Gourmet Holdings plc

Interim Report
for the period to
7 January 2007

Chairman's Review

Introduction
The Group has recorded an operating profit before exceptional items for the period of £0.35 million compared to an operating loss before exceptional items of £0.06 million for the same period last year. Progress has been made in carrying out the strategy that was detailed in the 2006 Annual Report.

Results
Group turnover from our operations for the 28 week period ended 7 January 2007 increased to £5.97 million (2006: £5.60 million). Gross profit from the restaurants was £0.80 million (2006: £0.43 million) reflecting the improved performance of Richoux. Administrative expenses of £0.37 million (2006 restated: £0.44 million) were in line with expectations following the Board's decision to reduce its administrative cost base.

The trading exceptional items of £0.58 million are; £0.27 million impairment provision against the assets of a poorly performing site, £0.19 million FRS 12 provision in respect of an onerous lease, and £0.12 million bad debts provision in respect of the non-completion of a business transfer.

The loss on disposal of fixed assets of £0.33 million has arisen on the disposal of two of the Group's unbranded pub restaurants in December 2006, in line with the Group's reported strategy to dispose of its pub restaurants.

At the end of the period the Group's net debt stood at £3.34 million.

The Directors are not recommending the payment of a dividend.

Operations
Richoux
The central London economy was strong throughout 2006 and the results at Richoux reflect this with the sales and profits, for the 28 week period to the 7 January 2007, being the strongest first half-year that Richoux has had. This has been additionally aided by the earlier refurbishment of the three West End restaurants. The fourth restaurant, in St John's Wood, London, is currently being refurbished.

Since the end of the half-year, a new franchise has been signed to develop a Richoux restaurant in Egypt and we expect further developments in this area in the future.

The Group is currently evaluating a new prominent central London location for a future Richoux restaurant development.

Bel and the Dragon
The results for the Bel and the Dragon pub restaurants were better than the previous year, benefiting from the inclusion of the full half-year period for the fourth pub restaurant in Reading, which was acquired at the end of 2005.

The Board has commenced the process for the sale of the Bel and the Dragon pub restaurants. Advanced negotiations with one party did not come to fruition and therefore the anticipated sale of these pub restaurants is likely to take a little longer than originally expected. Negotiations continue with a number of parties.

Chairman's Review
continued

Unbranded 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. As part of that process on 22 December 2006, the Group disposed of its interests in The Talkhouse, Stanton St John, near Oxford and The Five Bells in Stanbridge, Hertfordshire.

Progress is being made towards the disposal of the final unbranded pub restaurant, The Highwayman, Checkendon, Oxfordshire, which is now closed.

Nominated Advisor and Broker
The Board is pleased to announce the appointment of Arbuthnot Securities Limited as its Nominated Advisor and Broker with immediate effect and would like to thank Teather & Greenwood Limited for their services in this capacity over the past seven years.

Outlook
Following the strategic review the Company has identified and is acting on a series of actions that will reposition the Group for the future.

Our principal priorities are to dispose successfully of the Bel and the Dragon pub restaurants and to continue with the development of our successful Richoux brand.

Richard Scott
Chairman

28 March 2007

Consolidated Profit and Loss Account

for the 28 week period ended 7 January 2007

	Notes	**28 week period ended 7 January 2007 Total £'000**	Continuing £'000	Discontinued £'000	28 week period ended 8 January 2006 (restated) Total £'000	Continuing £'000	Discontinued £'000	52 week period ended 25 June 2006 (restated) Total £'000
Turnover		**5,973**	5,278	326	5,604	9,887	353	10,240
Cost of sales:		**(5,178)**	(4,853)	(325)	(5,178)	(8,997)	(351)	(9,348)
Gross profit		**795**	425	1	426	890	2	892
Administrative expenses:								
Administrative expenses		**(374)**	(444)	–	(444)	(842)	–	(842)
Amortisation		**(63)**	(43)	–	(43)	(97)	–	(97)
		(437)	(487)	–	(487)	(939)	–	(939)
Other operating income	3	**(5)**	1	–	1	–	–	–
Operating profit/(loss) before trading exceptional items		**353**	(61)	1	(60)	(49)	2	(47)
Trading exceptional items	4	**(579)**	–	–	–	(1,169)	–	(1,169)
Operating (loss)/profit after trading exceptional items		**(226)**	(61)	1	(60)	(1,218)	2	(1,216)
Net loss on disposal of fixed assets	5	**(329)**	(1)	–	(1)	(3)	(12)	(15)
(Loss)/profit on ordinary activities before interest		**(555)**	(62)	1	(61)	(1,221)	(10)	(1,231)
Interest receivable		**51**			26			73
Interest payable and similar charges		**(224)**			(138)			(338)
Loss on ordinary activities before taxation		**(728)**			(173)			(1,496)
Taxation on loss on ordinary activities		**–**			–			–
Loss for the financial period	8	**(728)**			(173)			(1,496)
Loss per share	6,8	**(2.1)p**			(0.8)p			(5.4)p
Diluted loss per share	6,8	**(2.1)p**			(0.8)p			(5.4)p
Diluted earnings/(loss) per share (pre exceptional items)	6	**0.5p**			(0.8)p			(1.1)p

