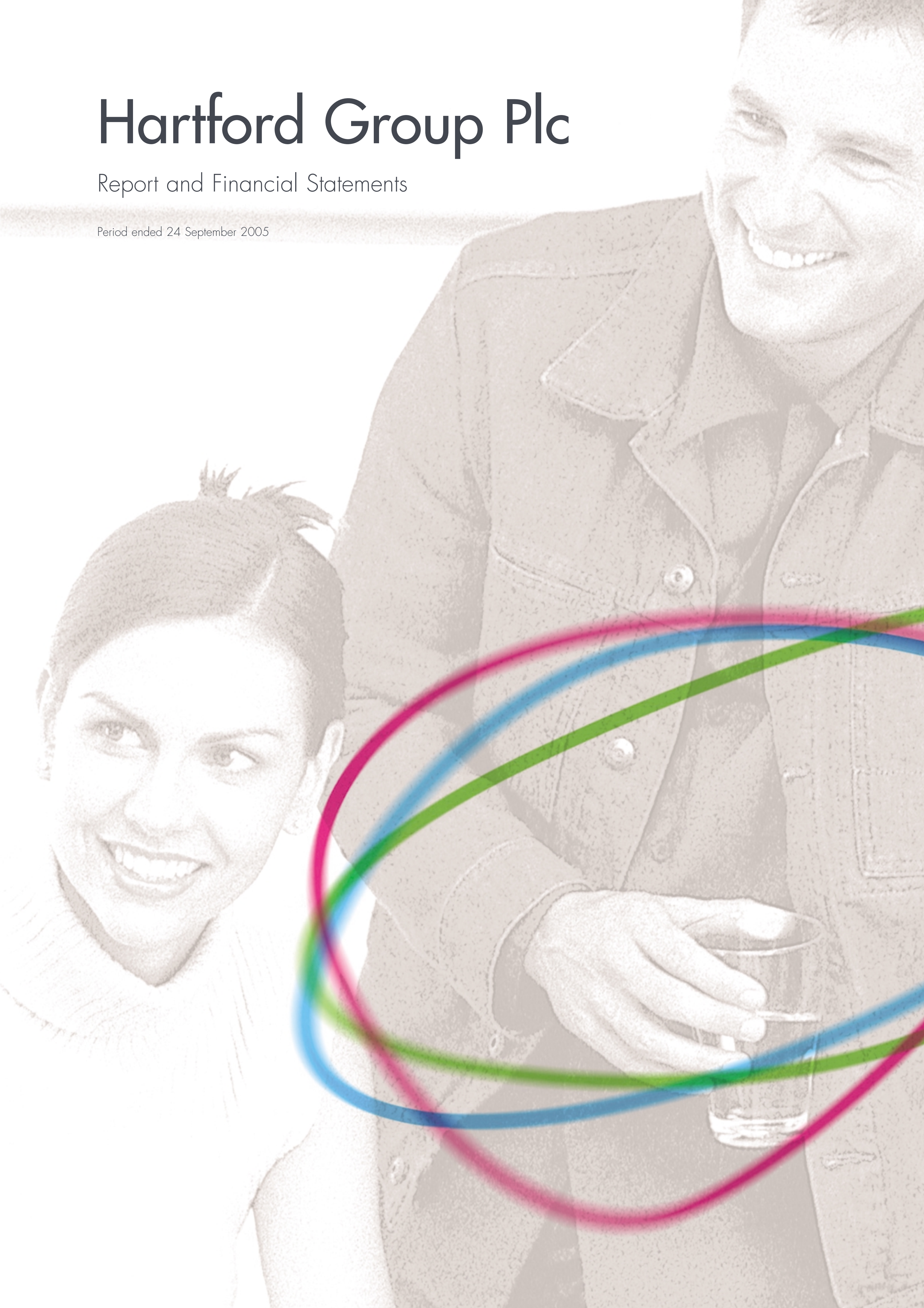
Hartford Group Plc

Report and Financial Statements

Period ended 24 September 2005



Contents

Directors and Company Information

Company Registration Number:	3447841
Registered Office:	115 Chancery Lane London WC2A 1PP
Directors:	S C Thomas (Non-executive Chairman) J S P Kowszun (Chief Executive) U D Parekh (Finance Director) K S Shah (Non-executive Director) R D Pickard (Non-executive Director) C D Poil (Non-executive Director)
Secretary:	U D Parekh
Bankers:	Barclays Bank PLC London Corporate Banking 1 Churchill Place London E14 5HP
Solicitors:	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Brokers:	KBC Peel Hunt Limited 110 Old Broad Street London EC2N 1PH
Registrars:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP
Websites:	www.hartfordgroup.co.uk www.jamiesbars.co.uk www.henryjbeans.com

Chairman's Statement

Introduction

The financial year ended 24 September 2005 was a significant one for Hartford, with another solid year's trading brought to a close with the successful acquisition of Henry J Bean's Group Limited and the exciting growth opportunities that this will bring. Earlier in the year we acquired two profitable units trading as Brodies and successfully disposed of three under-performing sites. Overall, we have improved profit before tax (excluding amortisation of goodwill and reorganisation costs) by 40.2% to £401k, with the positive trading trends continuing into the new financial year. The Financial and Operational reviews below set out the details of how this has been achieved through a combination of consumer-focused outlets and robust financial management. This puts Hartford in a strong position to accelerate the pace of its expansion in the future.

To recognise the conclusion of a period of extensive reorganisation and turnaround, and to enable the group to deliver improved benefits for shareholders in the future, we are announcing a number of corporate initiatives. These changes include accelerating our reporting timetable, changing our company name to The Food & Drink Group plc and reconstructing both the reserves in our balance sheet and the number of shares in issue. Simplifying the reserves position and removing the historic deficit on the Profit and Loss account reserve will increase the options available to the company in the future to enhance shareholder value. All of the proposed changes will be explained in detail in a circular to be issued in the near future and will be put before shareholders for approval at the Annual General Meeting.

Financial Review

Sales for the group as a whole grew by 10.4%, generated by an encouraging like-for-like sales increase of 3.7% and supplemented by the impact of acquisitions. This growth in sales has been achieved at the same time as gross margins have moved ahead of last year to 74.3% (2004: 74.1%).

Despite further increases in the minimum wage, total wage costs reduced by half a percentage point, measured as a percentage of sales, resulting primarily from better recruitment and lower staff turnover. Site costs showed a modest increase as a percentage of sales, both as a result of increased utility costs and as we invested in key areas of maintenance.

