Gourmet Holdings plc

Annual Report 2007

Contents

Advisors and Officers

Registered Office	165 Queen Victoria Street London EC4V 4DD
Company Secretary	Susan Ludley FCCA
Nominated Adviser and Nominated Broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Solicitors	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
Registrars	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers	National Westminster Bank Plc 2nd Floor 180 Brompton Road London SW3 1HL

Chairman's Review

Introduction
Following disappointing trade at the Bel and the Dragon sites and the Company's other non-branded pub restaurants, the previous board of Gourmet took the decision to dispose of these sites. This was in line with its strategic aim to simplify the business and focus upon the existing Richoux offering, which continues to deliver a strong, cash generative performance.

The new board believes that further refinement to the existing Richoux brand along with the acquisition/development of one or more café/patisserie concepts in central London will create shareholder value and will be the principal focus of Gourmet.

The new board intends to further streamline operational costs including establishing a central kitchen, which will produce cost effective synergies for Richoux and any new concept we introduce.

Results
Group turnover from our operations for the 52 week period ended 24 June 2007 decreased to £10.02 million (*2006: £10.24 million*) reflecting the disposals during the period. Gross profit was £1.22 million (*2006: £0.89 million*). Administrative expenses (before amortisation and trading exceptional items) of £0.69 million (*2006 restated: £0.84 million*) were in line with expectations following the Board's decision to reduce its administrative cost base.

The trading exceptional items of £0.71 million are; £0.30 million in respect of an FRS 12 onerous lease provision in respect of the Highwayman, £0.27 million impairment provision in respect of the tangible and intangible fixed assets of the Highwayman, which has now been disposed, £0.11 million of bad debts written off in respect of the non-completion of a business transfer, and £0.03 million of professional and other reorganisation costs.

The net loss on disposal of fixed assets of £0.22 million are; £0.33 million loss on the disposal of the Group's two unbranded pub restaurants in December 2006, £0.15 million profit on the disposal of the rotunda at one of the Bel and the Dragon pub restaurants, and £0.04 million loss on the disposal of other tangible fixed assets.

The loss on disposal of discontinued operations of £2.10 million arose on the disposal of BDC Holdings, which holds the Bel and the Dragon chain of four restaurants to Ultimate Leisure PLC on 15 June 2007.

The Directors are not recommending the payment of a dividend.

Operations

Richoux
Richoux had a successful year, and for the second year running has recorded an increase in profit at the restaurant operating level. A committed and stable management team continue to operate the Richoux restaurants.

As announced in our interim statement in March 2007, a new franchise has been signed to develop a Richoux restaurant in Egypt and we have received net other operating income of £0.06 million in respect of this.

We aim to further enhance the Richoux brand through menu development and concentrating on our core operational skills to improve performance.

Pub restaurants
In September last year, the Board announced that, following a strategic review, it had put in place a sale process for the Group's entire pub restaurant operation. I am pleased to announce that this process has now been completed, on 22 December 2006 with the disposal of the two unbranded pub restaurants the Talkhouse in Stanton St John, near Oxford and the Five Bells in Stanbridge, Hertfordshire. Then on 15 June 2007 the disposal of the four Bel and the Dragon pub restaurants, and then on 10 September 2007 the disposal of the final pub restaurant the Highwayman in Checkendon, Oxfordshire.

Chairman's Review

continued

Outlook
Following the sale of all the Group's pub restaurants and the successful restructuring of the Company, our principal priorities are to concentrate on the core business of Richoux restaurants, acquire/develop one or more complementary café/patisserie concepts and roll out units across central London. There is also the intention to appoint a Chief Operating Officer in due course.

I would like to take this opportunity of thanking the outgoing board for their efforts in successfully restructuring the business and for the service they gave to the Company.

I am delighted that Richard Scott is staying on with us on a consultancy basis until the end of December 2007.

Neil Blows
Chairman

13 September 2007

Board of Directors

Neil Blows, (45) ***Chairman, Chairman of the audit and remuneration committees***
Neil was a director of ASK Restaurants Limited ("ASK") until March 2007. He was formerly a non-executive of and joined the Board of ASK in an executive capacity in 2003 as Chief Operating Officer. Prior to this Neil was a partner at West End solicitors Glovers. He now works as a consultant for leisure specialist solicitors Davenport Lyons.

Salvatore Diliberto, (67) ***Chief Executive***
Salvatore has a lifetime of experience in the catering industry. He was operations manager for City Hotels from 1972 to 1984 with responsibility for thirty restaurants. Salvatore joined City Centre Restaurants in 1984 as a director of The Black Angus Steak Houses Limited. He ran an independent restaurant from 1988 to 1993 as well as various franchises for the City Centre group. He was managing director of ASK Restaurants Limited from 1994 to 2004.

James Rhodes, (38) ***Non-executive Director, member of the audit and remuneration committees***
James has worked at LMS Capital plc, the AIM listed independent investment company, since 2004, and is involved in the UK direct investment portfolio. He is also responsible for UK fund investments and quoted stocks. He is a member of the boards of PrimeStar Restaurant Group and Emerging Markets Advisory Corporation Limited. James has extensive operational and entrepreneurial experience, having seed funded, run and sold three successive consumer ventures.

Directors' Report

The Directors present their annual report and the audited financial statements for the 52 week period ended 24 June 2007.

Principal activities
The principal activity of Gourmet Holdings plc and its subsidiary undertakings (the Group) throughout the period was operating restaurants. At the start of the period the Group also operated pub restaurants; these have now all been disposed.

Business review and future developments
A review of the business and future developments is contained in the Chairman's review on pages 2 to 3.

Proposed dividend
The Directors do not recommend the payment of a dividend *(2006: £nil)*.

Directors and Directors' interests
The Directors who held office during the period were as follows:

Richard Scott
Nigel Whittaker
Andrew Guy
Gareth Lloyd-Jones (resigned 22 September 2006)
Mark Horrocks (resigned 14 December 2006)

On 10 August 2007 Richard Scott, Nigel Whittaker and Andrew Guy resigned as directors, Neil Blows, James Rhodes and Salvatore Diliberto were appointed on the same date.

