Richoux Group plc

Annual Report December 2010

Contents

Advisers and Officers

Company Number	03517191
Registered Office	5-8 Cochrane Mews St John's Wood London NW8 6NY
Directors	Philip Shotter (Chairman) Salvatore Diliberto (Chief Executive) The Hon. Robert Rayne
Company Secretary	Susan Ludley FCCA
Nominated Adviser and Nominated Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Solicitors	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
Registrars	Capita Registrars Limited 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

Results
Group turnover from continuing operations for the 52 week period ended 26 December 2010 increased to £5.84 million (*2009: £5.02 million*) following the opening of the new Zippers and Dean's Diner restaurants. Gross profit from continuing operations improved to £0.61 million (*2009: £0.14 million*). There was an increase in the total Group restaurants' gross profit before pre-opening costs percentage from 4.6 per cent to 14.7 per cent during the year. This increase was due to the contribution made by the new Zippers and Dean's Diner restaurants and the closure of underperforming restaurants. Administrative expenses for continuing operations (before impairment and onerous lease provision) of £0.47 million (*2009: £0.44 million*) were in line with expectations.

In October 2010 the Group raised £2 million (£1.96 million net of expenses) through a successful placing of new shares at 8 pence per share to fund the growth of the Group.

The Directors are not recommending the payment of a dividend.

Operations
The Group currently has thirteen restaurants which operate under the Richoux, Zippers and Dean's Diner 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 currently has four Richoux restaurants. These restaurants continue to trade in line with expectations. The restaurant in Knightsbridge was refurbished at the beginning of the period and has benefitted from an increase in trade.

Zippers
Zippers is a spacious, stylish and contemporary family restaurant that offers an extensive range of dishes to suit all tastes.

The Group currently has four Zippers restaurants. The original Zippers restaurant in Chatham continues to trade in line with expectations. Three further Zippers restaurants were opened in Andover in September 2010, and Barnet and Bexhill-on-Sea both in December 2010.

Dean's Diner
Dean's Diner is a 1950s American Diner style concept which opened its first sites during the period.

To date five Dean's Diners have been opened. The first Dean's Diner (previously Frankie's Easy Diner) restaurant was opened in Chatham in July 2010. The Group has opened new sites in High Wycombe in November 2010 (following the rebranding of an existing site owned by the Group) and in Basingstoke, Basildon and Slough, all in December 2010. The Group has recently acquired two further sites in Port Solent and Braintree which are expected to open in June 2011 and October 2011 respectively.

Capital expenditure and cash flow
The Board has sought to preserve the cash resources of the Group where possible. As at the end of the period under review the Group held cash of £3.61 million *(2009: £2.96 million)*.

Capital expenditure of £3.32 million was incurred in the period predominantly on the refurbishment of the Richoux restaurant in Knightsbridge and the fitting-out of the new Zippers and Dean's Diner restaurants.

Outlook
The Group is continuing to gauge the potential for its Zippers and Dean's Diner concepts. A further measured expansion of both Zippers and Dean's Diner is envisaged where suitable sites can be found. The Group will also focus on developing and improving both concepts at the existing locations.

Philip Shotter
Chairman

14 April 2011

Board of Directors

Philip Shotter, (40) Chairman, ***Chairman of the audit and remuneration committees***
Philip was previously a solicitor at Coudert Brothers. He joined West End solicitors Glovers in 2000 and was made a partner in 2005. He has substantial experience of advising clients in the leisure sector and in particular restaurant chains.

Salvatore Diliberto, (70) ***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.

The Hon. Robert Rayne, (62) ***Non-executive Director, member of the audit and remuneration committees***
The Hon. Robert Rayne is Chairman of LMS Capital plc an international investment company listed on the Main Market of the London Stock Exchange. LMS Capital plc is a substantial shareholder of the Company. He has expertise in a wide range of sectors, including real estate, media, consumer, technology and energy. He has been on the boards of a number of public companies both in the USA and the UK, including First Leisure Corporation and Crown Sports plc and is currently Non-Executive Chairman of Derwent London plc, a central London specialist property company. He is also a director of Weatherford International Ltd, ChyronCorporation, as well as a number of unlisted companies.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the 52 week period ended 26 December 2010.

Principal activities
The principal activity of Richoux Group plc and its subsidiary undertakings (the Group) throughout the period was operating restaurants.

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

Proposed dividend
The Directors do not recommend the payment of a dividend *(2009: £nil)*.

Post balance sheet events
Details of the Group's post balance sheet events are shown in note 30 to the consolidated financial statements.

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

Philip Shotter
James Rhodes (resigned 4 October 2010)
Salvatore Diliberto
The Hon. Robert Rayne (appointed 4 October 2010)

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

	Interest in 4p ordinary shares at end of the period	*Interest in 4p ordinary shares at beginning of period or later date of appointment*
Philip Shotter	–	–
The Hon. Robert Rayne*	6,878,442	628,442
Salvatore Diliberto	10,762,820	4,512,820

*The Hon. Robert Rayne is Chairman of LMS Capital plc a substantial shareholder of the Company, thus he is also non beneficially interested in a further 10,008,034 (*at date of appointment: 10,008,034*) ordinary shares held by LMS Capital plc and its associates.

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

	At start of period	*Granted*	*Exercised*	*Lapsed*	*At end of period*	*Exercise Price*	*Date from which exercisable*	*Expiry date*
Salvatore Diliberto	750,000	–	–	–	750,000	27.5p	17-09-2010	17-09-2017
Salvatore Diliberto	200,000	–	–	–	200,000	9p	10-12-2012	10-12-2019
Philip Shotter	150,000	–	–	–	150,000	9p	10-12-2012	10-12-2019

No Director exercised any share options during the period (*2009: none*).

Directors' Report

continued

Directors and Directors' interests *(continued)*
The middle market price of the Company's ordinary shares on the London Stock Exchange was 16p on 24 December 2010. During the period ended 26 December 2010, the middle market prices of such shares on the Alternative Investment Market of the London Stock Exchange ranged between a low of 5.33p and a high of 16p.

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

Authority to allot shares and share issues
The Directors are authorised to allot shares up to a maximum aggregate nominal amount of £595,900. This authority has not been used. The authority expires at the conclusion of the Annual General Meeting and the Directors are seeking approval to renew this authority at that meeting.

Political and charitable donations
The Group made charitable contributions of £1,000 during the period *(2009: £nil)*.

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 Group locations.

Financial instruments
The Group's financial risk management objectives and policies, together with detail of the Group's exposure to risk are shown in note 23 to the consolidated financial statements.

Principal risks
The Group has identified the following principal risks:

- the risks inherent with developing new brands; and
- increasingly challenging economic conditions resulting in competitive pressure for reduced consumer spending affecting both sales volume and margin.

