Richoux Group plc

Interim Report
for the period to
10 July 2011

Chairman's Review

Results

Group turnover from our continuing operations for the 28 week period ended 10 July 2011 increased to £4.39 million (*July 2010: £2.71 million*). Gross profit from continuing operations was £0.03 million (*July 2010: £0.33 million)*. Administrative expenses for continuing operations (before impairment) of £0.28 million (*July 2010: £0.24 million*) were in line with expectations.

Significant provisions of £2.33 million (*July 2010: £nil*) have been made for impairment. This relates to the now disposed of site in Bexhill-on-Sea and six other sites which the Board determine to be trading sufficiently below expectations for impairments to be required.

The Directors are not recommending the payment of a dividend.

Operations

The Group currently has fifteen restaurants, which operate under the Richoux, Zippers, Dean's Diner and Villagio brands. Further details on each of the brands are set out below.

Richoux

Richoux restaurants operate in prestigious areas of Central London and offer all day dining.

The Group has four Richoux restaurants and they all continue to trade profitably and in line with expectations.

Zippers

Zippers is a contemporary family restaurant with an extensive range of dishes to suit all tastes.

The Zippers in Chatham is trading well. The Zippers site in Bexhill was trading very disappointingly and the lease of the property has now been surrendered. The further Zippers sites in Andover and Barnet have been rebranded as Villagio.

Dean's Diner

Dean's Diner is a 1950s American Diner style concept.

There are currently six Dean's Diner restaurants open with a new site opening during the period in Port Solent. A further site in Braintree is due to open in October 2011. The focus has been on trying to improve the offering and its positioning in the market through improved service standards and more competitive offers.

Villagio

Villagio is a modern local style Italian restaurant.

There are now four Villagio sites – the recently opened sites in Hammersmith and Berkhamsted and the rebranded restaurants in Andover and Barnet. Trading thus far has been in line with expectations.

Capital expenditure and cash flow

The Board has sought to preserve the cash resources of the Group. As at the end of the period under review the Group held cash of £1.19 million (*December 2010: £3.61 million*).

Capital expenditure of £0.98 million (*July 2010: £0.62 million, December 2010: £3.32 million*) was incurred in the period, predominantly on the fit out of the new Dean's Diner restaurant in Port Solent and the new Villagio restaurants in Hammersmith and Berkhamsted.

Outlook

The outlook for the Group remains challenging. The established part of the Group's business continues to trade well, whilst trading across the new concepts is inconsistent from site to site and requires further development and improvement, which the Board are endeavouring to bring about. No further acquisitions are envisaged at present.

Philip Shotter
Chairman

23 September 2011

Condensed consolidated statement of comprehensive income

for the 28 week period ended 10 July 2011

	Note	***28 week period ended 10 July 2011 £'000***	*28 week period ended 11 July 2010 £'000*	*52 week period ended 26 December 2010 £'000*
Revenue	3	**4,389**	2,714	5,844
Cost of sales:				
Excluding pre-opening costs		**(4,271)**	(2,339)	(4,986)
Pre-opening costs		**(87)**	(42)	(250)
Total cost of sales		**(4,358)**	(2,381)	(5,236)
Gross profit		**31**	333	608
Administrative expenses		**(281)**	(243)	(467)
Other operating income		**1**	–	–
Operating (loss)/profit before impairment		**(249)**	90	141
Impairment of property, plant and equipment		**(2,301)**	–	–
Impairment of other intangible assets		**(26)**	–	–
Onerous lease provision		**–**	333	333
Operating (loss)/profit		**(2,576)**	423	474
Finance income		**11**	19	32
Finance expense		**–**	(1)	(1)
(Loss)/profit before taxation	3	**(2,565)**	441	505
Taxation		**–**	–	–
(Loss)/profit and total comprehensive (loss)/profit for the period		**(2,565)**	441	505
(Loss)/profit and total comprehensive (loss)/profit attributable to equity holders of the parent		**(2,565)**	441	505
(Loss)/profit and total comprehensive (loss)/profit per share:				
(Loss)/profit per share	4	**(3.8)p**	1.1p	1.1p
Diluted (loss)/profit per share	4	**(3.8)p**	1.1p	1.1p

Condensed consolidated statement of changes in equity

for the 28 week period ended 10 July 2011

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 27 December 2009	1,681	10,335	(7,516)	4,500
Profit for the period	–	–	441	441
Credit to equity for equity settled share based payments	–	–	33	33
At 11 July 2010	1,681	10,335	(7,042)	4,974
Profit for the period	–	–	64	64
Credit to equity for equity settled share based payments	–	–	12	12
New share capital subscribed	1,000	1,000	–	2,000
New share capital issue costs	–	(40)	–	(40)
At 26 December 2010	2,681	11,295	(6,966)	7,010
Loss for the period	–	–	(2,565)	(2,565)
Credit to equity for equity settled share based payments	–	–	7	7
At 10 July 2011	**2,681**	**11,295**	**(9,524)**	**4,452**