The Directors who held office at the end of the financial period had the following interests in the ordinary shares of Gourmet Holdings plc according to the register of Directors' interests:

	Interest in 4p ordinary shares at period end	*Interest in 4p ordinary shares at beginning of period*
Richard John Scott	45,000	25,000
Nigel Whittaker	201,637	201,637
Andrew Guy	411,535	386,535

Directors' holdings of options over ordinary shares during the financial period are indicated below:

	At start of period	*Exercised*	*Lapsed*	*At end of period*	*Exercise Price*	*Date from which exercisable*	*Expiry date*
Richard Scott	15,000	–	–	15,000	124p	8-7-2002	8-7-2009
Mark Horrocks	62,500	–	62,500	–	20p	15-6-2001	15-6-2008
Andrew Guy	175,000	–	–	175,000	34p	6-4-2007	6-4-2014
	75,000	–	–	75,000	52p	23-12-2007	23-12-2014
Gareth Lloyd-Jones	37,500	37,500	–	–	20p	15-6-2001	15-6-2008
	25,000	–	25,000	–	140p	2-3-2003	2-3-2010
	8,750	–	8,750	–	72p	6-10-2003	6-10-2010
	100,000	–	100,000	–	44p	1-10-2007	1-10-2014
	75,000	–	75,000	–	52p	23-12-2007	23-12-2014

One of the Directors exercised 37,500 share options during the period *(2006: nil)*.

The middle market price of the Company's ordinary shares on the London Stock Exchange was 28p on 24 June 2007. During the period ended 24 June 2007, the middle market prices of such shares on the Alternative Investment Market of the London Stock Exchange ranged between a low of 23p and a high of 30.25p.

Substantial equity shareholdings
As at 27 July 2007, the Company has been notified by the following whose interests total 3 per cent or more of the issued share capital of the Company.

	Ordinary shares of 4p each	
	Number of shares	*Percentage*
Hon. Robert A Rayne & Westpool Investment Trust	7,899,407	23.07
Philip Kaye and Family & Amberstar Limited	6,432,555	18.79
Hargreave Hale Limited	2,942,221	8.59
Rathbone IM VCT	2,083,334	6.08
Artemis AIM VCT	1,388,888	4.06
SN Broackes	1,304,048	3.81

Authority to allot shares and share issues
The Directors are authorised to allot shares up to a maximum aggregate nominal amount of £456,006. The authority expires at the conclusion of the Annual General Meeting.

Political and charitable donations
The Group made no charitable contributions during the period *(2006: £1,300)*.

Disabled employees
As an equal opportunity employer, it is the Group's policy to give full and fair consideration to every application for employment from disabled persons, bearing in mind the abilities and aptitudes of the applicants in relation to available vacancies. Where existing employees become disabled, their services will be retained wherever practicable.

Employee involvement in decision making
The Directors consider that the involvement of employees is important to the success of the Group. Employees are regularly informed of the Group's performance and progress at both formal and informal meetings.

Health and safety at work
The Group has a proactive approach to health and safety at work, regarding compliance with statutory requirements as a minimum standard. The Group's formal health and safety statement is available at all company locations.

Financial instruments
The Group uses a limited number of financial instruments to manage the financial risks faced by the Group comprising cash, short term deposits, bank overdrafts and various items such as trade debtors and creditors which arise directly from operations. The main financial risks faced by the Group are those of interest rate and liquidity. Foreign exchange risk is minimised by invoicing overseas franchise income in pounds sterling.

In respect of interest rate risk, the Group's policy is to place surplus cash at commercial rates on treasury deposit with its bankers, to the extent that the cash flow can be reasonably predicted. This policy has not changed during the period and no change is anticipated. In respect of liquidity risk, the Group finances its operations from current cash reserves. The Group does not currently have any bank overdraft facilities.

In accordance with its policy, the Group did not trade in financial instruments throughout the period.

Policy on payment to creditors
The number of days' purchases outstanding for payment by the Group at the period end was 44 days *(2006: 50 days)*. The number of days' purchases outstanding for payment by the Company at the period end was 34 days (*2006: 41 days*).

Directors' Report

continued

The Group does not follow any code or statement on payment practice. In relation to all of its suppliers, it is the Group's policy to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

International Financial Reporting Standards
In accordance with the rules of the Alternative Investment Market of the London Stock Exchange, the company will produce its consolidated financial statements for the period ended 29 June 2008 under International Financial Reporting Standards ('IFRS').

The directors are in the process of assessing the impact of IFRS on the group and will make a decision as to whether to voluntarily adopt IFRS for the company's individual financial statements and whether to adopt IFRS for the company's subsidiaries as part of this process.

Post balance sheet events
On the 10 September 2007 the Group disposed of its remaining pub restaurant the Highwayman in Checkendon, Oxfordshire (see note 5).

Going concern
After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Rees Pollock as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. The board has discussed their independence and considers them independent.

By order of the board

Susan Ludley
Secretary

165 Queen Victoria St
London
EC4V 4DD

13 September 2007

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss 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 Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Electronic publication
The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

To the Members of Gourmet Holdings plc

We have audited the group and parent company financial statements ('the financial statements') of Gourmet Holdings plc for the period ended 24 June 2007 on pages 10 to 30 which have been prepared under the historical cost convention and the accounting policies set out on pages 16 to 18.

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 the directors and the auditors
As described in the Statement of Directors' Responsibilities on page 8, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

It is our responsibility 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 Directors' Report is not 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 transactions with the company is not disclosed.

We read other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements within it. This other information comprises the Chairman's Review, information on the Directors, and the Directors' Report. Our responsibilities do not extend to any other information.

Basis of audit 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 group's and 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 the group's and the parent company's affairs as at 24 June 2007 and of the loss of the group 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 Directors' Report is consistent with the financial statements for the period ended 24 June 2007.