Policy on payment to creditors
The number of days' purchases outstanding for payment by the Group at the period end was 108 days (*2009: 57 days*). The number of days' purchases outstanding for payment by the Company at the period end was 30 days *(2009: 33 days)*. The number of days' purchases outstanding for payment for the Group includes outstanding purchases for the new Zippers and Dean's Diner restaurants opened at the end of the period, excluding these purchases the number of days' purchases outstanding for payment by the Group at the end of the period was 56 days.

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.

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.

Provision of information to 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 s418 of the Companies Act 2006.

Auditors
Rees Pollock have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will 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
Company Secretary

5-8 Cochrane Mews
St John's Wood
London
NW8 6NY

14 April 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

International Accounting Standard 1 requires that financial statements present fairly for each period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 differs from legislation in other jurisdictions.

Independent Auditors' Report

To the members of Richoux Group plc

We have audited the financial statements of Richoux Group plc for the period ended 26 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, and the related notes. The financial framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters which 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 this report, or the opinions we have formed.

Respective Responsibilities of Directors and Auditors
As explained more fully in the statement of directors' responsibilities on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on Financial Statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 26 December 2010 and of the group's profit for the period then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report

continued

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Catherine Kimberlin
(Senior statutory auditor)
For and on behalf of Rees Pollock, Statutory Auditor
London

14 April 2011

Consolidated Statement of Comprehensive Income

for the 52 week period ended 26 December 2010

	Note	**52 week period ended 26 December 2010 Total £000**	52 week period ended 27 December 2009 Total £000
Continuing operations:			
Revenue	4	**5,844**	5,024
Cost of sales:			
Excluding pre-opening costs		**(4,986)**	(4,791)
Pre-opening costs		**(250)**	(93)
Total cost of sales		**(5,236)**	(4,884)
Gross profit		**608**	140
Administrative expenses		**(467)**	(439)
Other operating income		**–**	(1)
Operating profit/(loss) before impairment and onerous lease provision		141	(300)
Impairment of property, plant and equipment	16	–	(869)
Impairment of other intangible assets	15	–	(1)
Onerous lease provision	3,22	**333**	(400)
Operating profit/(loss)		**474**	(1,570)
Finance income	10	**32**	53
Finance expense	11	**(1)**	(2)
Profit/(loss) before taxation	6	**505**	(1,519)
Taxation	12	**–**	–
Profit/(loss) for the period from continuing operations		**505**	(1,519)
Profit for the period from discontinued operations		**–**	2
Profit/(loss) and total comprehensive profit/(loss) for the period		**505**	(1,517)
Profit/(loss) and total comprehensive profit/(loss) attributable to equity holders of the parent		**505**	(1,517)
Profit/(loss) and total comprehensive profit/(loss) per share:			
From continuing operations:			
Profit/(loss) per share	14	**1.1p**	(3.6)p
Diluted profit/(loss) per share	14	**1.1p**	(3.6)p
From continuing and discontinued operations:			
Profit/(loss) per share	14	**1.1p**	(3.6)p
Diluted profit/(loss) per share	14	**1.1p**	(3.6)p

Consolidated and Company Statement of Changes in Equity

for the 52 week period ended 26 December 2010

	Share Capital £000	*Share premium account £000*	*Profit and loss account £000*	*Total £000*
Group				
At 28 December 2008	1,681	10,335	(6,047)	5,969
Loss for the period	–	–	(1,517)	(1,517)
Credit to equity for equity settled share based payments	–	–	48	48
At 27 December 2009	1,681	10,335	(7,516)	4,500
Profit for the period			505	505
Credit to equity for equity settled share based payments	–	–	45	45
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**

	Share Capital £000	*Share premium account £000*	*Profit and loss account £000*	*Total £000*
Company				
At 28 December 2008	1,681	10,335	(7,350)	4,666
Loss for the period	–	–	(1,262)	(1,262)
Credit to equity for equity settled share based payments	–	–	48	48
At 27 December 2009	1,681	10,335	(8,564)	3,452
Loss for the period			(551)	(551)
Credit to equity for equity settled share based payments	–	–	45	45
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**	**(9,070)**	**4,906**

Company registered number: 03517191

Consolidated and Company Statement of Financial Position

at 26 December 2010

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Assets					
Non-current assets					
Goodwill	15	**234**	234	**–**	–
Other intangible assets	15	**82**	40	**21**	18
Property, plant and equipment	16	**4,737**	1,696	**15**	13
Investment property	16	**787**	787	**787**	787
Investments in subsidiaries and joint ventures	18	**–**	–	**1,516**	1,516
Trade and other receivables	20	**82**	11	**12**	11
Total non-current assets		**5,922**	2,768	**2,351**	2,345
Current assets					
Inventories	19	**158**	94	**–**	–
Trade and other receivables	20	**587**	327	**1,710**	394
Assets held for sale	17	**–**	126	**–**	–
Cash and cash equivalents		**3,606**	2,959	**3,503**	2,872
Total current assets		**4,351**	3,506	**5,213**	3,266
Total assets		**10,273**	6,274	**7,564**	5,611
Liabilities					
Current liabilities					
Trade and other payables	21	**(3,127)**	(1,293)	**(2,658)**	(2,159)
Liabilities associated with assets held for sale	17	**–**	(34)	**–**	–
Provisions	22	**–**	(400)	**–**	–
Total current liabilities		**(3,127)**	(1,727)	**(2,658)**	(2,159)
Non-current liabilities					
Trade and other payables	21	**(136)**	(47)	**–**	–
Total liabilities		**(3,263)**	(1,774)	**(2,658)**	(2,159)
Net assets		**7,010**	4,500	**4,906**	3,452
Capital and reserves					
Share capital	25	**2,681**	1,681	2,681	1,681
Share premium account		**11,295**	10,335	11,295	10,335
Retained earnings		**(6,966)**	(7,516)	(9,070)	(8,564)
Total equity		**7,010**	4,500	**4,906**	3,452

These financial statements were approved by the board of Directors and authorised for issue on 14 April 2011 and were signed on its behalf by:

Salvatore Diliberto

Director

Consolidated and Company Statement of Cash Flows

for the 52 week period ended 26 December 2010

	Note	Group 52 week period ended 26 December 2010 £000	Group 52 week period ended 27 December 2009 £000	Company 52 week period ended 26 December 2010 £000	Company 52 week period ended 27 December 2009 £000
Operating activities					
Cash generated from/(used in) operations	28	**486**	(152)	**(1,341)**	(1,485)
Interest paid		**(1)**	(2)	**(1)**	(1)
Net cash from/(used in) operating activities		**485**	(154)	**(1,342)**	(1,486)
Investing activities					
Purchase of property, plant and equipment		**(1,874)**	(1,395)	**(7)**	2
Purchase of intangible fixed assets		**(58)**	(9)	**(12)**	–
Net proceeds from sale of property, plant and equipment		**–**	89	**–**	(5)
Net proceeds from sale of assets held for sale		**102**	–	**–**	–
Interest received		**32**	53	**32**	53
Net cash (used in)/from investing activities		**(1,798)**	(1,262)	**13**	50
Financing activities					
Proceeds from issue of ordinary shares		**2,000**	–	**2,000**	–
Share issue costs		**(40)**	–	**(40)**	–
Net cash from financing activities		**1,960**	–	**1,960**	–
Net increase/(decrease) in cash and cash equivalents		**647**	(1,416)	**631**	(1,436)
Cash and cash equivalents at beginning of the period		**2,959**	4,375	**2,872**	4,308
Cash and cash equivalents at the end of the period		**3,606**	2,959	**3,503**	2,872

Notes

(forming part of the financial statements)

1 General information

Richoux Group plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 4.