Following the acquisition of Henry J Bean's Group Limited on the last day of the financial year, we have taken a reorganisation charge of £200k. This charge covers expected redundancy costs and the integration of the administration centres. The acquisitions of Brodies and Henry J Bean's have given rise to goodwill on consolidation. This has had no material impact on the amortisation charge in the financial year under review, which has increased marginally from £216k in 2004 to £220k in 2005, but the annual goodwill charge for amortisation in future will be £450k.

There is a small loss on disposal of £12k, resulting from the disposal of two of the smaller City Bars and a Bar towards the end of the financial year.

Interest paid in the financial year was £194k (2004: £129k).

Excluding the costs of reorganisation, the group increased profit before tax and amortisation of goodwill by 40.2% to £401k compared with £286k in 2004.

There is no corporation tax charge in the current year and no adjustment to the deferred tax position announced last year.

Earnings per share are nil compared to 0.10p last year. This is distorted by two material but one-off exceptional items, the reorganisation charge this year (£200k) and the creation of a deferred tax asset (£500k) in the prior year. If we add back the reorganisation costs this year earnings per share rise to 0.03p and if we add back the deferred tax asset in the prior year earnings per share (in full) were 0.01p last year. These adjustments show the underlying earnings per share of the group.

The Board does not propose to pay a dividend this year.

The group has spent £1.0m on capital expenditure and £7.7m on acquisitions, including costs, this year. The capital expenditure is described in detail in the Property section below but, in summary, comprised two major refurbishments, together with the relocation of our administration centre and continued support as required by the estate.

The EBITDA (earnings before interest, tax, depreciation, amortisation of goodwill and reorganisation charge) has increased by 16.4% to £1.2m from £1.0m last year, with the EBITDA margin also improved by half a percentage point. Following capital expenditure and acquisitions, there was a net cash outflow of £7.7m. Both acquisitions were financed out of new banking facilities provided by Barclays Bank PLC. At the year end, net debt was £9.2m, with total facilities of £10.3m. Since the year end we have put interest rate hedging in place, purchasing a three year interest rate cap.

The group will be adopting International Financial Reporting Standards in line with the approved timetable for AIM listed companies. The first set of accounts to comply with the new reporting standards will be for the year ending September 2008.

Review of Operations

Henry J Bean's

As has been previously announced, we acquired Henry J Bean's Group Limited on 24 September 2005 for a net consideration of £5.8m. This acquisition delivered six UK managed operations (five Henry J Bean's and the award winning Apartment 195), together with the global franchise rights to the Henry J Bean's brand. At the date of the acquisition there were 4 UK franchises and 13 international franchise operations. Since the year end a new overseas franchise agreement has been signed and a number of others are in the pipeline.

The integration of all central administrative and operational functions has been successfully completed and with purchasing and supply chain discussions substantially complete, focus has moved to the acquired operating units. We are looking to retain and build upon all the key elements that have made Henry J Bean's a successful brand, as well as implementing improvement programmes across the entire operation.

We are now actively looking to expand both the franchise business and the UK managed sites and I hope to be able to report positively about both of these areas in the near future.

This acquisition is extremely exciting for Hartford, because not only is it immediately earnings enhancing, but it also gives us two highly attractive growth opportunities – UK managed operations and international franchising.

Bars

The Bars division of the business, which comprises ten sites, had another good year, with the sale of the Jamies Holborn offset by the acquisition in July 2005 of two Brodies sites in Paternoster Square (adjacent to St Paul's Cathedral) and Canary Wharf. Like-for-like sales grew by 3.8%, with EBITDA margin improving by

1.6% points, principally through improved wage and variable cost control. The operations have continued to evolve, with increased focus on the individuality of each site, underpinned by strong and consistent company-wide controls and support processes. This search for individuality has resulted in a number of differing approaches, from the introduction of innovative cocktail lists through to the targeted use of live entertainment and the use of the bars for specific events, such as a particularly successful evening with the All Blacks last year at Heads and Tails.

The market in which our bars operate continues to be competitive, but these results show that by constantly focusing the business on the delivery of quality product and excellent service we can continue to improve both sales and margins.

The two Brodies sites were acquired in July 2005 for £1.4m. Following an initial review, we have decided to maintain both sites under the Brodies name for the foreseeable future. They occupy a marginally different market position to the Jamies sites, with a slightly younger customer profile and a stronger evening business. Both sites are performing well and contributing to profits.

We have successfully extended licensing hours at eight of our sites, following licensing reform in November 2005. These additional hours will be used selectively, principally in response to the needs of private functions.

City Bars

Sales within the City Bars division, which comprises nine sites, were 22.2% up on last year, with the impact of last year's acquisitions contributing a full year's sales. Like-for-like sales were marginally positive at +0.7% and the EBITDA margin remains higher in this section of the business than the rest of the group. These sites tend to have a loyal and regular customer base that represents a significant proportion of total business. It is therefore one of our key priorities to ensure that this group of customers is well catered for. This is achieved by a continuous focus on both service and product quality with particular attention given to both the wine list, rightly regarded as one of the best in the City, and the ongoing education of our front-of-house teams.

Licensing reform has been a relatively painless experience in the City of London, with all of the sites achieving extensions to their licensed hours. However, it is not our intention to change the trading format for these bars, rather to maintain the flexibility they have always enjoyed catering to our customers' needs, particularly with respect to private functions.

Restaurants

The performance of the only remaining restaurant in the group's portfolio, Canyon at Richmond Riverside, was encouraging, with an 8.0% improvement in sales and a 2.8% point improvement in the EBITDA margin. This trend is continuing into the new financial year.

Management and Employees

The acquisition of Henry J Bean's Group at the end of the financial year has triggered a reorganisation of the senior management team at Hartford, allowing us to refocus resources to continue to drive the business forwards. To this end, the role of Operations Director has become redundant and Jeremy Spencer left the company at the end of 2005. Jeremy has been with Hartford for five years, and his drive, commitment and skill have played a major part in the fundamental restructuring that has resulted in the profitable, focused company that it is today. On behalf of the Board, I would like to thank Jeremy and wish him well in his future career.

The restructuring has created a number of new opportunities at Hartford, particularly for internal progression and the changes will allow management to increase its focus on expansion opportunities and further underpins our commitment to build Hartford into a substantial business within the wider licensed retailing arena, both in the UK, and internationally, through the franchising of Henry J Bean's.

The recruitment, development and retention of top quality site staff and management continues to be one of our highest priorities. We have implemented an improved screening programme for new recruits this year, assessing aptitude for working in our industry, in addition to a more traditional skills assessment. This has had a marked effect, with staff turnover within their first six months declining significantly. Our staff training programmes continue to develop, with an increased focus on performance management, both from the centre and with the tools we have given our site managers.