Rees Pollock
Chartered Accountants and Registered Auditors

13 September 2007

Consolidated Profit and Loss Account

for the 52 week period ended 24 June 2007

	Note	Continuing £000	Discontinued £000	52 week period ended 24 June 2007 Total £000	Continuing £000	Discontinued £000	52 week period ended 25 June 2006 (restated) Total £000
Turnover	2	**4,739**	**5,284**	**10,023**	4,467	5,773	10,240
Cost of sales:							
Excluding pre-opening costs		**(4,006)**	**(4,768)**	**(8,774)**	(3,908)	(5,440)	(9,348)
Pre-opening costs	3	**(28)**	**–**	**(28)**	–	–	–
		(4,034)	**(4,768)**	**(8,802)**	(3,908)	(5,440)	(9,348)
Gross profit		**705**	**516**	**1,221**	559	333	892
Administrative expenses:							
Administrative expenses		**(693)**	**–**	**(693)**	(842)	–	(842)
Amortisation		**(19)**	**(98)**	**(117)**	(19)	(78)	(97)
		(712)	**(98)**	**(810)**	(861)	(78)	(939)
Other operating income	4	**58**	**–**	**58**	–	–	–
Operating profit/(loss) before trading exceptional items	2	**51**	**418**	**469**	(302)	255	(47)
Trading exceptional items	5	**(25)**	**(688)**	**(713)**	(339)	(830)	(1,169)
Operating profit/(loss) after trading exceptional items		**26**	**(270)**	**(244)**	(641)	(575)	(1,216)
Net loss on disposal of tangible fixed assets		**(31)**	**(186)**	**(217)**	–	(15)	(15)
Loss on sale of discontinued operation	16	**–**	**(2,095)**	**(2,095)**	–	–	–
Loss on ordinary activities before interest		**(5)**	**(2,551)**	**(2,556)**	(641)	(590)	(1,231)
Interest receivable	9			**110**			73
Interest payable and similar charges	10			**(406)**			(338)
Loss on ordinary activities before taxation	6			**(2,852)**			(1,496)
Taxation on loss on ordinary activities	11			**(11)**			–
Loss for the financial period	12, 24			**(2,863)**			(1,496)
Loss per share	13			**(8.4)p**			(5.4)p
Diluted loss per share	13			**(8.4)p**			(5.4)p

There are no differences between historical cost profit and that recorded in the profit and loss account *(2006: £Nil).*

The consolidated profit and loss account for the 52 week period ended 25 June 2006 has been restated to reflect the adoption of FRS 20 'Share based payments'.

Consolidated Balance Sheet

at 24 June 2007

	Note	24 June 2007 £000	24 June 2007 £000	25 June 2006 £000	25 June 2006 £000
Fixed assets					
Intangible assets	14		**251**		2,101
Tangible assets	15		**1,991**		11,820
			2,242		13,921
Current assets					
Stocks	17	**69**		210	
Debtors	18	**482**		601	
Cash at bank and in hand	27	**5,534**		3,010	
		6,085		3,821	
Creditors: amounts falling due within one year	19	**(2,068)**		(2,842)	
Net current assets			**4,017**		979
Total assets less current liabilities			**6,259**		14,900
Creditors: amounts falling due after more than one year	20		–		(5,789)
Net assets			**6,259**		9,111
Capital and reserves					
Equity Share capital	22		**1,370**		1,368
Share premium account	24		**8,769**		8,763
Warrants reserve	24		**50**		50
Profit and loss account	24		**(3,930)**		(1,070)
Shareholders' funds			**6,259**		9,111

These financial statements were approved by the board of Directors and authorised for issue on 13 September 2007 and were signed on its behalf by:

Neil Blows
Director

Company Balance Sheet

at 24 June 2007

	Note	24 June 2007 £000	24 June 2007 £000	25 June 2006 £000	25 June 2006 £000
Fixed assets					
Tangible fixed assets	15		**13**		25
Investments	16		**1,516**		8,388
			1,529		8,413
Current assets					
Debtors	18	**132**		4,143	
Cash at bank and in hand		**5,417**		2,781	
		5,549		6,924	
Creditors: amounts falling due within one year	19	**(1,877)**		(837)	
Net current assets			**3,672**		6,087
Total assets less current liabilities			**5,201**		14,500
Creditors: amounts falling due after more than one year	20		**–**		(5,789)
Net assets			**5,201**		8,711
Capital and reserves					
Equity Share capital	22		**1,370**		1,368
Share premium account	24		**8,769**		8,763
Warrants reserve	24		**50**		50
Profit and loss account	12, 24		**(4,988)**		(1,470)
Shareholders' funds			**5,201**		8,711

These financial statements were approved by the board of Directors and authorised for issue on 13 September 2007 and were signed on its behalf by:

Neil Blows
Director

Consolidated Cash Flow Statement

for the 52 week period ended 24 June 2007

	Note	*52 week period ended 24 June 2007* £000	£000	*52 week period ended 25 June 2006* £000	£000
Net cash inflow/(outflow) from operating activities	26		**826**		(91)
Returns on investments and servicing of finance					
Interest received		**110**		73	
Interest paid		**(451)**		(361)	
Interest element of finance lease rentals		**(1)**		(1)	
			(342)		(289)
Taxation			**(11)**		–
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(417)**		(514)	
Purchase of intangible fixed assets		**(1)**		–	
Sale of tangible fixed assets		**366**		(3)	
			(52)		(517)
Acquisitions and disposals					
Purchase of subsidiary undertakings		**–**		(2,824)	
Net overdrafts acquired with subsidiary		**–**		(50)	
Disposal of subsidiary undertakings	16	**8,186**		–	
Net cash sold with subsidiary		**(3)**		–	
			8,183		(2,874)
Cash inflow/(outflow) before financing			**8,604**		(3,771)
Financing					
Issue of ordinary shares		**8**		5,207	
Transaction costs		**–**		(269)	
Redemption of preference shares		**–**		(680)	
Repayment of borrowings		**(6,079)**		(996)	
New bank loans		**–**		2,400	
Capital element of finance lease rental payments		**(9)**		(6)	
			(6,080)		5,656
Increase in cash in the period			**2,524**		1,885

Reconciliation of Net Cash Flow to Movement in Net Funds

for the 52 week period ended 24 June 2007

		52 week period ended 24 June 2007 £000	52 week period ended 25 June 2006 £000
Increase in cash in the period		**2,524**	1,885
Cash outflow/(inflow) from changes in debt and lease financing		**6,088**	(1,398)
Change in net funds resulting from cash flows		**8,612**	487
Loans and finance leases acquired with subsidiary undertakings		**–**	(750)
Movement in net funds/(debt) in the period		**8,612**	(263)
Net debt at the start of the period		**(3,079)**	(2,816)
Net funds/(debt) at the end of the period	27	**5,533**	(3,079)

Consolidated Statement of Total Recognised Gains and Losses

for the 52 week period ended 24 June 2007

	2007 £000	2006 (restated) £000
Loss for the financial period	**(2,863)**	(1,496)
Gain on redemption of preference shares	–	408
Reduction in share premium	–	7,411
Total recognised gains and losses relating to the financial period and since last annual report	**(2,863)**	6,323

The consolidated statement of total recognised gains and losses for the 52 week period ended 25 June 2006 has been restated to reflect the adoption of FRS 20 'Share based payments'.