These financial statements are prepared and presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2 Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

During the period IFRS 8 has been adopted which has resulted in the identification of three reportable business segments as outlined in note 5.

The following Standards and Interpretations were adopted in the period:

		Effective date
Revised IFRS 1	First-time adoption of International Financial Reporting Standards	Accounting periods beginning on or after 1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	Accounting periods beginning on or after 1 July 2009
Amendment to IAS 39	Financial instruments: recognition and measurement – eligible hedged items	Accounting periods beginning on or after 1 July 2009
Amendment to IAS 27	Consolidated and separate financial statements	Accounting periods beginning on or after 1 July 2009
Revised IFRS 3	Business combinations	Accounting periods beginning on or after 1 July 2009
IFRIC 15	Agreements for the construction of real estate	Accounting periods beginning on or after 1 January 2009
Amendment to IAS 32	Financial instruments: presentation	Accounting periods beginning on or after 1 January 2009
Amendment to IAS 1	Presentation of financial statements – puttable financial instruments and obligations arising on liquidation	Accounting periods beginning on or after 1 January 2009
Amendment to IFRS 1	"First time adoption of IFRS" and IAS 27 – cost of an investment in a subsidiary, jointly controlled entity or associate	Accounting periods beginning on or after 1 January 2009
Amendment to IFRS 2	Share based payments – vesting conditions and cancellations	Accounting periods beginning on or after 1 January 2009
IFRS 8	Operating segments	Accounting periods beginning on or after 1 January 2009
Amendment to IAS 23	Borrowing costs	Accounting periods beginning on or after 1 January 2009
Amendment to IFRS 7	Improving disclosures about financial instruments	Accounting periods beginning on or after 1 January 2009

Notes

continued

2 Accounting policies *(continued)*

Basis of preparation *(continued)*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective date
IFRS 9*	Financial instruments	Accounting periods beginning on or after 1 January 2013
Amendment to IAS 12*	Deferred tax: recovery of underlying assets	Accounting periods beginning on or after 1 January 2012
Amendment to IFRS 1*	Severe hyperinflation and removal of fixed dates for first time adopters	Accounting periods beginning on or after 1 July 2011
Amendment to IFRS 7*	Transfer of financial assets	Accounting periods beginning on or after 1 July 2011
Revised IAS 24	Related party transactions	Accounting periods beginning on or after 1 January 2011
Amendment to IFRIC 14	Prepayment of minimum funding requirements	Accounting periods beginning on or after 1 January 2011
IFRIC 19	Extinguishing financial instruments with equity instruments	Accounting periods beginning on or after 1 July 2010
Amendment to IFRS 2	Group settled share-based payment transactions	Accounting periods beginning on or after 1 January 2010
Amendment to IFRS 1	Additional exemptions for first time adopters	Accounting periods beginning on or after 1 January 2010
Amendment to IAS 32	Classification of rights issues	Accounting periods beginning on or after 1 February 2010

* Yet to be endorsed by the European Union.

The Directors do not believe that the adoption of the other Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 26 December 2010. Unless otherwise stated, the purchase 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 up to the date of disposal. The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. Intra-group sales are eliminated fully on consolidation.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, acquisition related costs are expensed as incurred. The aquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised.

2 Accounting policies *(continued)*

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or business the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Intangible assets and amortisation

Intangible assets are initially recognised at cost. The cost of intangibles recognised separately from a business combination is the purchase price including directly attributable costs. The cost of intangibles recognised in a business combination is the fair value on the date of acquisition. Intangible assets in business combinations are recognised separately from goodwill when the asset is either separable or arises from other contractual or legal rights and its fair value can be measured reliably. Intangible assets are subsequently measured at cost less accumulated amortisation and impairment. Intangible assets with a finite life are amortised over their expected useful lives, as follows:

Trademarks	–	10 per cent straight line;
Software	–	20 per cent straight line.

Investments

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

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives, as follows:

Short leasehold land and buildings	–	over the unexpired term of lease;
Leasehold improvements	–	20 per cent straight line;
Motor vehicles	–	25 per cent straight line;
Fixtures, fittings and equipment	–	between 10 and 20 per cent straight line.

The Directors are of the opinion that there is no material difference between the fair value and the carrying amount of the short leasehold land and buildings.

Notes

continued

2 Accounting policies *(continued)*

Investment property

Investment property, currently comprising freehold land and buildings, is held for long term rental yields and is not occupied by the Group. Investment property is initially measured at cost, comprising the purchase price and directly attributable costs. Transfers to or from investment property are made only where there is a clearly evidenced change in use. The carrying amount of the investment property is not altered by such transfers. Investment property is subsequently measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on the same rates stated above for property plant and equipment and, as investment property currently comprises only freehold land and buildings, no depreciation is currently charged against investment property.

The Directors are of the opinion that there is no material difference between the fair value and the carrying amount of the investment property.

Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in comprehensive income immediately.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Leasing and hire purchase commitments

Leases in which a significant portion of risks and rewards are retained by the lessor are classified 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 rental income is received for sublet properties, this rental income is netted off against the total rentals payable for that property. Where sites under operating leases are closed, provision is made in full for the expected liabilities to exit the operating lease agreement and is discounted where material. The benefit of lease incentives is spread over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2 Accounting policies *(continued)*

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is unable to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 27 June 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Provisions

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Notes

continued

2 Accounting policies *(continued)*

Provisions *(continued)*

Provisions for onerous operating leases are recognised when: the Group has a present legal obligation as a result of signing a lease; it is probable that an outflow of resources will be required to settle the obligation as the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received under it; and the amount has been reliably measured.

Revenue recognition

Revenue represents the amounts net of discounts, value added tax and other sales-related taxes derived from the provision of goods and services to third party customers.

Sales of goods are recognised when the goods have passed to the buyer.

Interest income is recognised as the interest accrues, applying the effective interest method.