Condensed consolidated statement of financial position

at 10 July 2011

	Note	10 July 2011 £'000	11 July 2010 £'000	26 December 2010 £'000
Assets				
Non-current assets				
Goodwill		**234**	234	234
Other intangible assets		**62**	41	82
Property, plant and equipment	6	**3,092**	2,176	4,737
Investment property	6	**787**	787	787
Trade and other receivables		**120**	11	82
Total non-current assets	3	**4,295**	3,249	5,922
Current assets				
Inventories		**152**	81	158
Trade and other receivables		**699**	461	587
Cash and cash equivalents		**1,192**	2,500	3,606
Total current assets		**2,043**	3,042	4,351
Total assets		**6,338**	6,291	10,273
Liabilities				
Current liabilities				
Trade and other payables		**(1,709)**	(1,251)	(3,127)
Non-current liabilities				
Trade and other payables		**(177)**	(66)	(136)
Total liabilities		**(1,886)**	(1,317)	(3,263)
Net assets		**4,452**	4,974	7,010
Capital and reserves				
Share capital		**2,681**	1,681	2,681
Share premium account		**11,295**	10,335	11,295
Retained earnings		**(9,524)**	(7,042)	(6,966)
Total equity		**4,452**	4,974	7,010

Condensed consolidated statement of cash flows

for the 28 week period ended 10 July 2011

	Note	***28 week period ended 10 July 2011 £'000***	*28 week period ended 11 July 2010 £'000*	*52 week period ended 26 December 2010 £'000*
Operating activities				
Cash generated from operations	7	**–**	43	486
Interest paid		**–**	(1)	(1)
Net cash from operating activities		**–**	42	485
Investing activities				
Purchase of property, plant and equipment		**(2,408)**	(616)	(1,874)
Purchase intangible assets		**(17)**	(6)	(58)
Proceeds from sale of assets held for sale		**–**	102	102
Interest received		**11**	19	32
Net cash used in investing activities		**(2,414)**	(501)	(1,798)
Financing activities				
Proceeds from issue of ordinary shares		**–**	–	2,000
Share issue costs		**–**	–	(40)
Net cash from financing activities		**–**	–	1,960
Net (decrease)/increase in cash and cash equivalents		**(2,414)**	(459)	647
Cash and cash equivalents at the beginning of the period		**3,606**	2,959	2,959
Cash and cash equivalents at the end of the period		**1,192**	2,500	3,606

Notes

1. The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis.

2. The condensed financial information for the 28 week period ended 10 July 2011 and the 28 week period ended 11 July 2010 has been prepared in accordance with IAS 34 "Interim financial reporting" and should be read in conjunction with the annual financial statements for the period ended 26 December 2010 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies used in preparing the condensed financial information are consistent with those of the annual financial statements for the period ended 26 December 2010. During the period various Standards and Interpretations were adopted in line with the effective dates as outlined in the annual financial statements for the period ended 26 December 2010. The condensed financial information for the 28 week period ended 10 July 2011 and the 28 week period ended 11 July 2010 has not been audited or reviewed and does not constitute full financial statements within the meaning of section 435 of the Companies Act 2006.

The financial information for the 52 week period ended 26 December 2010 does not constitute the Group's statutory accounts for that period but it is derived from those accounts. Statutory accounts for the 52 week period ended 26 December 2010 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Notes
continued

3. Business segments

Based on the financial information which is monitored by the board, which comprises the chief operating decision maker as defined in IFRS 8, the group has three reportable business segments based around its core restaurant brands, Richoux, Dean's Diner and Zippers and Villagio. The Zippers and Villagio brands are reported together as some of the Zippers restaurants have been/will be rebranded as Villagio restaurants. All brands are engaged in the restaurant trade so derive their revenues and results from similar products and services.

For the 28 week period ended 10 July 2011

	Richoux	*Zippers*	*Dean's Diner*	*Unallocated*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Revenue	2,325	1,062	1,002	–	4,389
Segment profit/(loss)	424	(129)	(178)	(86)	31
Administrative expenses	–	–	–	(281)	(281)
Other operating income	1	–	–	–	1
Impairment	–	(1,042)	(1,285)	–	(2,327)
Finance income	–	–	–	11	11
Profit/(loss) before taxation	425	(1,171)	(1,463)	(356)	(2,565)
Non-current assets as at 26 December 2010	1,364	1,663	1,975	920	5,922
Additions	12	493	505	5	1,015
Depreciation and amortisation	(102)	(87)	(95)	(12)	(296)
Impairment	–	(1,042)	(1,285)	–	(2,327)
Disposals	(1)	(4)	–	(14)	(19)
Non-current assets as at 10 July 2011	1,273	1,023	1,100	899	4,295

The unallocated segment loss includes the cost of the restaurant area management, and the unallocated administrative expenses include the costs of the Group's head office.