Reconciliation of Movements in Shareholders' Funds

for the 52 week period ended 24 June 2007

	Group		Company	
	2007 £000	2006 (restated) £000	2007 £000	2006 (restated) £000
Loss for the financial period	**(2,863)**	(1,496)	**(3,521)**	(1,903)
New share capital subscribed (net of issue costs)	**8**	4,938	**8**	4,938
Redemption of preference shares	–	408	–	408
Credit in respect of share options	**3**	24	**3**	24
Net (reduction)/increase in shareholders' funds	**(2,852)**	3,874	**(3,510)**	3,467
Opening shareholders' funds	**9,111**	5,237	**8,711**	5,244
Closing shareholders' funds	**6,259**	9,111	**5,201**	8,711

The Group and Company reconciliation of movement in shareholders' funds for the 52 week period ended 25 June 2006 have been restated to reflect the adoption of FRS 20 'Share based payments'.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis. The Directors have prepared forecasts for the period to 29 June 2008, which support the going concern basis of preparation of the financial statements. Based on these forecasts, the Group will be able to meet its liabilities as they fall due.

In preparing the financial statements for the period the Company has adopted FRS 20 'Share Based Payments', in line with that standards effective date. FRS20 requires a charge to be recognised in staff costs based on the fair value of options granted to employees. This fair value is established at the date of grant and recognised over the option vesting period. Adjustment is made to the charge recognised based on an assessment of whether non-market vesting conditions will be met. The comparative figures for the period ended 25 June 2006 have been restated to reflect this change in policy. The adoption of FRS 20 has no effect on net assets at any reporting date as the credit/charge to the profit and loss account is offset by an equal and opposite charge/credit recognised directly in reserves. The loss after taxation for the 52 week period ended 25 June 2006 was increased by £24,000, increasing the loss per share by 0.1p.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 24 June 2007. Unless otherwise stated, the acquisition method of accounting has been adopted for acquisitions made during the period. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Intra-group sales are eliminated fully on consolidation.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions during the period is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Goodwill is amortised over a period of up to 20 years. It is reviewed for impairment at the end of the first financial year following the acquisition and in other periods if events or other changes in circumstances indicate that the carrying value may not be recoverable.

Amortisation is charged to the profit and loss account from the beginning of the month following acquisition.

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging/(crediting) the unamortised amount of any related goodwill/(negative goodwill).

No goodwill arising on the purchase of businesses was debited to the profit and loss reserve prior to the adoption of FRS 10 "Goodwill and intangible assets".

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, less provision for any permanent diminution in their carrying value.

Notes

continued

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives, except for freehold land, as follows:

Freehold buildings	–	1 per cent straight line;
Leasehold land and buildings	–	over the unexpired term of lease;
Leasehold improvements	–	20 per cent straight line;
Motor vehicles	–	25 per cent reducing balance;
Fixtures, fittings and equipment	–	between 10 and 20 per cent straight line;
Barge	–	2 per cent straight line.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Leasing and hire purchase commitments

Any lease which entails taking substantially all the risks and rewards of ownership of an asset is treated as a finance lease. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments. All other leases are accounted for as 'operating leases' and the rentals are charged to the profit and loss account on a straight line basis over the life of the lease. Where sites under operating leases are closed, provision is made in full for the expected liabilities to exit the operating lease agreement and are discounted where material.

Lessee accounting for reverse premiums and similar incentives

In accordance with UITF Abstract 28, any such premiums received are spread forward and recognised on a straight-line basis over the period of the lease or, if the lease contains break clauses and or rent reviews, up to the first break clause or rent review in the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost included all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, at the tax rates that are expected to apply in the periods in which timing differences reverse in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

1 Accounting policies *(continued)*

Related party transactions

The Group and the Company have taken advantage of the exemptions in FRS 8-Related Party Transactions not to disclose, in the case of the Group, transactions between group entities which are eliminated on consolidation and, in the case of the Company, transactions with subsidiary undertakings, 90 per cent or more of whose voting rights are controlled by the Group, either directly or indirectly, as the Company's accounts are presented as Group accounts.

Pensions

The Group and the Company make contributions to the personal defined contribution pension plans of certain employees. Contributions are charged to the profit and loss account as they fall due.

2 Turnover and operating profit/(loss)

Turnover relates wholly to sales made in the United Kingdom. The operating profit/(loss) is attributable to that turnover and also includes other operating income.

3 Pre-opening costs

Property rentals and related costs together with promotional and training costs incurred up to the date of the opening of a new or refurbished restaurant are written off to the profit and loss account in the year in which they are incurred.

4 Other operating income

Other operating income includes franchise fees, net of all associated costs and charges, derived from the Middle East. Initial license fees are recognised at the time the license is granted, ongoing income is recognised in line with performance.

5 Trading exceptional items

The trading exceptional charge of £713,000 comprises £303,000 FRS12 provision for an onerous lease for the Highwayman in Oxfordshire (the provision is based on the surrender of the leasehold interest and the payment of a reverse premium of £260,000 and costs of £43,000, this pub restaurant was disposed of on 10 September 2007), £271,000 impairment provision in respect of the tangible and intangible fixed assets of the Highwayman in Oxfordshire, the impairment provision has been based on the net realisable value of the assets in question, £113,000 bad debts write off in respect of the non-completion of a business transfer, £26,000 for professional and other reorganisation costs.