Initial franchise license fees are recognised at the time the license is granted. Ongoing franchise income is recognised in line with performance. Franchise income, net of all associated costs and charges, is included as other operating income, and does not constitute a reportable business segment. Franchise income is derived from the Middle East.

Rental income receivable under the operating sublease/lease is recognised on a straight-line basis over the term of the relevant leases. This income is offset against the total lease payments for the properties, and does not constitute a reportable business segment.

Pre-opening costs

Property rentals and related costs together with other operating 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.

Operating profit

Operating profit is stated after charging impairment and reorganisation costs but before investment income and finance costs.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors.

Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period.

Pensions

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

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- The estimated impairment of goodwill – determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGUs) to which the goodwill has been allocated. Goodwill is allocated on the initial purchase of the business to the individual CGUs that comprise that business based on the individual CGU's cash generation as a percentage of the total cash generated by the business as a whole. The estimation of value-in-use is based on the budgets and forecasts prepared by management and the actual future results may differ from these. The critical assumptions in the forecasting process are estimating turnover and gross margin levels. Management base these estimates on a combination of historical experience, expectations for new restaurants, and expectations of increased trade from refurbishment and operational improvements. Such expectations are generated by similar improvements at other Group restaurants but, by their very nature, each restaurant is unique to a degree and so increased trade elsewhere may not be duplicated at other sites. The allocation of goodwill to the individual CGUs is based on a short period of historic data. Variances from this data could have resulted in a differing allocation. Management are of the opinion that the initial allocation has, however, been shown to be reasonable based on subsequent results. Details of the impairment calculations are outlined in note 15.

- The estimated impairment of other intangible and tangible fixed assets – determining whether intangible and tangible fixed assets are impaired requires an estimation of the value in use of the CGUs to which the assets have been allocated. In assessing whether an asset has been impaired, the carrying value of the CGU is compared to its recoverable amount based on its value in use. As noted above, this requires the use of budgets and forecasts against which actual results may vary. Details of the impairment calculations are outlined in notes 15 and 16.

- Share based payments – the Company operates share option schemes that entitle employees to purchase shares in the Company. A share based payments expense is recognised in each period as it is incurred, based on the Black Scholes option valuation model. The key assumptions of this model are outlined in note 26.

- Economic useful life of assets – assets are amortised/depreciated over their expected useful lives, if the estimation of their expected useful lives is incorrect; then this may result in the amortisation/depreciation in the period being too high or too low.

- Onerous lease provision – the Group had made estimates of the costs of surrender of its leasehold interest in the Richoux restaurant in High Wycombe, based on the estimated time to surrender and estimated surrender premium payable, following the decision not to continue with this site. The decision was subsequently taken to rebrand the site as a Dean's Diner and thus the unutilised provision has been reversed in the period.

Notes

continued

4 Revenue

An analysis of the Group's revenue is as follows:

	2010	*2009*
	£000	*£000*
Continuing operations:		
Sale of goods	**5,844**	5,024
Revenue in the income statement	**5,844**	5,024
Sublease/lease rental income	**190**	180
Investment income	**32**	53
	6,066	5,257

5 Segment reporting

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 three restaurant brands, Richoux, Zippers and Dean's Diner. All brands are engaged in the restaurant trade so derive their revenues and results from similar products and services. There are no geographical segments and there are no major customers.

Occasionally the Group also receives franchise income, however this is not considered to be a significant business segment and the Group has no control over the timing of this income. Franchise income is reported under other operating income.

The Group sublets part of one of its leased properties and its freehold property and receives sublease/lease payments from third parties. In addition the Group sublet one of its properties and received sublease payments from its joint venture, this property has now been assigned by the Group to a third party.

In addition in the previous period the Group also received income from wholesale sales of cakes to third party customers, however this is not considered to be a significant business segment as the sales were ancillary to the core business segment. This has now ceased.

Business segments for the 52 week period ended 26 December 2010:

	Richoux	*Zippers*	*Dean's Diner*	*Closed*	*Un-allocated*	***Total***
	£000	*£000*	*£000*	*£000*	*£000*	***£000***
Revenue	4,522	951	361	10	–	**5,844**
Segment profit/(loss)	826	(16)	(143)	(11)	(48)	**608**
Administrative expenses	–	–	–	–	(467)	**(467)**
Onerous lease provision	–	–	–	333	–	**333**
Finance income	–	–	–	–	32	**32**
Finance expenses	–	–	–	–	(1)	**(1)**
Profit before taxation	826	(16)	(143)	322	(484)	**505**
Non-current assets as at 27 December 2009	1,389	468	–	–	911	**2,768**
Additions	175	1,250	1,992	–	34	**3,451**
Depreciation and amortisation	(200)	(55)	(17)	–	(21)	**(293)**
Disposals	–	–	–	–	(4)	**(4)**
Non-current assets as at 26 December 2010	1,364	1,663	1,975	–	920	**5,922**

The unallocated segment loss includes the costs of the restaurant area management, unallocated administrative expenses include the costs of the Group's head office and the onerous lease provision represents the release of the provision less the costs incurred up to the time the decision was taken to rebrand the High Wycombe site as a Dean's Diner.

5 Segment reporting *(continued)*

Business segments for the 52 week period ended 27 December 2009:

	Richoux £000	*Zippers £000*	*Dean's Diner £000*	*Closed £000*	*Un-allocated £000*	***Total £000***
Revenue	4,505	53	–	466	–	**5,024**
Segment profit/(loss)	814	(70)	–	(544)	(60)	**140**
Administrative expenses	–	–	–	–	(439)	**(439)**
Other operating income	–	–	–	–	(1)	**(1)**
Impairment of property, plant and equipment	–	–	–	(869)	–	**(869)**
Impairment of other intangible assets	–	–	–	(1)	–	**(1)**
Onerous lease provision	–	–	–	(400)	–	**(400)**
Finance income	–	–	–	–	53	**53**
Finance expenses	–	–	–	–	(2)	**(2)**
Profit before taxation	814	(70)	–	(1,814)	(449)	**(1,519)**
Non-current assets as a 28 December 2008	1,571	–	–	123	909	**2,603**
Additions	12	471	–	909	23	**1,415**
Depreciation and amortisation	(194)	(3)	–	(52)	(21)	**(270)**
Impairment of property, plant and equipment	–	–	–	(869)	–	**(869)**
Impairment of other intangible assets	–	–	–	(1)	–	**(1)**
Transfer to assets held for sale	–	–	–	(94)	–	**(94)**
Disposals	–	–	–	(16)	–	**(16)**
Non-current assets as at 27 December 2009	1,389	468	–	–	911	**2,768**

The unallocated segment loss includes the costs of the restaurant area management, unallocated administrative expenses include the costs of the Group's head office and the onerous lease provision represents the Director's best estimates of the costs of surrender of its leasehold interest in the Richoux restaurant in High Wycombe.

