% is used as the key performance indicator

Budget

The business is reviewed against the determined EBITDA for the company

Post balance sheet events

On 15 September 2006 the company was acquired by a new company called Patisserie Valerie Holdings Limited This company has acquired all the connected companies to create a single trading unit Investment capital has been put in to develop the brand and open a further three sites in 2007 but to date no sites have been committed to

Auditor

Grant Thornton UK LLP were appointed as auditors on 11 December 2006 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985 Special notice pursuant to section 388(3) having been given, a resolution to appoint Grant Thornton UK LLP will be proposed at the next Annual General Meeting

ON BEHALF OF THE BOARD

V Scalzo
Director

4 June 2007

Grant Thornton

Report of the independent auditor to the members of Stonebeach Limited

We have audited the financial statements of Stonebeach Limited for the year ended 31 August 2006 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 16 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 and the information given in the Report of the Directors is consistent with the financial statements We also 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

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

Grant Thornton

Report of the independent auditor to the members of Stonebeach Limited

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 31 August 2006 and of its loss for the year 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 year ended 31 August 2006

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

4 June 2007

Northampton

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 year, apart from the adoption of FRS 21 '(IAS 10) Events After the Balance Sheet Date' and FRS 25 '(IAS 32) Financial Instruments' These changes are described in more detail below

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 a small company

Turnover

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

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
Fixtures, fittings and equipment	-	15% per annum reducing balance

Leased assets

Hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

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

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

Provisions for liabilities and charges

Provisions (other than provisions for post retirement benefits and deferred taxation) are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards

FRS 21 '(IAS 10) Events after the Balance Sheet Date'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date Previously where these equity dividends were proposed after the balance sheet date but before authorisation of the financial statements they were recorded as liabilities at the balance sheet date There is no effect on the financial statements as a result of this policy

FRS 25 '(IAS 32) 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	2006 £	2005 £
Turnover		**2,279,756**	890,148
Cost of sales		**(739,074)**	(298,666)
Gross profit		**1,540,682**	591,482
Administrative expenses		**(1,978,818)**	(553,581)
Operating (loss)/profit	1	**(438,136)**	37,901
Other interest receivable and similar income		**-**	4
Interest payable and similar charges		**(62,773)**	(7,311)
(Loss)/profit on ordinary activities before taxation		**(500,909)**	30,594
Tax on (loss)/profit on ordinary activities	3	**-**	-
(Loss)/profit for the year	9	**(500,909)**	30,594

All of the activities of the company are classed as continuing

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

The accompanying accounting policies and notes form an integral part of these financial statements

Balance sheet

	Note		2006		2005
		£	£	£	£
Fixed assets					
Tangible assets	4		**1,431,242**		927,927
Current assets					
Stocks		**24,750**		10,000	
Debtors	5	**86,327**		115,856	
Cash at bank and in hand		**2,300**		9,297	
		113,377		135,153	
Creditors: amounts falling due within one year	6	**(2,049,869)**		(494,929)	
Net current liabilities			**(1,936,492)**		(359,776)
Total assets less current liabilities			**(505,250)**		568,151
Creditors: amounts falling due after more than one year	7		-		(572,492)
			(505,250)		(4,341)
Capital and reserves					
Called up share capital	8		**100**		100
Profit and loss account	9		**(505,350)**		(4,441)
Shareholders' funds	10		**(505,250)**		(4,341)

These financial statements were approved by the Board of Directors and authorised for issue on 4 June 2007
They were signed on its behalf by

V Scalzo
Director

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the financial statements

1 Turnover on loss on ordinary activities before taxation

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

Operating loss is stated after charging

	2006 £	2005 £
Depreciation of tangible assets	**256,594**	37,960
Auditors' remuneration - audit	**4,500**	3,365
Operating lease rentals - land and buildings	**300,000**	330,515

2 Directors and employees

Staff costs during the year were as follows

	2006 £	2005 £
Wages and salaries	**1,016,006**	305,198
Social security costs	**84,452**	25,362
	1,100,458	330,560

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

	2006	2005
Directors	**3**	3
Staff	**54**	16
	57	19

Remuneration in respect of directors was as follows

	2006 £	2005 £
Emoluments	**22,000**	24,000

3 Tax on loss on ordinary activities

The tax charge represents

	2006	2005
	£	£
Current tax		
In respect of the year		
UK corporation tax	-	-

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% (2005 - 19%) The differences can be explained as follows