Notes

continued

6 Loss on ordinary activities before taxation

	2007 £000	2006 £000
Loss on ordinary activities before taxation is stated after charging:		
Audit services		
Fees payable to the Parent Company Auditor for the audit of the Company and consolidated financial statements	**5**	5
Non-audit services		
Fees payable to the Company Auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	**17**	21
Tax services	**18**	10
All other services (included in loss on sale of discontinued operation)*	**18**	–
Amortisation of goodwill	**117**	97
Depreciation and other amounts written off tangible fixed assets:		
Owned	**421**	415
Leased	**2**	4
Hire of plant and machinery – rentals payable under operating leases	**81**	55
Hire of other assets – rentals payable under operating leases	**695**	832
Trading exceptional items		
– FRS 12 onerous lease provision	**303**	–
– Impairment of tangible fixed assets	**266**	450
– Impairment of intangible fixed assets	**5**	–
– Reorganisation costs	**26**	335
– Bad debt provision	**113**	325
– Abortive site costs	**–**	59
Net loss on disposal of tangible fixed assets	**217**	15
Loss on sale of discontinued operation (note 16)	**2,095**	–

*In addition £nil *(2006: £6,000)* are included within the cost of acquisitions and £nil *(2006: £14,000)* in the issue costs of new share capital.

Total administrative expenses are £1,523,000 *(2006: £2,108,000)*.

7 Remuneration of directors

	2007 £000	2006 £000
Salaries – executive directors	**159**	256
Contributions to personal defined contribution pension schemes	**2**	8
Fees – non-executive directors	**75**	57
Compensation for loss of office	**–**	150
	236	471

Information on the options over shares in Gourmet Holdings plc is given in the Directors' report. One *(2006: one)* director received contributions to a personal defined contribution pension scheme in the period.

Highest paid director
The emoluments of the highest paid director are as follows:

	2007 £000	2006 £000
Emoluments	**127**	120
Contributions to personal defined contribution pension schemes	**–**	8
Total	**127**	128

Details of directors'interests, including share options that they hold, are contained in the Directors' report.

8 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	Number of employees	
	2007	2006
Head office	**13**	15
Operations	**231**	265
	244	280

The aggregate payroll costs of these persons were as follows:

	2007	2006 (restated)
	£000	£000
Wages and salaries	**3,680**	3,887
Social security costs	**352**	372
Contributions to personal defined contribution pension schemes	**11**	17
Share based payments	**3**	24
	4,046	4,300

Pension contributions were made to private individual schemes.

9 Interest receivable

	2007	2006
	£000	£000
Bank interest	**106**	72
Other interest	**4**	1
	110	73

10 Interest payable and similar charges

	2007	2006
	£000	£000
On bank loans and overdrafts	**402**	351
Other interest	**3**	(14)
Finance charges payable in respect of finance leases and hire purchase contracts	**1**	1
	406	338

11 Taxation on loss on ordinary activities

(a) Analysis of charge in the period

	2007	2006
	£000	£000
Current tax:		
UK corporation tax	–	–
Adjustments in respect of previous periods	**11**	–
Total current tax	**11**	–

Notes
continued

11 Taxation on loss on ordinary activities *(continuted)*
(b) Factors affecting current tax charge for the period
The tax assessed for the period differs from the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2007	*2006*
	£000	*£000*
Loss on ordinary activities before tax	**(2,852)**	(1,496)
UK corporation tax at 30% on Group loss before tax	**(856)**	(449)
Timing differences relating to tangible fixed assets	**(381)**	15
Other timing differences	**1**	7
Expenses not deductible for tax purposes	**666**	55
Depreciation on assets on which no capital allowances claimed	**176**	75
Difference between accounting profit and taxable profit on sale of fixed assets	**(28)**	–
Tax losses carried forward	**422**	297
Under provision in prior year	**11**	–
Total current tax charge	**11**	–

Trading exceptional items are not treated any differently for tax purposes from standard trading costs.

(c) Factors that may affect future tax charges
The Group has unprovided deferred tax assets as is more fully disclosed in note 21.

12 Gourmet Holdings plc – profit and loss account
The Company has taken advantage of the exemption allowed by section 230 of the Companies Act 1985 from presenting its own profit and loss account. The Company made a loss of £3,521,000 for the period *(2006: £1,879,000)*.

13 Loss per share
The loss per share is calculated by reference to the loss after taxation and the weighted average number of ordinary shares in issue during the period of 34,209,687 (*2006: 27,784,505*). The loss per share for both basic and fully diluted earnings per share is calculated on the basis of a loss for the period of £2,863,000 *(2006: restated £1,496,000).*

The diluted loss per share is calculated by reference to the loss after taxation and the weighted average number of ordinary shares and share options in issue during the period of 34,231,493 *(2006: 27,889,358).* Share options and warrants not included in the diluted calculations as per the requirements of FRS 14 (as they are anti-dilutive) totalled 494,319 *(2006: 721,522).*

14 Intangible fixed assets

Group	***Goodwill***	***Trademarks***	***Total***
	£000	*£000*	*£000*
Cost			
At beginning of period	3,250	–	3,250
Additions	–	1	1
Disposal	(1,965)	–	(1,965)
At end of period	1,285	1	1,286
Amortisation			
At beginning of period	1,149	–	1,149
Charge for period	117	–	117
Impairment (see note 5)	5	–	5
Disposal	(236)	–	(236)
At end of period	1,035	–	1,035
Net book value			
At 24 June 2007	**250**	**1**	**251**
At 25 June 2006	2,101	–	2,101

15 Tangible fixed assets

Group	***Freehold Land and Buildings***	***Short leasehold land and buildings***	***Leasehold improvements***	***Fixtures fittings, and equipment***	***Barge***	***Motor Vehicles***	***Total***
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost							
At beginning of period	7,545	3,817	67	2,230	335	27	14,021
Additions	33	220	–	159	5	–	417
Disposals	(7,578)	(890)	–	(1,292)	(340)	(27)	(10,127)
At end of period	–	3,147	67	1,097	–	–	4,311
Depreciation							
At beginning of period	45	1,213	60	857	4	22	2,201
Charge for period	31	157	4	223	7	1	423
Impairment (note 5)	–	114	–	152	–	–	266
Disposals	(76)	(93)	–	(367)	(11)	(23)	(570)
At end of period	–	1,391	64	865	–	–	2,320
Net book value							
At 24 June 2007	**–**	**1,756**	**3**	**232**	**–**	**–**	**1,991**
At 25 June 2006	7,500	2,604	7	1,373	331	5	11,820

Included in the total net book value of assets is £2,000 *(2006: £9,000)* in respect of assets held under finance leases. Depreciation for the period on these assets was £2,000 *(2006: £3,000)*.