Notes

continued

6 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2010	*2009*
	£000	*£000*
Auditors' fees (note 7)	**41**	37
Staff costs (note 9)	**2,078**	1,960
Cost of inventories recognised as an expense	**1,218**	1,080
Exchange gains	**(2)**	(16)
Amortisation of intangible assets	**12**	9
Depreciation of property, plant and equipment	**281**	261
Impairment of property, plant and equipment	**–**	869
Impairment of other intangible assets	**–**	1
Onerous lease provision	**(333)**	400
Net profit on disposal of property, plant and equipment	**–**	(76)
Net profit on disposal of assets held for sale	**(8)**	–
Net loss on disposal of intangible fixed assets	**4**	–
Hire of plant and machinery – rentals payable under operating leases	**24**	28
Hire of other assets – rentals payable under operating leases	**962**	941

Total administrative expenses are £134,000 *(2009: £1,709,000)*.

7 Auditors' fees

The analysis of the auditors' remuneration is as follows:

	2010	*2009*
	£000	*£000*
Audit services		
Fees payable to the Parent Company Auditor for the audit of the Company and consolidated financial statements	**14**	10
Fees payable to the Company Auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**14**	15
Total audit fees	**28**	25
Non-audit services		
Tax services	**12**	10
Other services	**1**	2
Total non-audit fees	**13**	12
	41	37

Fees payable to Rees Pollock for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

8 Key management compensation and remuneration of Directors
The Directors who held office during the period were as follows:

Philip Shotter
James Rhodes (resigned 4 October 2010)
Salvatore Diliberto
The Hon. Robert Rayne (appointed 4 October 2010)

The Directors are of the opinion that, in accordance with IAS 24, there are no other key management personnel other than the board. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group. Throughout the period from 28 December 2009 to 26 December 2010, key management personnel comprised an average of three people.

	2010	*2009*
	£000	*£000*
Salaries – executive Directors	**105**	105
Fees – non-executive Directors	**40**	40
	145	145

Details of Directors' interests over shares in Richoux Group plc, including share options that they hold, are contained in the Directors' Report. No Director exercised any share options during the period *(2009: none)*.

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

	2010	*2009*
	£000	*£000*
Emoluments	**105**	105

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

	2010	*2009*
Continuing operations:		
Head office	**8**	8
Operations	**112**	109
	120	117

The aggregate payroll costs of these persons were as follows:

	2010	*2009*
	£000	*£000*
Continuing operations:		
Wages and salaries	**1,898**	1,794
Social security costs	**176**	162
Contributions to personal defined contribution pension schemes	**4**	4
	2,078	1,960

Pension contributions were made to private individual schemes.

Notes

continued

10 Finance income

	2010 £000	2009 £000
Bank interest	**31**	53
Other interest	**1**	–
	32	53

11 Finance expense

	2010 £000	2009 £000
Other interest	**1**	2

12 Taxation on profit/(loss) on ordinary activities

(a) Reconciliation of charge in the period

The charge for the period can be reconciled to the profit/(loss) per the income statement as follows:

	2010 £000	2009 £000
Profit/(loss) before tax:		
Continuing operations	**505**	(1,519)
Discontinued operations	**–**	2
	505	(1,517)
UK corporation tax at 28% *(2009: 28%)* on Group profit/(loss) before tax	**141**	(425)
Timing differences relating to tangible fixed assets	**(81)**	(27)
Expenses not deductible for tax purposes	**14**	117
Depreciation on assets on which no capital allowances claimed	**38**	123
Tax losses carried forward	**1**	212
Other timing differences	**(113)**	–
Total current tax charge	**–**	–

(b) Factors that may affect future tax charges

The Group has unprovided deferred tax assets as are more fully disclosed in note 24.

13 Richoux Group plc - profit and loss account

The Company has taken advantage of the exemption allowed by section 408 of the Companies Act 2006 from presenting its own profit and loss account. The Company made a loss of £551,000 for the period *(2009: £1,262,000)*.

14 Profit/(loss) per share

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

	2010	*2009*
	£000	*£000*
Profit/(loss)		
Profit/(loss) from continuing operations for the purpose of basic profit/(loss) per share excluding discontinued operations	**505**	(1,519)
Profit from discontinued operations	–	2
Profit/(loss) for the purposes of basic profit/(loss) per share being the net profit/(loss) attributable to equity holders of the parent	**505**	(1,517)
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic profit/(loss) per share	**46,552,579**	42,019,612
Effect of dilutive potential ordinary shares:		
Share options and warrants	–	4,183
Weighted average number of ordinary shares for the purposes of diluted profit/(loss) per share	**46,552,579**	42,023,795
Share options and warrants not included in the diluted calculations as per the requirements of IAS 33 (as they are anti-dilutive)	**2,540,715**	2,668,657
Basic profit/(loss) per share:		
From total operations	**1.1p**	(3.6)p
From continuing operations	**1.1p**	(3.6)p
From discontinued operations	–	0.0p
Diluted profit/(loss) per share:		
From total operations	**1.1p**	(3.6)p
From continuing operations	**1.1p**	(3.6)p
From discontinued operations	–	0.0p

Notes

continued

15 Intangible fixed assets

Group	Goodwill	Trademarks	Software	Total
	£000	£000	£000	£000
Cost				
At 28 December 2008	325	3	123	451
Additions	–	–	9	9
Disposals	–	(2)	(81)	(83)
Transfer current assets held for sale (note 17)	(56)	–	–	(56)
At 27 December 2009	269	1	51	321
Additions	–	8	50	58
Disposals	–	(4)	–	(4)
At 26 December 2010	269	5	101	375
Accumulated amortisation and impairment				
At 28 December 2008	91	–	82	173
Charge for the period	–	–	9	9
Impairment	–	–	1	1
Disposal	–	–	(80)	(80)
Transfer current assets held for sale (note 17)	(56)	–	–	(56)
At 27 December 2009	35	–	12	47
Charge for the period	–	–	12	12
At 26 December 2010	35	–	24	59
Carrying amount				
At 26 December 2010	234	5	77	316
At 27 December 2009	234	1	39	274

Impairment testing of goodwill and intangible fixed assets

Goodwill of £269,000 *(2009: £269,000)* relates to the acquisition of Richoux Limited in August 2000 and is allocated to the group of cash generating units (CGUs) that comprise the business acquired (as described in note 3) with each restaurant site being treated as a single CGU.

The Group tests annually for impairment or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the restaurants are calculated from value in use calculations based on cash flow projections from formally approved budgets to December 2011, and forecasts to December 2015 based on an EBITDA growth rate of 2 per cent for established sites, and steeper sales growth curves for the new sites to reach full capacity. The discount rate applied to cash flow projections is 12 per cent.