	2006	2005
	£	£
(Loss)/profit on ordinary activities before tax	(500,909)	30,594
(Loss)/profit on ordinary activities multiplied by the standard rate of tax	(95,173)	5,813
Effect of		
Expenses not deductible for tax purposes	7,438	-
Capital allowances in excess of depreciation	48,753	-
Utilisation/(creation) of trading losses	38,982	(5,813)
Current tax charge for the period	-	-

4 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 September 2005	147,300	875,912	1,023,212
Additions	-	759,909	759,909
At 31 August 2006	147,300	1,635,821	1,783,121
Depreciation			
At 1 September 2005	32,282	63,003	95,285
Provided in the year	11,331	245,263	256,594
At 31 August 2006	43,613	308,266	351,879
Net book amount			
At 31 August 2006	**103,687**	**1,327,555**	**1,431,242**
At 31 August 2005	115,018	812,909	927,927

5 Debtors

	2006 £	2005 £
Trade debtors	**36,910**	14,450
Amounts owed by group undertakings	-	58,955
Other debtors	**1,270**	42,451
Prepayments	**48,147**	-
	86,327	115,856

6 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	**1,173,348**	248,810
Trade creditors	**85,345**	224,349
Amounts owed to group undertakings	**310,000**	-
Social security and other taxes	**81,300**	11,553
Other creditors	**62,117**	10,217
Hire purchases	**165,042**	-
Accruals	**172,717**	-
	2,049,869	494,929

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

7 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Bank loans	-	80,000
Hire purchases	-	492,492
	-	572,492

8 Share capital

	2006 £	2005 £
Authorised		
Equity shares		
1,000 Ordinary shares of £1 each	**1,000**	1,000

	2006 £	2005 £
Allotted, called up and fully paid		
Equity shares		
100 Ordinary shares of £1 each	**100**	100

9 Profit and loss account

	£
Balance at 1 September 2005	(4,441)
Retained loss for the year	(500,909)
Balance at 31 August 2006	**(505,350)**

10 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
(Loss)/profit for the financial year and net (decrease)/increase in shareholders' funds	**(500,909)**	30,594
Opening shareholders' funds at 1 September	**(4,341)**	(34,935)
Closing shareholders' funds at 31 August	**(505,250)**	(4,341)

11 Leasing commitments

Operating lease payments amounting to £300,000 (2005 - £330,515) are due within one year The leases to which these relate expire as follows

	Land and buildings	
	2006	2005
	£	£
In more than five years	**300,000**	330,515

12 Capital commitments

At 31 August 2006 the company had capital commitments as follows

	2006	2005
	£	£
Contracted for but not provided in the financial statements	-	750,000

13 Contingent liabilities

In 2005 the company entered into a cross company guarantee with its connected companies, namely Hewmark Limited, Patisserie Valerie Limited, Leonardo Limited and Patisserie Valerie Express Limited This guaranteed the Stonebeach Limited bank loan of £654,872 If Stonebeach Limited defaults on that loan the company will be required to make good The directors believe the financial condition of Stonebeach Limited is such that this guarantee will not be called upon

14 Controlling related party

The company is under the joint control of the directors V Scalzo and R Scalzo who are also the directors and shareholders of the parent company Patisserie Valerie Limited

15 Related party transactions

At 31 August 2006 the company owed £62,117 (2005 - £10,117) to the director R Scalzo

At 31 August 2006 the company owed £310,000 (2005 - £263,350) to Leonardo Limited, an associated company

At 31 August 2006 the company owed £Nil (2005 - £117,025) to Patisserie Valerie Limited, its parent company

At 31 August 2006 the company owed £2,342 (2005 - £50,000) to Patisserie Valerie Express Limited, a related company

At 31 August 2006 the company was owed £7,629 (2005 - £Nil) by Patisserie Valerie Express Limited, a related company

16 Related party transactions

On 15 September 2006 the company was acquired by a new company called Patisserie Valerie Holdings Limited This company has acquired all the connected companies to create a single trading unit Investment capital has been put in to develop the brand and open a further three sites in 2007 but to date no sites have been committed to