Notes

continued

15 Tangible fixed assets *(continued)*

Company

	Short leasehold land and buildings £000	*Fixtures, fittings and equipment £000*	*Motor Vehicles £000*	*Total £000*
Cost				
At beginning of period	3	37	14	54
Disposals	–	(2)	(14)	(16)
At end of period	3	35	–	38
Depreciation				
At beginning of period	2	18	9	29
Charge for period	1	4	1	6
Disposals	–	–	(10)	(10)
At end of period	3	22	–	25
Net book value				
At 24 June 2007	**–**	**13**	**–**	**13**
At 25 June 2006	1	19	5	25

16 Fixed asset investments

Company

	Shares in Group undertakings £000
Cost	
At beginning of period	9,579
Disposals during the period	(6,872)
At end of period	2,707
Amounts provided	
At beginning and end of period	1,191
Net book value	
At 24 June 2007	**1,516**
At 25 June 2006	8,388

The Company wholly owns the subsidiary undertakings below and their results have been included in the consolidation. All shareholdings are in the ordinary share capital of each subsidiary undertaking (and preference share capital for Newultra Limited).

Subsidiary undertakings	*Disposed during the period*	*Country of Incorporation*	*Principle activity*
Bridgedon Limited		England and Wales	Non trading
Newultra Limited		England and Wales	Restaurant
Richoux Limited		England and Wales	Restaurant
NGS Finance Limited		Guernsey	Dormant
The Gastronomic Pub Company Limited		England and Wales	Dormant
Richoux Retail Limited *		England and Wales	Dormant
Richoux Restaurants (London) Limited *		England and Wales	Dormant

*Richoux Retail Limited and Richoux Restaurants (London) Limited are subsidiaries of Richoux Limited.

16 Fixed asset investments *(continued)*

On 15 June 2007 the Group disposed of the entire share capital of BDC Holdings Limited (and its subsidiary companies) and Bel and the Dragon (Hampton Court) Limited (formerly Gourmet Trading Limited) for £8,750,000 (adjusted for the repayment of an inter company loan of £2,408,000 and working capital of £124,000). The fair value of the consideration received for the share capital of the companies was:

	Book value at date of disposal
	£000
Group	
Intangible fixed assets	1,717
Tangible fixed assets	8,985
Stock	85
Debtors	114
Cash and overdrafts	3
Liabilities	(623)
Net assets	10,281
Costs of disposal	440
Sale proceeds	(8,626)
Loss on disposal	2,095

Up to the date of disposal the companies contributed £877,000 profit on ordinary activities, operating cash outflows of £209,000, investing cash inflows of £79,000 and financing cash outflows of £nil.

	£000
Company	
Value of investment in BDC Holdings Limited	6,872
Value of investment in Bel and the Dragon (Hampton Court) Limited	–
	6,872
Costs of disposal	440
Sale proceeds	(6,218)
Loss on disposal	1,094

17 Stocks

	Group	
	2007	*2006*
	£000	*£000*
Finished goods and goods for resale	**11**	82
Raw material and consumables	**58**	128
	69	210

Notes

continued

18 Debtors

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade debtors	**7**	8	**–**	–
Amounts owed by Group undertakings	**–**	–	**3**	4,105
Other debtors	**55**	111	**–**	23
Prepayments and accrued income	**420**	482	**64**	15
Taxation and social security	**–**	–	**65**	–
	482	601	**132**	4,143

19 Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank loans and overdrafts	**–**	291	**–**	276
Obligations under finance leases and hire purchase contracts	**1**	9	**1**	9
Trade creditors	**1,106**	1,175	**446**	77
Taxation and social security	**80**	415	**31**	11
Other creditors	**728**	721	**302**	358
Accruals and deferred income	**153**	231	**78**	88
Amounts owed to Group undertakings	**–**	–	**1,019**	18
	2,068	2,842	**1,877**	837

During the period the Group repaid all its outstanding bank loans.

The Group uses a limited number of financial instruments to manage the financial risks faced by the Group comprising cash, short term deposits, bank overdrafts and various items such as trade debtors and creditors which arise directly from operations. The main financial risks faced by the Group are those of interest rate and liquidity. Foreign exchange risk is minimised by invoicing overseas franchise income in pounds sterling.

In respect of interest rate risk, the Group's policy is to place surplus cash at commercial rates on treasury deposit with its bankers, to the extent that the cash flow can be reasonably predicted. This policy has not changed during the period and no change is anticipated. In respect of liquidity risk, the Group finances its operations from current cash reserves. The Group does not currently have any bank overdraft facilities.

In accordance with its policy, the Group did not trade in financial instruments throughout the period.

The Group has excluded short-term debtors and creditors from all financial instrument disclosures.

20 Creditors: amounts falling due after more than one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank loans and overdrafts	**–**	5,788	**–**	5,788
Obligations under finance leases and hire purchase contracts	**–**	1	**–**	1
	–	5,789	–	5,789

20 Creditors: amounts falling due after more than one year *(continued)*

Analysis of debt:

	Group		Company	
	2007	*2006*	***2007***	*2006*
	£000	*£000*	***£000***	*£000*
Debt can be analysed as falling due:				
In one year or less, or on demand	–	291	–	276
Between one and two years	–	294	–	294
Between two and five years	–	1,016	–	1,016
Over five years	–	4,478	–	4,478
	–	6,079	–	6,064

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	2007	*2006*	***2007***	*2006*
	£000	*£000*	***£000***	*£000*
Within one year	**1**	10	**1**	10
In the second to fifth years	–	1	–	1
Less future finance charges	–	(1)	–	(1)
	1	10	**1**	10

21 Deferred taxation

The Group and Company have no provided deferred tax liabilities or assets. The Group has the following unprovided deferred tax assets:

	Unprovided	
	2007	*2006*
	£000	£000
Decelerated capital allowances	**11**	(159)
Other timing difference	**(973)**	(861)
	(962)	(1,020)

Other timing differences relate to tax losses of £3,245,000 *(2006: £2,869,000)* carried forward as at 24 June 2007.

The Company has tax losses of £1,406,000 *(2006: £576,000)*, which give rise to unprovided deferred tax assets of £422,000 *(2006: £173,000).*

The group has unrecognised deferred tax assets in respect of trading and non-trading losses carried forward.

Carried forward trading losses will, subject to approval by HM Revenue and Customs, reverse against taxable profits of the same trade. No asset has been recognised in respect of these trading losses due to uncertainties over the timing and nature of such profits in accordance with FRS 19.