Property

We continue to proactively manage our property portfolio, identifying potential opportunities and developing plans to address them. During the year we completed a major refurbishment at Jamies Poland Street, Soho and rebranded it as Polka. The consumer response to the repositioning has been encouraging with sales showing good improvement and the site has been nominated for an industry award. We also refurbished Jamies Ludgate Hill, and performance since reopening has been good. In addition, we invested in minor capital projects at eleven other sites continuing our policy of recent years of completing smaller, but more frequent refurbishments to enable sites to evolve and remain competitive.

We have sold two of the smaller City Bars, Betjemans and Jamies Aldgate. These sites made no material contribution to profits and the sale resulted in a loss on disposal of £12k. At the end of the financial year we also moved the group's administration centre, exiting an unattractive lease and instead occupying under-utilised space within the existing business.

Current Trading and Outlook

Trading in the new financial year has been encouraging, with total revenue 36.1% ahead of last year and the trend of positive like-for-like sales set last year continuing. In the first 16 weeks of the new financial year, comparable sales are up by 2.9%. In addition, the acquired Henry J Bean's outlets are performing to expectation – specifically, the flagship site on the Kings Road in London is showing sales growth of 2.9% against last year. The improvement in top line sales across the group has been achieved whilst also maintaining both margins and cost controls.

Trading over Christmas continued the trend of recent years, with the level of bookings better than last year, resulting in like-for-like sales for the five weeks ending 31 December 2005 increasing by 3.3% ahead of last year. We have principally used extended licensing hours in previous years to satisfy our function business, and the new licensing regime has allowed us to continue to do this for the current year. The impact of licensing reform on the business has therefore been broadly neutral.

Corporate Reorganisation

Hartford has successfully come through a period of extensive repositioning, reorganisation and turnaround with the business transformed, in terms of strategy, operational focus and financial performance. The acquisition of Henry J Bean's now adds impetus to our future growth opportunities. To reflect the future prospects for Hartford we intend to implement a number of corporate changes for the benefit of the company and its shareholders.

Share Structure
It is impractical and administratively expensive for the company to have over 545 million shares in issue. We therefore intend to reduce the number of shares in issue to 4 million, a consolidation of some 136 times. The relevant company resolutions will be issued in a circular shortly and then put to shareholders at our Annual General Meeting later on in the year.

Group Balance Sheet Reconstruction
The historic performance of the group prior to adoption of its new strategy in 2000 has resulted in a number of unnecessary merger reserves in the group balance sheet, together with a deficit to the Profit and Loss Reserve. We intend to commence the process required to simplify and reconstruct the reserves held on the balance sheet and remove the deficit. The process will be explained in detail in a circular to be posted shortly and will be put to shareholders for approval at our AGM.

Company Name
To recognise the extent of the transformation that has occurred at Hartford, it is intended to change the name of the group to The Food & Drink Group plc. This change will be implemented once the change has been approved by shareholders at the AGM.

Reporting of Financial Performance
We intend to accelerate the future timing of our reporting to shareholders. We will aim to announce interim results within six weeks of the relevant financial period ending and preliminary results for the full financial year within ten weeks of the period end.

Summary
The coming twelve months will be exciting times for Hartford. We will seek to improve the performance and composition of the existing trading estate, along with the commencement of the Henry J Bean's site expansion and the exploitation of franchise opportunities. The group is now in a strong position to move forward and with the further strengthening of the management team we can look forward to accelerating its expansion.

Stephen Thomas
Chairman
Hartford Group Plc
19 January 2006

Report of the Directors

The directors present their report together with the audited financial statements for the 52 weeks ended 24 September 2005.

Principal Activity

The principal activity of the group during the period was as bar and restaurant operators.

Business Review

A review of the business and future developments is given in the Chairman's Statement. The consolidated results of the group for the 52 weeks ended 24 September 2005 show a loss after taxation of £19,000 (2004: profit £570,000). The directors do not recommend the payment of a dividend (2004: £nil).

Substantial Interests

In addition to the shareholdings shown under directors' interests below, the company is aware of the following interests in 3% or more of the company's issued share capital at 17 January 2006.

	Ordinary 1p shares	Percentage holding
Prestbury Equities Ltd	148,355,594	27.2%
HSBC Custody Nominee (UK) Ltd	75,000,000	13.7%

The company is not aware of any other person that has reported an interest of 3% or more of the company's ordinary shares.

Directors

All directors served throughout the year. The beneficial interests of the directors, who held office at 24 September 2005, in the ordinary shares of 1p each in the company were as follows:

	At 24 September 2005 £	At 25 September 2004 £
S C Thomas	43,839,073	43,839,073
J S P Kowszun	2,250,000	2,250,000
U D Parekh	230,000	230,000
K S Shah	–	–
R D Pickard	–	–
C D Poil	5,000,000	5,000,000

Further details of the beneficial interest of the directors in options to purchase ordinary shares of 1p each of the company are disclosed in note 3 to the financial statements.

Policy and Practice on the Payment of Creditors

The group agrees specific payment terms with individual suppliers and then makes payment in accordance with these terms. The number of average days' purchases included within trade creditors at 24 September 2005 was 75 days (25 September 2004: 73 days).

Directors and Officers Indemnity Insurance

During the year the group maintained insurance to indemnify actions against directors and officers in their normal course of business.

Directors' Responsibilities for the Financial Statements

United Kingdom 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board

U D Parekh
Secretary

18 January 2006

Corporate Governance

Applications of Principles

The company is committed to compliance with the principles of good corporate governance. This statement describes how the company applies the principles contained within the Combined Code (revised) appended to the Listing Rules of the Financial Services Authority.

Compliance with the Combined Code

The company has complied throughout the year with the provisions of the Revised Combined Code with the following exceptions under section A3.1:

The non-executive Chairman, S C Thomas, has an interest in 14,117,647 share options of the company and has a significant holding of 43,839,073 shares. Additionally, K S Shah represents the major shareholder.

Directors

The Board comprises the non-executive Chairman, two executive directors and three other non-executive directors. Biographies of Board members are set out on page 10. This composition is considered to provide a balance whereby no individual or small group can dominate the Board's decision making. The Chairman of the Board is S C Thomas and the Chief Executive is J S P Kowszun.

R D Pickard and C D Poil are considered to be independent. R D Pickard is the senior independent director. Neither S C Thomas nor K S Shah are considered to be independent, as S C Thomas is a significant shareholder and a holder of share options and K S Shah is a representative of the major shareholder.