There is no impairment provision required *(2009: an impairment charge of £1,000 was recognised in relation to the software of one of the CGUs that comprise the Richoux business following the decision to close this unit).*

15 Intangible fixed assets *(continued)*

Company	***Trademarks***	***Software***	***Total***
	£000	*£000*	*£000*
Cost			
At 28 December 2008 and 27 December 2009	–	23	23
Additions	8	4	12
Disposals	(4)	–	(4)
At 26 December 2010	4	27	31
Accumulated amortisation			
At 28 December 2008	–	1	1
Charge for the period	–	4	4
At 27 December 2009	–	5	5
Charge for the period	–	5	5
At 26 December 2010	–	10	10
Carrying amount			
At 26 December 2010	**4**	**17**	**21**
At 28 December 2009	–	18	18

There is no impairment provision required for the Company *(2009: £nil)*.

Notes

continued

16 Property, plant and equipment

Group

	Investment property £000	Short leasehold land and buildings £000	Leasehold improvements £000	Fixtures fittings, and equipment £000	Motor Vehicles £000	Total £000
Cost						
At 28 December 2008	1,156	3,316	17	1,508	4	6,001
Additions	(3)	885	–	513	–	1,395
Disposals	–	(238)	–	(371)	(4)	(613)
Transfer to assets held for sale (note 17)	–	(519)	–	(424)	–	(943)
At 27 December 2009	1,153	3,444	17	1,226	–	5,840
Additions	–	2,239	–	1,083	–	3,322
At 26 December 2010	1,153	5,683	17	2,309	–	9,162
Accumulated depreciation and impairment						
At 28 December 2008	369	2,128	17	1,158	4	3,676
Charge for period	–	122	–	139	–	261
Impairment	(3)	480	–	392	–	869
Disposals	–	(231)	–	(365)	(4)	(600)
Transfer to assets held for sale (note 17)	–	(446)	–	(403)	–	(849)
At 27 December 2009	366	2,053	17	921	–	3,357
Charge for period	–	147	–	134	–	281
At 26 December 2010	366	2,200	17	1,055	–	3,638
Carrying amount						
At 26 December 2010	**787**	**3,483**	**–**	**1,254**	**–**	**5,524**
At 27 December 2009	787	1,391	–	305	–	2,483

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 formally approved budgets to December 2011, and forecasts to December 2015 based on an EBITDA growth rate of 2 per cent for established sites, and steeper sales growth curves for the new sites to reach full capacity. The discount rate applied to cash flow projections is 12 per cent.

There is no impairment provision required *(2009: an impairment charge of £869,000 was been recognised relating to the unrecoverable elements of assets relating to the Richoux restaurants in High Wycombe and Old Compton Street following the decision to close these restaurants).*

16 Property, plant and equipment *(continued)*

Company

	Investment property £000	*Fixtures, fittings and equipment* £000	*Total* £000
Cost			
At 28 December 2008	1,156	33	1,189
Additions	(3)	1	(2)
At 27 December 2009	1,153	34	1,187
Additions	–	7	7
At 26 December 2010	1,153	41	1,194
Accumulated depreciation and impairment			
At 28 December 2008	369	15	384
Charge for period	–	6	6
Impairment	(3)	–	(3)
At 27 December 2009	366	21	387
Charge for period	–	5	5
At 26 December 2010	366	26	392
Carrying value			
At 26 December 2010	**787**	**15**	**802**
At 27 December 2009	787	13	800

There is no impairment provision required in the Company *(2009: £nil)*.

17 Assets held for sale

During the previous period the Group closed its restaurant in Old Compton Street and the assets and liabilities of this restaurant have been classified as held for sale. The Group sold this restaurant in January 2010. The major classes of assets and liabilities classified as assets and liabilities held for sale are as follows:

	£000
Group	
Goodwill – cost	56
Goodwill – impairment	(56)
Short leasehold land and buildings – cost	519
Short leasehold land and buildings – accumulated depreciation and impairment	(446)
Fixtures, fittings and equipment – cost	424
Fixtures, fittings and equipment – accumulated depreciation and impairment	(403)
Trade and other receivables	32
Total assets classified as held for sale	126
Trade and other payables	(34)
Total liabilities associated with assets classified as held for sale	(34)

Goodwill of £56,000 related to the acquisition of the Amato business in October 2007 and was allocated to the single restaurant acquired at that time operating under the Amato brand.

Notes

continued

18 Investments in subsidiaries and joint ventures

Company	*£000*
Cost	
At 28 December 2008	2,737
Disposal of joint venture	(30)
At 27 December 2009 and 26 December 2010	2,707
Accumulated impairment	
At 28 December 2008, 27 December 2009 and 26 December 2010	1,191
Carrying value	
At 26 December 2010	**1,516**
At 27 December 2009	1,516

Subsidiary undertakings

The Company wholly owns the subsidiary undertakings below, all of which have been included in the consolidated financial statements. All shareholdings represent the entire issued ordinary share capital of each subsidiary undertaking (and the entire issued preference share capital for Newultra Limited).

	Country of Incorporation	*Principal 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
Richoux (UK) 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.

18 Investments in subsidiaries and joint ventures *(continued)*

Joint Ventures

On 5 December 2008 the Company acquired a 50 per cent interest in a joint venture, Suzu Limited, a Japanese restaurant concept. The Company subsequently disposed of its interest in the joint venture on 22 May 2009 and the fair value of the share capital of the company was:

	Book value at date of disposal *£000*
Group	
Non-current assets	14
Current assets	9
Current liabilities	(14)
Net Assets	9
Loan written off on disposal	5
Loss on disposal	14

	Book value at date of disposal *£000*
Company	
Value of investment in Suzu Limited	30
Loan written off on disposal	5
Loss on disposal	35

The following amounts represent the Group's 50 per cent share of the sales and results of the joint venture up to the date of disposal. They are included in the income statement.

	2009 *£000*
Revenue	27
Expenses	(41)
Loss after taxation	(14)

19 Inventories

	Group	
	2010 ***£000***	*2009* *£000*
Finished goods and goods for resale	**73**	41
Raw material and consumables	**85**	53
	158	94

The Company statement of financial position contains no inventories *(2009: £nil)*.