Carried forward non-trading losses will reverse against non-trading gains in future periods. No asset has been recognised in respect of these losses and no such gains are anticipated in the foreseeable future.

Notes

continued

22 Share capital

The share capital of the Company is shown below:

	2007		2006	
	Number	*£000*	*Number*	*£000*
Shares classed as equity				
Authorised				
Ordinary shares of 4 pence each	**102,512,500**	**4,101**	102,512,500	4,101
Allotted, called up and fully paid				
Ordinary shares of 4 pence each	**34,238,018**	**1,370**	34,200,518	1,368
Shares classed as liabilities				
Authorised				
Preference shares of £1	–	–	1,700,000	1,700

On the 14 December 2006 the authorised share capital of the Company was diminished by £1,700,000 by the cancellation of the 1,700,000 authorised preference shares of £1.

On the 28 March 2007 the Company issued 37,500 ordinary shares of 4 pence each under the terms of the 1998 unapproved share option scheme.

At 24 June 2007, warrants in respect of 25,000 ordinary shares with a purchase price of 240p each were outstanding, these warrants expire on 14 June 2008.

At 24 June 2007, options in respect of 491,125 ordinary shares were outstanding (including 265,000 to the Directors of the Company) under the Company's various options schemes as follows:

Date granted	*Exercise price*	*Number of shares*	*Years from date of grant that options are exercisable*
1998 Unapproved share option scheme			
15 June 1998	20 pence	12,500	3-10
Pre-admission share option scheme			
15 June 1998	40 pence	20,250	Exercisable between date of grant and 10 years
1998 Unapproved share option scheme			
8 July 1999	124 pence	25,000	3-10
1998 Unapproved share option scheme			
2 March 2000	140 pence	13,375	3-10
1998 Unapproved share option scheme			
6 October 2000	72 pence	16,250	3-10
1998 Unapproved share option scheme			
30 May 2003	22 pence	56,250	3-10
1998 Unapproved share option scheme			
6 April 2004	34 pence	175,000	3-10
1998 Unapproved share option scheme			
1 October 2004	44 pence	47,500	3-10
1998 Unapproved share option scheme			
23 December 2004	52 pence	75,000	3-10
1998 Unapproved share option scheme			
29 June 2006	23.5 pence	50,000	3-10

23 Share based payments

In 1998 the Company established the Unapproved Share Option Scheme that entitled employees to purchase shares in the entity.

Options had been granted prior to 7 November 2002. In accordance with the transition provisions in FRS 20 the recognition and measurement principles in FRS 20 have not been applied to the options granted prior to 7 November 2002.

Exercise prices are based on market value of the Company's shares at the date of grant. Options are conditional on the employee remaining in the Company's service for the period up to and including the date of exercise (the vesting period) and may be exercised by ex-employees only at the directors'discretion.

Movements in the total number of share options outstanding and their weighted average exercise price are as follows:

Company	***2006*** ***Average exercise price per share Pence***	***Options Number***	***2007*** ***Average exercise price per share Pence***	***Options Number***
At start of period	45	801,375	46	749,875
Granted	–	–	23.5	50,000
Exercised	–	–	20	(37,500)
Forfeited	29	(51,500)	50	(271,250)
At end of period	**46**	**749,875**	**44**	**491,125**

The fair value of options granted during the year to 24 June 2007 was £4,770.

The fair value of services received in return for share options granted are measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes model. The significant inputs into the model for the options granted during the 52 week period to 24 June 2007 were:

Grant date	29 June 2006
Share price at grant date (estimated)	23.5p
Exercise price	23.5p
Number of employees	1
Shares under option	50,000
Vesting period	3 years
Expected volatility (expressed as a standard deviation of expected share price returns)	54.31%
Expected option life	3 years
Expected dividend yield	Nil
Risk fee interest rate (based on national Government bonds)	4.23%
Fair value per option	9.54p

The expected volatility estimate was based on the average of the share price on the first day of each month from December 2003 to June 2006.

Share options are granted under a service condition. Such conditions are not taken into account in the fair value measurement of the services received. There are no market conditions associated with the share option grants.

Notes

continued

24 Reserves

Group	*Share premium account £000*	*Warrants reserve £000*	*Profit and loss account £000*	*Total £000*
At 25 June 2006	8,763	50	(1,070)	7,743
Retained loss for the period	–	–	(2,863)	(2,863)
New share capital subscribed	6	–	–	6
Equity settled share based payments	–	–	3	3
At 24 June 2007	**8,769**	**50**	**(3,930)**	**4,889**

Company	*Share premium account £000*	*Warrants reserve £000*	*Profit and loss account £000*	*Total £000*
At 25 June 2006	8,763	50	(1,470)	7,343
Retained loss for the period	–	–	(3,521)	(3,521)
New share capital subscribed	6	–	–	6
Equity settled share based payments	–	–	3	3
At 24 June 2007	**8,769**	**50**	**(4,988)**	**3,831**

The warrants reserve represents the original fair value of the unlapsed warrants at the date at which they were issued.

25 Commitments

(a) Capital commitments of the Group and Company at the end of the financial period, for which no provision has been made, are £nil (*2006: £nil*)

(b) Annual commitments of the Group and Company under non-cancellable operating leases are as follows:

	Land and buildings		***Other***	
	2007 £000	*2006 £000*	***2007 £000***	*2006 £000*
Group				
Operating leases which expire:				
Within one year	**8**	–	**–**	–
In the second to fifth years inclusive	**–**	32	**45**	79
Over five years	**702**	945	**–**	–
	710	977	**45**	79

25 Commitments *(continued)*

Part of the property of one of the group's leases is sublet the rental income of which is £142,000.