The company's Articles of Association provide that one-third (or the number nearest to but not exceeding one-third) of the directors shall stand for re-election at each annual general meeting. Furthermore, the Articles of Association require a director to stand for re-election if they were not appointed or reappointed at either of the last two annual general meetings.

All non-executive directors are initially appointed for a three year term. The company will take into account their balance of skills, contribution to the Board and level of independence when considering whether to extend their appointment beyond the initial three year term.

The Board meets ten times a year, and otherwise as required. Board meetings involve detailed reviews of financial and business performance of each of its trading divisions against the plan approved by the Board. The non-executives meet without the executives as and when required.

The Board has a schedule of matters specifically reserved to it for decision making, and delegates certain powers to the Board Committees and to the executive directors, collectively and individually. As part of the remuneration process the Board annually undertakes a performance evaluation of the entire Board and Executives.

Information is provided to all Board members prior to the Board meeting to enable them to consider the issues for discussion and to request clarification or additional information as necessary. The Board regularly reviews the type and amount of information provided.

The Company Secretary is responsible for ensuring that all Board procedures are observed and for advising the Board on corporate governance matters. In addition, there is an agreed procedure for seeking independent professional advice at the Company's expense. On appointment to the Board, every director is provided with appropriate training to enable them to discharge their duties as a director.

Directors' Biographies

Stephen Thomas, age 52, Non-executive Chairman

Stephen is founder and Chief Executive Officer of Luminar Plc and Luminar Leisure Limited. He is also Non-executive Director of Saracens Limited and Paddy Power Plc.

James Kowszun, age 37, Chief Executive

James, prior to joining the group, was Finance Director of the SFI Group plc from August 2000 until April 2002. He was previously Finance Director of The Slug and Lettuce Group Limited from January 2000 until its takeover by the SFI Group in August 2000. Prior to this, he was the finance director of Allergy Therapeutics Limited, a management buy-in buy-out from SmithKline Beecham Plc. He was previously at Bass Brewers Ltd, where he was a member of the strategic planning team, working on a number of high profile strategic projects one of which was the proposed acquisition of Carlsberg-Tetley Plc (eventually blocked by the Monopolies and Merger Commission). Prior to this, he worked at SmithKline Beecham Plc, initially in group finance and latterly in corporate development handling transactions including the acquisition of Sterling Health and the disposal of the Global Animal Health Division. James qualified as a Chartered Accountant with Arthur Andersen (1992), where he specialised in corporate recovery.

Urvashi Parekh, age 38, Finance Director

Urvashi is a qualified accountant. She joined the group in September 2000 as Financial Controller, having previously held the same post at Prestbury Group Plc from July 1998 until joining Hartford and prior to that at Columbus Group plc from 1993 to 1998. She was appointed to the position of Finance Director on 21 January 2004.

Kamal Shah, age 46, Non-executive Director

Kamal is a qualified accountant. He qualified with Neville Russell in 1985 after which he moved to Ernst & Young (1986–1990) where he spent a number of years in Corporate Finance and Tax Planning. He is also a member of the Institute of Taxation. He has considerable experience in the leisure sector and, in recent years, has specialised in advising smaller companies, in particular on tax planning and related financial issues.

David Pickard, age 63, Non-executive Director

David is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Royal Geographical Society and Companion of the Chartered Institute of Management. Until 1 June 2001, David was Managing Director of Colliers Conrad Ritblat Erbman, where he was largely credited with taking it to its current position of being a leading provider of leisure and UK Real Estate Consultancy Service. David's current non-executive and advisory responsibilities include: Thomas Holdings Ltd, a holding company for Beacon Entertainments, Showboat and Casino Slots, and Teesland Plc, which promotes, operates and manages property funds in the United Kingdom and Europe.

Christopher Poil, age 41, Non-executive Director

Christopher is an associate member of the Society of Investment Professionals. He has 14 years' experience in the investment sector. Christopher was a Director of Mercury Asset Management, and Head of United Kingdom Equities at ING Baring Asset Management.

Board Committees

In accordance with the Combined Code and corporate governance best practice, the Board has established a number of committees, which operate within terms of reference as set out below.

Nominations Committee

Board members are appointed by the Board on the recommendation of the Nominations Committee, which is chaired by S C Thomas, and consists of all of the non-executive directors. This committee is only convened when required.

Audit Committee

This Committee is chaired by K S Shah and comprises all the non-executive directors. The Committee meets at least twice a year and reports to the Board on all matters relating to the regulatory and accounting requirements that may affect the group together with the financial reporting and internal control procedures, including the annual and interim financial statements. In addition, the Committee ensures that an objective and professional relationship is maintained with the external auditors, with particular regard to the nature and extent of non-audit functions they provide.

The executive directors are not members of the Committee, but may attend meetings of the Committee by invitation to facilitate its business.

The company does not have an internal audit function at the present time, as at this stage of its development it is not considered to be economic.

Remuneration Committee

The Remuneration Committee is chaired by S C Thomas and consists of all of the non-executive directors. This Committee determines the detail of remuneration arrangements for executive directors and Senior Executives.

The Executives' remuneration comprises: 1) a base salary, benchmarking against the market medium quartile for main board directors from a UK comparator group of companies, 2) certain benefits in kind, principally a pension, car allowance and private medical insurance, 3) a deferred share bonus plan, where half of the bonus is payable in cash and the other half in shares. The bonus targets are set annually by the remuneration committee.

The remuneration committee operates a policy of rolling contracts of 12 months or less.

The Board, excluding the non-executive directors, reviews non-executive directors' fees annually.

Directors' emoluments	Year ended 24 September 2005			
	Salary and fees £'000	**Benefits in kind £'000**	**Total £'000**	2004 Total £'000
S C Thomas	**20**	**–**	**20**	20
J S P Kowszun	**135**	**16**	**151**	151
U D Parekh	**72**	**12**	**84**	53
K S Shah	**10**	**–**	**10**	10
R D Pickard	**15**	**–**	**15**	15
C D Poil	**10**	**–**	**10**	4
C Lewin	**–**	**–**	**–**	26
S McKenzie	**–**	**–**	**–**	7
	262	**28**	**290**	286

Internal Control

The Board has overall responsibility for establishing and maintaining an adequate system of internal control to safeguard shareholders' investment and the group's assets. The system of internal control is designed to manage and minimise risk, rather than eliminate it. In pursuing these objectives internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The Combined Code requires that the directors review, at least annually, the effectiveness of the company's system of internal control, which includes financial, operational, compliance and risk management controls.