Notes

continued

20 Trade and other receivables

	Group		Company	
	2010	*2009*	***2010***	*2009*
	£000	*£000*	***£000***	*£000*
Non-current assets				
Other debtors	**70**	–	**–**	–
Prepayments and accrued income	**12**	11	**12**	11
	82	11	**12**	11
Current assets				
Trade debtors	**30**	17	**–**	14
Amounts owed by Group undertakings	**–**	–	**1,693**	364
Other debtors	**16**	16	**–**	2
Prepayments and accrued income	**404**	294	**11**	12
Taxation and social security	**137**	–	**6**	2
	587	327	**1,710**	394

21 Trade and other payables

	Group		Company	
	2010	*2009*	***2010***	*2009*
	£000	*£000*	***£000***	*£000*
Current liabilities				
Trade payables	2,165	681	19	14
Taxation and social security	55	104	13	9
Other creditors	669	353	95	86
Accruals and deferred income	238	155	33	26
Amounts owed to Group undertakings	–	–	2,498	2,024
	3,127	1,293	2,658	2,159
Non-current liabilities				
Accruals and deferred income	136	47	–	–

22 Provisions

	Onerous lease provision *£000*
At 28 December 2008	–
Provision in the period	(400)
At 27 December 2009	(400)
Provision utilised in the period	67
Provision released in the period	333
At 26 December 2010	–

The onerous lease provision represented the Director's best estimate of the costs of surrender of its leasehold interest in the Richoux restaurant in High Wycombe, based on the estimated time to surrender and estimated surrender premium payable. The decision was subsequently taken to rebrand the site as a Dean's Diner and thus the unutilised provision has been reversed in the period. The Company statement of financial position contains no provisions *(2009: £nil)*.

23 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, and various items such as trade debtors and creditors, which arise directly from operations. In accordance with its policy, the Group did not trade in financial instruments throughout the period.

Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand, deposits repayable on demand and amounts receivable on credit card transactions.

Trade receivables

Trade receivables are recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are recognised at the fair value and are subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values

The carrying values of trade receivables and trade payables arising from operations are not considered to differ from their fair values due to the short term nature of the assets and liabilities. The fair value of cash is not considered to differ from its carrying value, as although some of the cash is held at fixed interest rates the maturity profile is short.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and these policies are summarised below.

Credit risk

The nature of the Group's operations do not expose it to significant credit risk as most transactions are cash or cash-based and backed by bank guarantee.

Bank balances and cash are held by banks with high credit ratings assigned by independent credit ratings agencies. Despite the recent financial turmoil, the Directors are of the opinion that the cash balances do not represent a significant credit risk, although the Directors recognise some risk does arise in the current economic climate.

Notes
continued

23 Financial instruments *(continued)*
Credit risk *(continued)*
No collateral is held against credit risk. As at the statement of financial position date there were no overdue trade receivables *(2009: £nil)*, and the value of the Groups credit risk exposure at the statement of financial position date was as follows:

	Group		Company	
	2010	*2009*	***2010***	*2009*
	£000	*£000*	***£000***	*£000*
Trade debtors	**30**	17	**–**	14
Credit card transactions – included in cash and cash equivalents	**58**	48	**–**	–
Other debtors	**86**	16	**–**	–
	174	81	**–**	14

Interest rate risk
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.

The Group and Company has £2,300,000 at an interest rate of 0.90 per cent held on a 60 day notice account with its bankers *(2009: £1,000,000 at an interest rate of 1.5 per cent maturing within six months and £500,000 at an interest rate of 0.90 per cent held on a 60 day notice account with its bankers)*.

Liquidity risk
In respect of liquidity risk, the Group finances its operations from current cash reserves. The Group does not currently have any unused bank facilities.

Foreign exchange risk
The Group's operations lead it to make certain purchases, which are denominated in Euros. The Group's exposure to foreign exchange risk arising from these transactions is currently minimal and accordingly, no hedging of the Group's foreign currency exposure is undertaken. The Board will keep this under review should the exposure increase.

At the statement of financial position date the assets and liabilities of the Group denominated in Euros were £nil *(2009: £nil)*.

Capital structure
The Group only has ordinary share capital and currently has no gearing. Currently the Group holds cash reserves. These have arisen following the share issue during the period and the Group plans to utilise the cash for the expansion of the Richoux, Zippers and Dean's Diner brands. The level of gearing will be reviewed as appropriate during this expansion.

24 Deferred taxation

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

	Unprovided	
	2010	2009
	£000	£000
Timing differences relating to fixed assets	**(596)**	(424)
Other timing difference	**(920)**	(806)
	(1,516)	(1,230)

Other timing differences relate to tax losses of £3,287,000 *(2009: £2,879,000)* carried forward as at 26 December 2010. These losses arise 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 IAS 12.

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.

The Company has non-trading losses of £619,000 *(2009: £617,000)*, which give rise to unprovided deferred tax assets of £173,000 *(2009: £173,000)*.

25 Share capital

The share capital of the Company is shown below:

	Number	***£000***
Shares classed as equity		
Allotted, called up and fully paid		
Ordinary shares of 4 pence as at 28 December 2008 and 27 December 2009	42,019,612	1,681
Issued during the period	25,000,000	1,000
As at 26 December 2010	67,019,612	2,681

On 22 October 2010 the Company issued 25,000,000 ordinary shares of 4 pence each by a placing on the Alternative Investment Market for a consideration of 8 pence each.

Notes

continued

25 Share capital *(continued)*

At 26 December 2010, options in respect of 2,540,715 *(2009: 2,672,840)* ordinary shares were outstanding (including 1,100,000 *(2009: 1,100,000)* 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			
30 May 2002	22 pence	7,500	3-10
1998 Unapproved share option scheme			
1 October 2004	44 pence	37,500	3-10
1998 Unapproved share option scheme			
17 September 2007	27.5 pence	386,364	3-10
EMI option Scheme			
17 September 2007	27.5 pence	363,636	3-10
Amato option scheme			
22 October 2007	28 pence	535,715	3-6
EMI option Scheme			
15 November 2007	28 pence	200,000	3-10
P Shotter option scheme			
10 December 2009	9 pence	150,000	3-10
EMI option scheme			
10 December 2009	9 pence	860,000	3-10

26 Share based payments

Group	***2010*** ***£000***	*2009* *£000*
Share based payment expense	**45**	48

In 1998 the Company established the Unapproved Share Option Scheme, and in 2007 the Company established the EMI Share Option Scheme, both of which entitled employees to purchase shares in the entity.

Options had been granted prior to 7 November 2002. In accordance with the transition provisions in IFRS 2 the recognition and measurement principles in IFRS 2 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 vesting date (the vesting period) and may be exercised by ex-employees only at the Directors' discretion.

26 Share based payments *(continued)*
Movements in the total number of share options outstanding and their weighted average exercise price are as follows:

Company	**2010** Weighted average exercise price per share Pence	**2010** Options Number	*2009* Weighted average exercise price per share Pence	*2009* Options Number
Outstanding at start of period	**21**	**2,672,840**	29	2,082,840
Granted	**–**	**–**	9	1,090,000
Forfeited	**(25)**	**(132,125)**	(17)	(500,000)
Outstanding at end of period	**20**	**2,540,715**	21	2,672,840
Exercisable at end of the period	**28**	**1,530,715**	54	67,125

The fair value of options granted during the period to 26 December 2010 was £nil *(2009: £45,000)*.