Notes
continued

4. (Loss)/profit per share

The calculation of the basic and diluted (loss)/profit per share is based on the following data:

	10 July 2011 £'000	*11 July 2010 £'000*	*26 December 2010 £'000*
(Loss)/profit			
(Loss)/profit for the purposes of basic (loss)/profit per share being the net (loss)/profit attributable to equity holders of the parent	**(2,565)**	441	505
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic (loss)/profit per share	**67,019,612**	42,019,612	46,552,579
Effect of dilutive potential ordinary shares:			
Share options	**327,460**	–	–
Weighted average number of ordinary shares for the purposes of the diluted (loss)/profit per share	**67,347,072**	42,019,612	46,552,579
Share options not included in the diluted calculations as per the requirements of IAS 33 (as they are anti-dilutive)	**2,213,255**	2,664,465	2,540,715

5. No dividend is proposed.

Notes
continued

6. Property, plant and equipment

	Investment property	*Short leasehold land and buildings*	*Leasehold improvements*	*Fixtures, fittings, and equipment*	*Total*
Cost					
At 27 December 2009	1,153	3,444	17	1,226	5,840
Additions	–	383	–	233	616
At 11 July 2010	1,153	3,827	17	1,459	6,456
Additions	–	1,856	–	850	2,706
At 26 December 2010	1,153	5,683	17	2,309	9,162
Additions	–	598	–	362	960
Disposals	–	(14)	–	(11)	(25)
At 10 July 2011	1,153	6,267	17	2,660	10,097
Accumulated depreciation and impairment					
At 27 December 2009	366	2,053	17	921	3,357
Charge for period	–	73	–	63	136
At 11 July 2010	366	2,126	17	984	3,493
Charge for period	–	74	–	71	145
At 26 December 2010	366	2,200	17	1,055	3,638
Charge for period	–	134	–	151	285
Disposals	–	–	–	(6)	(6)
Impairment	–	1,723	–	578	2,301
At 10 July 2011	366	4,057	17	1,778	6,218
Carrying amount					
At 10 July 2011	**787**	**2,210**	**–**	**882**	**3,879**
At 26 December 2010	787	3,483	–	1,254	5,524
At 11 July 2010	787	1,701	–	475	2,963

Impairment testing of property, plant and equipment.

The Group considers each trading restaurant to be a cash-generating unit (CGU) and each CGU is reviewed when there are indications of impairment.

The recoverable amounts of the restaurants are calculated from value in use calculations based on cash flow projections from forecasts to December 2016 based on a sales growth rate of 2%. The discount rate applied to cash flow projections is 12%.

During the period an impairment charge of £2,301,000 (*July 2010: £nil*) has been recognised relating to the unrecoverable elements of assets relating to six Zippers, Villagio and Dean's Diner restaurants based on their forecast value in use and one Zippers restaurant following the decision to close this restaurant.

Notes
continued

7. Reconciliation of operating (loss)/profit to operating cash flows

	28 week period ended 10 July 2011 £'000	*28 week period ended 11 July 2010 £'000*	*52 week period ended 26 December 2010 £'000*
Operating (loss)/profit	**(2,576)**	423	474
Profit on disposal of assets held for sale	**–**	(8)	(8)
Loss on disposal of property, plant and equipment	**19**	–	–
Loss on disposal of intangible assets	**–**	–	4
Depreciation charge	**285**	136	281
Amortisation charge	**11**	5	12
Impairment of intangible fixed assets	**26**	–	–
Impairment of property, plant and equipment	**2,301**	–	–
Decrease/(increase) in stocks	**6**	13	(64)
Increase in debtors	**(150)**	(102)	(299)
Increase/(decrease) in creditors	**71**	(57)	441
Decrease in provisions	**–**	(400)	(400)
Equity settled share based payments	**7**	33	45
Net cash inflow from operating activities	**–**	43	486

8. Post balance sheet events
On 18 August 2011 the Group closed and surrendered the lease for its Zippers restaurant in Bexhill-on-Sea.

9. Related party transactions
During the period the Group paid professional fees for legal services in connection with properties of £52,000 (*July 2010: £25,000, December 2010: £85,000*) to Glovers Solicitors LLP of which Philip Shotter is a member. As at the end of the period £3,000 was outstanding (*December 2010: £29,000*). This is in addition to fees included in Directors' emoluments.

During the period the Company entered into a new 25 year lease, at an annual rent of £60,000 per annum, with Amberstar Limited a Company in which Phillip Kaye, a significant shareholder, is a Director and significant shareholder.

The Group has a group VAT registration and the representative Company, Richoux Group plc, pays the net VAT for the Group.

Notes
continued

9. Related party transactions (continued)
Transactions with directors:

Directors' emoluments

	28 week period ended 10 July 2011 £'000	*28 week period ended 11 July 2010 £'000*	*52 week period ended 26 December 2010 £'000*
Short term employee benefits	**78**	78	145
Share based payments	**3**	21	28
	81	99	173

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