The Board has reviewed the effectiveness of the system of internal control. As part of the review process, and by its nature ongoing, the Executive Board carried out a detailed review of the current system of internal control and the processes for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

In addition to the ongoing risk review process, the company operates under an established internal control framework, the key features of which are as follows:

Decision Making

The full Board meets at least ten times a year and has adopted a schedule of matters which are required to be brought to it for decision, thus ensuring it maintains control over appropriate strategic, financial, organisational, compliance and risk issues. A regular meeting of the Executive Board takes place to make decisions relating to investment issues, capital expenditure and operational issues as well as reviewing financial and operating performance. The attendance of individual directors at meetings is set out below:

	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended
S C Thomas	9/10	2/2	1/1
J S P Kowszun	10/10	–	–
U D Parekh	10/10	–	–
K S Shah	10/10	2/2	1/1
R D Pickard	9/10	2/2	1/1
C D Poil	10/10	2/2	1/1

Financial and Operational Controls

There are established procedures for budgeting and planning capital expenditure, together with reporting systems for monitoring the group's business and performance, and maintaining the integrity of its systems and procedures.

There is a rolling half year forecast in place, which is used to assess the financial impact of the company's strategy, together with a comprehensive budgeting system with an annual budget approved by the Board. A monthly report to the Board details the financial performance of the group for the preceding period versus budget and includes a forecast of future profitability.

Property Acquisitions and Investment Appraisal

The company has clearly defined guidelines for the acquisition of properties and for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements.

Treasury Policy
The group operates a centralised service managing interest rates, cash and financing. The Board agrees and reviews policies and financial instruments for risk management.

Operations are funded by a mixture of share capital, bank borrowings and long term loans. Long term loans are at floating rates and are used to finance capital investment. Working capital requirements are met out of floating rate overdraft and share capital. Short term debtors and creditors have not been treated as financial assets or liabilities for FRS 13 disclosure purposes. The group does not trade in currencies other than sterling.

Further information on borrowings and financial instruments is contained in note 25 to the financial statements.

Going Concern
Following a review of the group's financial plans, the Board has a reasonable expectation that the group and the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Employment Policies
The group seeks to offer equal opportunities regardless of disability, sex, race or religion. The group recognises its obligation to provide a safe working environment for its staff.

Employment Investment
Members of the management team regularly visit branches and discuss matters of current interest and concern to the business with members of staff.

Health and Safety
The company continues to promote both the safety of its customers and staff through its health and safety standards.

Relations with Shareholders
The company values the views of its shareholders and recognises their interest in the company's strategy and performance, Board membership and quality of management. The Chairman, Chief Executive and Finance Director maintain frequent contact with institutional shareholders through regular meetings. The senior independent director is also available to attend these meetings at the request of the shareholders.

The AGM is used to communicate with private investors and they are encouraged to attend and participate. The entire Board is present at the AGM to answer any questions that shareholders may have.

Report of the Independent Auditors

to the members of Hartford Group Plc

We have audited the financial statements of Hartford Group Plc for the 52 weeks ended 24 September 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and notes 1 to 27. 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 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Directors and Auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 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 review whether the corporate governance statement reflects the company's compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risks and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises the directors' report, chairman's statement and corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 24 September 2005 and of the loss for the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
Registered Auditors
Charted Accountants
London

18 January 2006

Note:
The maintenance and integrity of the HARTFORD GROUP Plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Principal Accounting Policies

Basis of Preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

All accounting policies are unchanged from the prior year.

Basis of Consolidation
The consolidated financial statements incorporate the results of Hartford Group Plc and all of its subsidiary undertakings up to 24 September 2005, using the acquisition method of accounting except in relation to the investment in Montana Plc for which the merger method of accounting has been used.

Merger Accounting
Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such subsidiaries are included for the whole period in the year they join the group. The corresponding figures for the previous year include the results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to other reserves.

Acquisition Accounting
The results of the subsidiary undertakings of Montana Plc and Hartford Group Plc, including Jamies Bars Limited, Brodie & Knight Limited and Henry J Bean's Group Ltd are incorporated using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition to the date of their disposal.

Goodwill
Goodwill arising from an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and fair value of the identifiable assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life.

For goodwill arising on acquisitions before 1 January 1998, the accounting policy was to eliminate this goodwill directly against reserves. Such goodwill would be charged directly to the profit and loss account if the business to which it relates is disposed of.

Investments
All investments are stated at cost, less amounts written off.

Pre-opening Costs
All costs of a revenue nature, prior to a bar and restaurant opening are written off as incurred.

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

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Short leasehold properties	over the term of the lease, except for leases under the Landlord and Tenant Act 1954, which have been assumed will be renewed. These leases have been depreciated over their anticipated extended term.
Fixtures, fittings, equipment and motor vehicles	between four and ten years
Computers	between four and eight years

Disposal of Tangible Fixed Assets

All disposals of tangible fixed assets are recognised on exchange of contracts providing there is no uncertainty surrounding completion.

Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful 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.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Retirement Benefits

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Consolidated Profit and Loss Account

for the 52 weeks ended 24 September 2005

	Note	At 24 September 2005 £'000	At 25 September 2004 £'000
Turnover	*1*	13,273	12,026
Cost of sales		(3,407)	(3,111)
Gross profit		9,866	8,915
Administrative expenses excluding exceptional expenses		(9,519)	(8,675)
Reorganisation costs	*1*	(200)	–
Total administrative expenses		(9,719)	(8,675)
Other operating income		35	26
Operating profit on ordinary activities		182	266
Loss on disposal of tangible fixed assets		(12)	(73)
Interest receivable and similar income		5	6
Interest payable and similar charges	*2*	(194)	(129)
(Loss)/profit on ordinary activities before taxation	*1*	(19)	70
Tax on (loss)/profit on ordinary activities	*4*	–	500
(Loss)/profit for the financial period		(19)	570
(Loss)/earnings per share			
Basic	*7*	0.00	0.10
Diluted	*7*	0.00	0.10

There were no recognised gains or losses other than the profit for the financial period.

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

Consolidated Balance Sheet

at 24 September 2005

	Note	At 24 September 2005 £'000	At 25 September 2004 £'000
Fixed assets			
Intangible assets	8	7,941	3,472
Tangible assets	9	10,703	6,364
		18,644	9,836
Current assets			
Stocks	11	303	193
Deferred tax	4	234	500
Debtors	12	2,322	1,329
Cash at bank and in hand		540	190
		3,399	2,212
Creditors: amounts falling due within one year	13	(6,666)	(3,770)
Net current liabilities		(3,267)	(1,558)
Total assets less current liabilities		15,377	8,278
Creditors: amounts falling due after more than one year	14	(8,250)	(1,132)
		7,127	7,146
Capital and reserves			
Called up share capital	15	5,457	5,457
Share premium account	17	8,104	8,104
Merger reserve	17	2,060	2,060
Capital redemption reserve	17	5,440	5,440
Other reserve	17	(54)	(54)
Profit and loss account	17	(13,880)	(13,861)
Equity shareholders' funds	18	7,127	7,146

The financial statements were approved by the Board of Directors on 18 January 2006.