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

The consolidated profit and loss account for the 28 week period ended 8 January 2006 and the 52 week period ended 25 June 2006 have been restated to reflect the adoption of FRS20 'Share based payments'.

Consolidated Balance Sheet

at 7 January 2007

		7 January 2007		8 January 2006		25 June 2006	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets							
Intangible assets			**2,021**		2,155		2,101
Tangible assets			**10,892**		12,185		11,820
			12,913		14,340		13,921
Current assets							
Stocks		**188**		221		210	
Debtors		**401**		569		601	
Cash at bank and in hand		**2,590**		3,349		3,010	
		3,179		4,139		3,821	
Creditors: amounts falling due within one year		**(2,069)**		(2,135)		(2,842)	
Net current assets			**1,110**		2,004		979
Total assets less current liabilities			**14,023**		16,344		14,900
Creditors: amounts falling due after more than one year			**(5,645)**		(5,927)		(5,789)
Net assets			**8,378**		10,417		9,111
Capital and reserves							
Equity share capital			**1,368**		1,367		1,368
Share premium account			**8,763**		8,757		8,763
Warrants reserve			**50**		50		50
Profit and loss account	**8**		**(1,803)**		243		(1,070)
Shareholders' funds			8,378		10,417		9,111

Consolidated Cash Flow Statement

for the 28 week period ended 7 January 2007

	Note	**28 week period ended 7 January 2007 £'000**	28 week period ended 8 January 2006 (restated) £'000	52 week period ended 25 June 2006 (restated) £'000
Reconciliation of operating loss to operating cash flows				
Operating loss	8	**(226)**	(60)	(1,216)
Depreciation charge		**243**	214	419
Amortisation charge		**63**	43	97
Impairment		**271**	–	450
Decrease in stocks		**22**	11	22
Decrease/(increase) in debtors		**200**	17	(15)
(Decrease)/increase in creditors		**(772)**	(610)	128
Equity settled share based payments expense	8	**(5)**	14	24
Net cash outflow from operating activities		**(204)**	(371)	(91)
Cash flow statement				
Cash outflow from operating activities		**(204)**	(371)	(91)
Returns on investments and servicing of finance		**(161)**	(120)	(289)
Capital expenditure and financial investment		**101**	(213)	(517)
Acquisitions and disposals		**–**	(2,873)	(2,874)
Cash outflow before financing		**(264)**	(3,577)	(3,771)
Financing		**(156)**	5,801	5,656
(Decrease)/increase in cash in the period		**(420)**	2,224	1,885
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash in the period		**(420)**	2,224	1,885
Cash outflow/(inflow) from changes in debt and lease financing		**156**	(1,551)	(1,398)
Change in net funds resulting from cash flows		**(264)**	673	487
Loans and finance leases acquired with subsidiary undertakings		**–**	(750)	(750)
Movement in net debt in the period		**(264)**	(77)	(263)
Net debt at the start of the period		**(3,079)**	(2,816)	(2,816)
Net debt at the end of the period		**(3,343)**	(2,893)	(3,079)

The consolidated cash flow statements for the 28 week period ended 8 January 2006 and the 52 week period ended 25 June 2006 have been restated to reflect the adoption of FRS20 'Share based payments'.