	Land and buildings		Other	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Company				
Operating leases which expire:				
Within one year	**8**	–	**–**	–
	8	–	**–**	–

26 Reconciliation of operating loss to operating cash flows

	2007	2006
	£000	£000
Operating loss	**(244)**	(1,216)
Depreciation charge	**423**	419
Amortisation charge	**117**	97
Impairment of intangible fixed assets	**5**	–
Impairment of tangible fixed assets	**266**	450
Decrease in stocks	**56**	22
Decrease/(increase) in debtors	**5**	(15)
Increase in creditors	**195**	128
Equity settled share based payments	**3**	24
Net cash inflow/(outflow) from operating activities	**826**	(91)

27 Analysis of net (debt)/funds

	At start of period £000	Cash flow £000	At end of period £000
Cash in hand, at bank	3,010	2,524	**5,534**
Net cash	3,010	2,524	**5,534**
Debt due after one year	(5,788)	5,788	**–**
Debt due within one year	(291)	291	**–**
Finance leases	(10)	9	**(1)**
Net (debt)/funds	**(3,079)**	**8,612**	**5,533**

28 Post balance sheet events

On the 10 September 2007 the Group disposed of its remaining pub restaurant the Highwayman in Checkendon, Oxfordshire (see note 5).

Notice of Annual General Meeting

Notice is given that the annual general meeting of Gourmet Holdings plc will be held at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ on Thursday, 13 December 2007 at 11.00 a.m. for the purpose of considering, and if thought fit, passing the following Resolutions, of which Resolutions 1 to 6 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 7 to 8 will be proposed as a Special Resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. THAT the report of the Directors and the accounts for the period ended 24 June 2007 be received and adopted.

2. THAT Neil Blows be re-elected as a Director of the Company.

3. THAT Salvatore Diliberto be re-elected as a Director of the Company.

4. THAT James Rhodes be re-elected as a Director of the Company.

5. THAT Rees Pollock be and are hereby appointed auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company at a remuneration to be fixed by the Directors.

SPECIAL BUSINESS

Ordinary Resolutions

6. THAT the Directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (“the Act”) to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £592,620 provided that:

    6.1 this authority shall expire on the earlier of (i) the date falling 15 months after the date on which this resolution is passed and (ii) the conclusion of the next Annual General Meeting of the Company unless previously varied, revoked or renewed by the Company in general meeting;

    6.2 the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired: and

    6.3 all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Special Resolutions

7. THAT:

    7.1 the Directors be granted power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 6 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

        7.1.1 the allotment of equity securities, in conjunction with a rights issue, open offer or otherwise to the holders of Ordinary Shares, in proportion (as nearly as may be) to the respective number of Ordinary Shares held by them in the capital of the Company, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or otherwise in any territory; and for the purpose of this resolution “rights issue” means an offer of equity securities to holders of ordinary shares in proportion to their respective holdings (as nearly as may be) and holders of other securities to the extent expressly required or (if considered appropriate by the Directors) permitted by the rights attached thereto;

7.1.2 the allotment (otherwise than pursuant to resolution 7.1.1 above) of equity securities up to an aggregate nominal value of £177,786.

and shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the date of the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and

7.2 all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.

8. THAT the Company is, pursuant to section 166 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 4p each in the capital of the Company ("ordinary shares") provided that:

8.1 the maximum number of ordinary shares hereby authorised to be purchased is 4,201,961 ordinary shares being 10 per cent of the issued share capital at the date of the passing of the resolution;

8.2 the minimum price which may be paid for ordinary shares is 4p per ordinary share;

8.3 the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

8.4 the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase will be executed wholly or partly after the expiry of such authority; and may make the purchase of ordinary shares in pursuance of any such contract; and

8.5 the authority hereby conferred shall expire on the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Susan Ludley
Secretary

12 November 2007

Registered Office: 165 Queen Victoria Street, London EC4V 4DD

Notes

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company at 6.00 p.m. on 11 December 2007 (or if the Meeting is adjourned, members entered on the Register of Members of the Company not later than 48 hours before the time fixed for the adjourned Meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after 6.00 p.m. on 11 December 2007 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the Meeting. If a member wishes his proxy to speak on his behalf at the

Notice of Annual General Meeting

continued

Meeting he will need to appoint his own choice of proxy (not the Chairman) and give his instructions directly to them. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Meeting in person the proxy appointment will automatically be terminated.

3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".

4. A form of proxy is enclosed and details of how to appoint and direct a proxy to vote on each resolution are set out in the notes to the form of proxy. To be valid the form of proxy must be completed and signed, and lodged with the Registrars of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution, If no voting indication is given, a proxy may vote or abstain from voting at his or her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

7. In order to revoke a proxy instruction a member will need to send a signed hard copy notice clearly stating your intention to revoke a proxy appointment to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a company the notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Form of Proxy

I/We . . . .
(name in full in block capitals)

of . . . .

being a member/members of Gourmet Holdings plc (the "Company") hereby appoint the chairman of the meeting

(see note 1 below) . . . . as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 a.m. on Thursday, 13 December 2007 at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ, and at any adjournment thereof, on the following resolutions as indicated by an 'X' in the appropriate box:

Ordinary Resolutions

		For	Against
1	To adopt the report and accounts.		
2	To reappoint Neil Blows as a Director.		
3	To reappoint Salvatore Diliberto as a Director.		
4	To reappoint James Rhodes as a Director.		
5	To appoint the auditors and to authorise the Directors to fix their remuneration.		
6	To grant authority under section 80 of the Companies Act 1985 ("the Act") to allot relevant securities.		

Special Resolutions

7	To grant the directors authority under section 95 of the Act to allot equity securities for cash.		
8	To authorise the Company to make market purchases of its own shares.		

Signature . . . . Dated 2007

Notes:

(1) You may if you wish strike out the words "chairman of the meeting" and insert the name of some other person to act as your proxy in the space provided. All amendments to this form must be initialled. If you sign and return this form with no name inserted in the space the Chairman of the Meeting will be deemed to be your proxy. Where someone other than the Chairman is appointed as a proxy the member appointing him is responsible for ensuring that they attend the meeting and are aware of his voting intentions. If a member wishes his proxy to speak on his behalf at the Meeting he will need to appoint someone other than the Chairman and give his instructions directly to them.

(2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, speak and to vote at the Meeting instead of him. A proxy can only be appointed by following the procedure set out in these notes.

(3) A proxy need not be a member of the Company but must attend the Meeting. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Meeting in person the proxy appointment will automatically be terminated.

(4) To be valid this form of proxy must be completed and lodged with the Registrars of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

(5) In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.

(6) A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".

(7) If a member submits more than one valid proxy appointment the appointment received last before the latest time for the receipt of proxies will take precedence.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars
(Proxies)
PO Box 25
BECKENHAM
Kent
BR3 4BR

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THIRD FOLD AND TUCK-IN

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