U D Parekh – Director

J S P Kowszun – Director

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

Company Balance Sheet

at 24 September 2005

	Note	At 24 September 2005 £'000	At 25 September 2004 £'000
Fixed assets			
Investments	*10*	**13,552**	5,724
Current assets			
Debtors	*12*	**2,724**	2,365
Cash at bank and in hand		**298**	47
		3,022	2,412
Creditors: amounts falling due within one year	*13*	**(2,227)**	(656)
Net current assets		**795**	1,756
Total assets less current liabilities		**14,347**	7,480
Creditors: amounts falling due after more than one year	*14*	**(8,250)**	(1,132)
		6,097	6,348
Capital and reserves			
Called up share capital	*15*	**5,457**	5,457
Share premium account	*17*	**8,104**	8,104
Merger reserve	*17*	**2,060**	2,060
Capital redemption reserve	*17*	**5,440**	5,440
Profit and loss account	*17*	**(14,964)**	(14,713)
Equity shareholders' funds	*18*	**6,097**	6,348

The financial statements were approved by the Board of Directors on 18 January 2006.

U D Parekh – Director

J S P Kowszun – Director

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

Consolidated Cash Flow Statement

for the 52 weeks ended 24 September 2005

	Note	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Net cash inflow from operating activities	*19*	**1,046**	1,064
Returns on investments and servicing of finance			
Interest received		**5**	6
Interest paid		**(194)**	(129)
Net cash outflow from returns on investments and servicing of finance		**(189)**	(123)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(1,036)**	(1,184)
Net proceeds from sale of tangible fixed assets		**182**	352
Purchase of subsidiary undertakings		**(7,828)**	–
Cash acquired with subsidiary		**165**	–
Net cash outflow from capital expenditure and financial investment		**(8,517)**	(832)
Net cash (outflow)/inflow before management of liquid resources		**(7,660)**	109
Financing			
New short term borrowing		**1,500**	–
Repayment of short term borrowing		**(608)**	–
New long term borrowing		**8,250**	–
Repayment of long term borrowing		**(1,132)**	(70)
Net cash inflow/(outflow) from financing		**8,010**	(70)
Increase in cash	*20*	**350**	39

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

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

Turnover is wholly attributable to the group's bar and restaurant operations and arises solely within the United Kingdom. Turnover from acquisitions in the year amounted to £350,000.

The (loss)/profit on ordinary activities before taxation is stated after:

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Auditors' remuneration:		
Audit services	**55**	36
Non-audit services	**10**	18
Amortisation of goodwill	**220**	216
Reorganisation costs	**200**	–
Loss on disposal of tangible fixed assets	**12**	–
Depreciation	**560**	516
Operating lease rentals - leasehold premises	**2,066**	1,803

Fees paid for non-audit services include compliance taxation services and taxation advice. The directors believe it is cost-effective for the auditors to provide these services. In addition to the above fees, Grant Thornton were paid £112,000 in 2005 in respect of due diligence services which have been included in the costs of acquisition of Henry J Bean's Group Limited.

Reorganisation costs include the costs for reorganisation of management and operations following the acquisition of Henry J Bean's.

2 Interest payable and similar charges

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
On bank loans and overdrafts	**194**	129

3 Directors and employees

Staff costs during the period were as follows:

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Wages and salaries	**3,772**	3,480
Social security costs	**349**	316
Other pension costs	**30**	19
	4,151	3,815

3 **Directors and employees** – continued

The average number of employees of the company during the period was:

	52 weeks ended 24 September 2005 Number	52 weeks ended 25 September 2004 Number
Administration	**12**	11
Operations	**237**	207
	249	218

Remuneration in respect of directors was as follows:

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Emoluments	**280**	276
Pension contributions	**10**	10
	290	286

The amounts set out above include remuneration of the highest paid director as follows:

Emoluments	**144**	144
Pension contributions	**7**	7
	151	151

Details of directors' outstanding share options are shown below:

	24 September 2005	Exercise price	Date from which exercisable	Expiry date
S C Thomas	14,117,647	1.375p	21 July 2007	21 July 2014
J S P Kowszun	6,000,000	1.125p	23 January 2006	23 January 2013
U D Parekh	617,647	1.375p	20 July 2007	20 July 2014

The closing price of an ordinary share on 24 September 2005 was 0.95 pence.

4 **Tax on (loss)/profit on ordinary activities**

The tax (credit)/charge is based on the (loss)/profit for the period and represents:

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Corporation tax at 30% (2004: 30%)	–	–
Deferred taxation	–	(500)
	–	(500)
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	(6)	21
Effect of:		
Expenses not deductible for tax purposes	130	159
Capital allowances for the period in excess of depreciation	(143)	(209)
Increase in tax losses	18	29
Current tax charge for period	–	–

The deferred tax asset arises from recognition of assets in subsidiary undertakings which are anticipated to be used in the foreseeable future. It arises as follows:

	24 September 2005 £'000	25 September 2004 £'000
Trading losses	500	500
Fair value adjustment (note 27)	(266)	–
	234	500

The deferred tax asset arises from the recognition of trading losses which are expected to be used in the foreseeable future. In addition to these, the group has unrecognised tax losses of £1.0m (2004: £1.4m) for the relief of future trading profits.

5 **Loss for the financial period**

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The loss dealt with in the financial statements of the company was £251,000 (2004: £196,000).

6 **Dividends**

No dividends have been declared or paid during either period.

7 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of dividends and interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

	2005 Earnings £	2005 Weighted average number of shares	2005 Per share amount pence	2004 Earnings £	2004 Weighted average number of shares	2004 Per share amount pence
Basic earnings per share						
Earnings attributable to ordinary shareholders	(19,000)	545,725,290	0.00	570,000	545,725,290	0.10
Dilutive effect of securities						
Options		23,094,116			26,552,937	
Diluted earnings per share	(19,000)	568,819,406	0.00	570,000	572,278,227	0.10
Adjusted earnings per share	(19,000)	545,725,290	0.00	70,000	545,725,290	0.01

An adjusted earnings per share has been included to provide a better understanding of the underlying trading performance of the Group. The adjusted earnings per share excluded the setting up of a deferred tax asset in 2004 which related to prior periods. No element of this has been recognised in the current reporting period.