Consolidated Statement of Total Recognised Gains and Losses

for the 28 week period ended 7 January 2007

	Note	**28 week period ended 7 January 2007 £'000**	*28 week period ended 8 January 2006 (restated) £'000*	*52 week period ended 25 June 2006 (restated) £'000*
Loss for the financial period	**8**	**(728)**	(173)	(1,496)
Gain on redemption of preference shares		**–**	408	408
Reduction in share premium		**–**	7,411	7,411
Total recognised gains and losses relating to the financial period		**(728)**	**7,646**	**6,323**

The consolidated statements of total recognised gains and losses for the 28 week period ended 8 January 2006 and the 52 week period ended 25 June 2006 have been restated to reflect the adoption of FRS20 'Share based payments'.

Reconciliation of Movement in Shareholders' Funds

for the 28 week period ended 7 January 2007

	Note	**28 week period ended 7 January 2007 £'000**	*Restated 28 week period ended 8 January 2006 (restated) £'000*	*Restated 52 week period ended 25 June 2006 (restated) £'000*
Loss for the financial period	**8**	**(728)**	(173)	(1,496)
New share capital subscribed (net of issue costs)		**–**	4,931	4,938
Redemption of preference shares		**–**	408	408
(Charge)/credit in respect of share options		**(5)**	14	24
Net (decrease)/increase in shareholder's funds		**(733)**	5,180	3,874
Opening shareholders' funds		**9,111**	5,237	5,237
Closing shareholder's funds		**8,378**	10,417	9,111

The reconciliations of movements in shareholders' funds for the 28 week period ended 8 January 2006 and the 52 week period ended 25 June 2006 have been restated to reflect the adoption of FRS20 'Share based payments'.

Notes

1. The financial information for the 28 week period ended 7 January 2007 has been prepared in accordance with the company's accounting policies as disclosed in the financial statements for the period ended 25 June 2006, except for the adoption of FRS20 'Share based payments', in line with that standard's 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 have been restated to reflect this change in policy. The effect of the adoption of FRS20 is discussed in note 8.

The financial information for the 28 week period ended 7 January 2007 and the 28 week period ended 8 January 2006 have not been audited and do not constitute full financial statements within the meaning of s240 of the Companies Act 1985.

The financial information relating to the 52 week period ended 25 June 2006 does not constitute full financial statements within the meaning of s240 of the Companies Act 1985, but it is an extract from the audited financial statements for that period on which the auditors gave an unqualified report (the FRS20 restated figures are not yet audited). A copy of those financial statements has been filed with the Registrar of Companies.

2. The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 7 January 2007.

The results of all subsidiary undertakings are consolidated. Intra-group sales are fully eliminated on consolidation.

3. Other operating income
All other operating income represents franchise fees received net of all associated costs and charges.

4. Trading exceptional items
The trading exceptional charge of £579,000 comprises £271,000 impairment provision in respect of tangible fixed assets of a poorly performing site, £187,000 FRS12 provision for an onerous lease, and £121,000 bad debts provision in respect of the non-completion of a business transfer.

5. Loss on disposal of fixed assets
The loss on disposal of fixed assets has arisen on the disposal of the two unbranded pub restaurants in December 2006.

6. Earnings/(loss) per share
The loss per share is calculated by reference to the profit or loss after taxation and the weighted average number of ordinary shares in issue during the period of 34,200,518 (2006: 22,273,599).

The loss per share for both the basic and fully diluted loss per share is calculated on the basis of a loss for the period of £728,000 (2006 restated: £173,000).

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 34,250,268 (2006: 22,412,341). Share options, warrants and the conversion of preference shares not included in the diluted calculations as per the requirements of FRS14 (as they are anti-dilutive) totalled 805,125 (2006: 687,633).

Notes
continued

6. Earnings/(loss) per share (continued)

The earnings/(loss) per share (pre exceptional items) is calculated on the basis of a profit for the period (before trading exceptional items and loss on disposal of fixed assets) of £180,000 (2006 restated: loss £172,000).

7. No dividend is proposed

8. Impact of FRS20

The adoption of FRS20 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 28 week period ended 8 January 2006 was increased by £14,000 as a result of FRS20, leading to an increase in the loss per share of 0.1p. The loss for the 52 week period ended 25 June 2006 was increased by £24,000, increasing the loss per share by 0.1p.

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