8 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 26 September 2004	6,466
Acquired in the period (note 27)	4,689
At 24 September 2005	11,155
Amortisation	
At 26 September 2004	2,994
Provided in the period	220
At 24 September 2005	3,214
Net book value	
At 24 September 2005	7,941
At 25 September 2004	3,472

Goodwill of £2,554,000 arising from previous acquisitions is fully amortised. Goodwill of £3,912,000 arose on the acquisition of Jamies Bars Limited on 11 September 2002, and is being amortised over 18 years, the average remaining lease term of the company's operating locations. The goodwill acquired in the period is being amortised over 20 years (note 27).

9 Tangible fixed assets

Group

	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Computers £'000	Total £'000
Cost				
At 26 September 2004	8,886	2,389	266	11,541
Subsidiary undertakings acquired (note 27)	3,760	297	–	4,057
Additions	516	429	91	1,036
Disposals	(147)	(85)	–	(232)
At 24 September 2005	13,015	3,030	357	16,402
Depreciation				
At 26 September 2004	3,438	1,701	38	5,177
Provided in the year	261	251	48	560
Released on disposal	(17)	(21)	–	(38)
At 24 September 2005	3,682	1,931	86	5,699
Net book value				
At 24 September 2005	9,333	1,099	271	10,703
At 25 September 2004	5,448	688	228	6,364

10 Fixed asset investments

Company

	Group undertakings £'000
Cost	
At 26 September 2004	5,724
Additions (note 27)	7,828
At 24 September 2005	**13,552**

At 24 September 2005 the company had the following wholly owned unlisted subsidiary undertakings, all of which are incorporated in England and Wales.

Name	Nature of business
Jamies Bars Limited*	Bar operator
Bluelodge Limited*	Restaurant proprietor
Newtaste Restaurants Limited	Restaurant proprietor
Hartford Operations Limited (formerly Montana Restaurants Limited)	Restaurant Management Services
Henry J Bean's Group Limited*	Restaurant operator
Brodie & Knight Limited*	Holding company
Brodies (Canary Wharf) Limited	Holder of beneficial lease interest
Brodies (Paternoster) Limited	Holder of beneficial lease interest
Henry J Bean's Enterprise Limited	Holder of intellectual property
The Pavilion Wine Company Limited	Holder of beneficial lease interest
Futurestar Limited	Holder of beneficial lease interest
Montana Plc*	Holding company

* Investment held directly by the parent company.

11 Stocks

	Group		Company	
	At 24 September 2005 £'000	At 25 September 2004 £'000	**At 24 September 2005 £'000**	At 25 September 2004 £'000
Food and drink	**303**	193	**–**	–

12 Debtors

	Group		Company	
	At 24 September 2005 £'000	At 25 September 2004 £'000	**At 24 September 2005 £'000**	At 25 September 2004 £'000
Trade debtors	**369**	256	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**2,724**	2,341
Other debtors	**798**	201	**–**	24
Prepayments and accrued income	**1,155**	872	**–**	–
	2,322	1,329	**2,724**	2,365

All amounts fall due for repayment within one year except for rent deposits of £240,000 (2004: £201,000) which fall due after one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	At 24 September 2005 £'000	At 25 September 2004 £'000	**At 24 September 2005 £'000**	At 25 September 2004 £'000
Bank loans	**1,500**	608	**1,500**	608
Trade creditors	**2,466**	1,793	**371**	48
Other creditors	**412**	77	**–**	–
Tax and social security	**503**	401	**–**	–
Accruals	**1,785**	891	**356**	–
	6,666	3,770	**2,227**	656

The bank loans have been secured by a fixed and floating charge over the assets of the group.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	At 24 September 2005 £'000	At 25 September 2004 £'000	**At 24 September 2005 £'000**	At 25 September 2004 £'000
Bank loans:				
Within one to two years	**1,500**	540	**1,500**	540
Within two to five years	**6,750**	592	**6,750**	592
	8,250	1,132	**8,250**	1,132

The bank loans and overdrafts have been secured by a fixed and floating charge over the assets of the group.

15 Share capital

	2005 £'000	2004 £'000
Authorised		
818,587,935 ordinary shares of 1p each	**8,186**	8,186
Issued		
545,725,290 ordinary shares of 1p each	**5,457**	5,457

16 Share options

During the year the company had share options as follows:

	At 25 25 September 2004	Surrendered or lapsed	Issued	At 24 September 2005
Share options	26,552,937	(3,458,821)	–	23,094,116

Details of outstanding share warrants and options

Date of grant	Number	Exercise dates Earliest	Latest	Exercise price
24 May 2001	211,764	24 May 2004	24 May 2011	3.541p
28 February 2002	100,000	28 February 2005	28 February 2012	5.000p
23 January 2003	6,000,000	23 January 2006	23 January 2013	1.125p
28 February 2003	600,000	28 February 2006	28 August 2006	1.000p
20 July 2004	2,064,705	20 July 2007	20 July 2014	1.375p
21 July 2004	14,117,647	21 July 2007	21 July 2014	1.375p

17 Reserves

	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss account £'000
Group					
At 26 September 2004	8,104	2,060	5,440	(54)	(13,861)
Loss for the financial period	–	–	–	–	(19)
At 24 September 2005	**8,104**	**2,060**	**5,440**	**(54)**	**(13,880)**
Company					
At 26 September 2004	8,104	2,060	5,440	–	(14,713)
Loss for the financial period	–	–	–	–	(251)
At 24 September 2005	**8,104**	**2,060**	**5,440**	**–**	**(14,964)**

Goodwill amounting to £293,000 (2004: £293,000) arising on acquisitions prior to 1 January 1998 has been eliminated against the group profit and loss reserve.

18 Reconciliation of movements in shareholders' funds

	Group 2005 £'000	Group 2004 £'000
(Loss)/profit for the financial period	(19)	570
Opening shareholders' funds	7,146	6,576
Closing shareholders' funds	7,127	7,146

19 Net cash inflow from operating activities

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Operating profit	182	266
Amortisation of goodwill	220	216
Depreciation	560	516
Increase in stock	(39)	(4)
(Increase)/decrease in debtors	(692)	10
Increase in creditors	815	60
Net cash inflow from operating activities	1,046	1,064

20 Reconciliation of net cash flow to movement in debt

	52 weeks ended 24 September 2005 £'000	52 weeks ended 25 September 2004 £'000
Increase in cash in the period	350	39
Net cash (inflow)/outflow from change in borrowing	(8,010)	70
Movement in net debt in the year	(7,660)	109
Opening net debt	(1,550)	(1,659)
Closing net debt	(9,210)	(1,550)

21 Analysis of changes in net debt

	? At 26 Sept 2004 £'000	Cash flow £'000	At 24 Sept 2005 £'000
Cash in hand	190	350	**540**
Loans due within one year	(608)	(892)	**(1,500)**
Loans due after one year	(1,132)	(7,118)	**(8,250)**
Total net debt	(1,550)	(7,660)	**(9,210)**

22 Capital commitments

The company had no capital commitments at 24 September 2005 or 25 September 2004.

23 Contingent liabilities

There were no contingent liabilities at 24 September 2005 or 25 September 2004.

24 Leasing commitments

Annual operating lease payments amount to £2,503,000 (2004: £1,867,000). The leases to which these amounts relate expire as follows:

	2005 Lease buildings only £'000	2004 Lease buildings only £'000
Within one year	**–**	23
Between one and five years	**226**	217
In five years or more	**2,277**	1,627
	2,503	1,867

25 **Financial instruments**

The group's treasury policies and strategies are shown in the directors' report. The company operates wholly in sterling.

The interest rate exposure of the company is shown below:

	Floating rate borrowings £'000	Total £'000
At 24 September 2005	9,750	9,750

	Bank loans and overdrafts At 24 September 2005 £'000	At 25 September 2004 £'000
Financial liabilities are due:		
In one year or less or on demand	1,500	608
In more than one year but not more than two years	2,750	540
In more than two years but less than five years	5,500	592
	9,750	1,740

At the period end the group had an unutilised overdraft facility of £500,000 (2004: £700,000) available to it which is repayable on demand. There were cross guarantees and debentures between group companies at the year end.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group's policy is to keep all of its borrowings at floating rates of interest. A fixed interest rate cap on the loan of 5% has been put in place since the year end.

Liquidity risk

The group's policy throughout the year has been that, to ensure continuity of funding, the repayment profile for its borrowings is such that repayments can be adequately satisfied from forecast future cash surpluses generated from operations.

The book value of financial instruments at 24 September 2005 is not considered to be materially different to their fair values.

26 **Transactions with related parties**

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 'Related party disclosures' and has not disclosed transactions with group undertakings. There were no other related parties.

27 Acquisition

The group made two acquisitions during the year, the first on 6 July 2005 of Brodie & Knight Limited and the second on 24 September 2005 of the Henry J Bean's Group Limited. The Brodie & Knight Ltd acquisition was funded from existing debt and the Henry J Bean's Group Ltd acquisition was funded from a complete refinancing of the group's banking arrangement.

In calculating the goodwill arising on acquisition, the fair values of the two acquisitions were assessed as follows.

	Provisional fair values		
	Brodie & Knight Ltd £	Henry J Bean's Group Ltd £	Total £
Fixed assets			
Tangible fixed assets	1,000	3,057	4,057
Other net current liabilities	–	(918)	(918)
Net assets	1,000	2,139	3,139
Cash consideration	1,400	5,845	7,245
Cash expenses	–	583	583
	1,400	6,428	7,828
Net assets acquired	1,000	2,139	3,139
Goodwill	400	4,289	4,689

The Brodie & Knight acquisition involved the purchase of two trading outlets which were valued by the directors of a combined fair value of £1m.

Henry J Bean's Group Limited	Book values £'000	Adjustments £'000	Provisional fair values £'000
Tangible fixed assets	2,169	888	3,057
Stock	71	–	71
Debtors	301	–	301
Cash at bank	165	–	165
Creditors	(1,189)	–	(1,189)
Deferred taxation	–	(266)	(266)
	1,517	622	2,139

27 **Acquisition** – continued

The provisional fair value adjustments are:

1. Tangible fixed assets have been revalued to their value to the group.

2. Deferred tax has been accounted for on the above adjustment.

The acquisition of Brodie & Knight Limited made the following utilisation to group cash flow.

	£'000
Net cash inflow from operating activities	65
Capital expenditure	(31)
Financing	(22)
Increase in cash	12

The acquisition of Henry J Bean's Limited made no contribution to or utilisation of group cash flow.

The profit after taxation for the period from the beginning of the subsidiaries' financial year to 6 July 2005, the date of acquisition for Brodie & Knight Limited, was £nil. The loss after taxation for Henry J Bean's Limited from 29 March 2005 to 24 September 2005 was £76,000. The losses after tax for preceding financial years were £784,000 and £228,000 respectively for each acquisition.

Hartford Group Sites

Bars

Bishopsgate	155 Bishopsgate, London EC2A 2AA
Borough	10–18 London Bridge Street, London SE1 9SG
Brodies	43 Fishermans Walk, Canary Wharf, London E14 5HD
Brodies	Christchurch Court, Rose Street, Paternoster Square, EC4M 7DQ
Canary Wharf	Unit 1, 28 Westferry Circus, Canary Riverside, London E14 8RR
Charlotte St	74 Charlotte Street, London W1T 4QH
Common Room	18 High Street, Wimbledon Village, London SW19 5DX
Heads & Tails	64–66 West Smithfield, London EC1A 9HE
Ludgate Hill	34 Ludgate Hill, London EC4M 7DE
Polka	58–59 Poland Street, London W1V 3DF

Henry J Bean's

Apartment 195	195–197 Kings Road, Chelsea, London SW3 5ED
Birmingham	Unit 10, Fiveways, Broad Street, Birmingham B15 1EA
Bristol	93–95 Whiteladies Road, Clifton, Bristol BS8 2NT
Camden	273–275 Camden High Street, London NW1 7BX
Chelsea	195–197 Kings Road, Chelsea, London SW3 5ED
Manchester	The Printworks, Exchange Square, Manchester M4 2AD

Restaurants

Canyon	Riverside (Nr Richmond Bridge), Richmond, Surrey, TW10 6UJ

City Bars

Groveland Court	5 Groveland Court, London EC4M 9EH
Hodgsons	115 Chancery Lane, London WC2A 1PP
Leadenhall St	Bankside House, 107-112 Leadenhall Street, London EC3A 4AA
Number 25	25 Birchin Lane, London EC3V 9DJ
Pavilion	Finsbury Circus Gardens, Finsbury Circus, London EC2M 7AB
Philpot Lane	13 Philpot Lane, London EC3M 8AA
The Minories	119–112 The Minories, London EC3N 1DR
The Orangery	Cutlers Gardens, 10 Devonshire Square, London EC2M 4TE
Willy's	107 Fenchurch Street, London EC3M 5JF

Printed by **Jones & Palmer Limited, Birmingham.** *tel:* **(0121) 236 9007**

HARTFORD

115 Chancery Lane, London WC2A 1PP