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 27 December 2009 were:

Grant date	December 2009
Share price at grant date (pence)	9p
Exercise price (pence)	9p
Number of employees	14
Shares under option	1,090,000
Vesting period (years)	3 years
Expected volatility (expressed as a standard deviation of expected share price returns)	46.15%
Expected option life (years)	5 years
Expected dividend yield	Nil
Risk free interest rate (based on national Government bonds) (%)	4.01%
Fair value per option (pence)	4.09p

The expected volatility estimate was based on the average of the share price on the first day of each month from December 2004 to December 2009.

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

27 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 *(2009: £nil)*. On 30 September 2010 the Group exchanged on a new twenty-five year lease for a new restaurant in Braintree, Essex at a rent of £57,000 per annum. This is conditional on the landlord completing works by the 30 September 2011.

(b) At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	Land and buildings		Other	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Operating leases due:				
Within one year	**1,163**	795	**10**	21
In the second to fifth years inclusive	**4,761**	3,291	**–**	2
Over five years	**10,092**	5,852	**–**	–
	16,016	9,938	**10**	23

The Group subleases part of one of its leased properties and receives sublease payments from third parties. The Group also leases its freehold property to a third party from which it receives lease payments. The future minimum sublease/lease payments expected to be received under non-cancellable sublease/lease agreements are:

	Land and buildings		Other	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Operating sublease/lease due:				
Within one year	195	185	–	–
In the second to fifth years inclusive	748	713	–	–
Over five years	383	427	–	–
	1,326	1,325	–	–

Company	Other	
	2010	2009
	£000	£000
Operating leases due:		
Within one year	–	1
In the second to fifth years inclusive	–	–
	–	1

28 Reconciliation of operating profit/(loss) to operating cash flows

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Operating profit/(loss)	**474**	(1,570)	**(582)**	(1,314)
(Profit)/loss on disposal of property, plant and equipment	**–**	(76)	**–**	35
Profit on disposal of assets held for sale	**(8)**	–	**–**	–
Loss on disposal of intangible assets	**4**	–	**4**	–
Depreciation charge	**281**	261	**5**	6
Amortisation charge	**12**	9	**5**	4
Impairment of intangible fixed assets	**–**	1	**–**	–
Impairment of tangible fixed assets	**–**	869	**–**	(3)
Increase in stocks	**(64)**	(14)	**–**	–
(Increase)/decrease in debtors	**(299)**	84	**(1,317)**	(364)
Increase/(decrease) in creditors	**441**	(164)	**499**	103
(Decrease)/increase in provisions	**(400)**	400	**–**	–
Equity settled share based payments	**45**	48	**45**	48
Net cash inflow/(outflow) from operating activities	**486**	(152)	**(1,341)**	(1,485)

29 Related party transactions

Consolidated

During the previous period the Group companies entered into transactions in the ordinary course of business. These transactions have been eliminated on consolidation.

During the prior period the Company lent some of its assets free of charge to its joint venture, Suzu Limited, until the date of the disposal of the joint venture. At the date of disposal Suzu Limited surrendered its sublease in one of the Group' properties and the Group disposed of its interest in the share capital of Suzu Limited.

During the period the Group paid fees of £85,000 *(2009: £34,000)* to Glovers Solicitors LLP of which Philip Shotter is a member. As at the end of the period £29,000 was outstanding *(2009: £8,000)*. This is in addition to fees included as Director's emoluments.

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

Notes

continued

29 Related party transactions *(continued)*

Company

Balances due to and from the Company's subsidiaries represent cash transferred in line with the funding requirements of each Company and the Group's policy to place any excess funds on treasury deposit with its bankers. These balances are separately disclosed within trade and other receivables and trade and other payables. As at the statement of financial position date the value of these transactions was as follows:

	2010	*2009*
	£000	*£000*
Gross amounts owed by Group undertakings – Newultra Limited	7,268	5,856
Gross amounts owed by Group undertakings – Bridgedon Limited	207	207
Provision – Newultra Limited	(5,575)	(5,492)
Provision – Bridgedon Limited	(207)	(207)
Net amounts owed by Group undertakings – Newultra Limited (note 20)	1,693	364
Net amounts owed by Group undertakings – Bridgedon Limited (note 20)	–	–
Amounts owed to Group undertakings – Richoux Limited (note 21)	(2,485)	(2,011)
Amounts owed to Group undertakings – NGS Finance Limited (note 21)	(13)	(13)

During the period a provision of £83,000 *(2009: £726,000)* was made against amounts due from Group undertakings.

Transactions with Directors

Transactions with Directors are as follows:

Group and Company	***2010***	*2009*
	£000	*£000*
Short term employee benefits	**145**	145
Share based payments	**28**	37
	173	182

During the period Salvatore Diliberto subscribed for 6,250,000 ordinary shares and The Hon. Robert Rayne subscribed for 6,250,000 ordinary shares as part of the share placing that occurred during the period (see note 25). The price paid per share was 8p.

Transactions with substantial shareholders

During the period Phillip Kaye subscribed for 6,250,000 ordinary shares as part of the share placing that occurred during the period (see note 25). The price paid per share was 8p.

30 Post balance sheet events

On the 1 February 2011 the Group exchanged on a new twenty-five year lease for a new restaurant in Port Solent, Hampshire at a rent of £42,500 per annum.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Richoux Group plc will be held at Richoux, 3 Circus Road, St John's Wood, London, NW8 6NY on Thursday 16 June 2011 at 11.00 a.m. for the purpose of considering, and if thought fit, passing the following resolutions, of which resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. THAT the Directors' Report and Accounts for the period ended 26 December 2010 and the Auditors' Report thereon be received and adopted.

2. THAT The Hon. Robert Rayne be and is hereby re-elected as a Director of the Company.

3. THAT Philip Shotter who retires by rotation in accordance with the Articles of Association of the Company, be and is hereby re-elected as a Director of the Company.

4. THAT Rees Pollock be and are hereby reappointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting to be held in 2012 and the Directors of the Company be and are hereby authorised to fix their remuneration.

SPECIAL BUSINESS

Ordinary Resolution

5. THAT the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

   5.1. up to an aggregate maximum nominal amount of £927,472; and

   5.2. in addition to the authority referred to in paragraph 5.1, up to a further maximum aggregate nominal amount of £927,472 in connection with an offer by way of a rights issue:

      5.2.1. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      5.2.2. to holders of other equity securities as required by the rights of those securities or, as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange,

   and such authorities shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2012 (unless such authority is revoked, varied, renewed or extended at or prior to such time) save that before the expiry of such authority, the Directors of the Company may make an offer or agreement which would or might require the allotment of shares in the Company or the grant of rights to subscribe for or convert any securities into shares of the Company after such expiry and the Directors of the Company may act in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any securities into shares in the Company previously granted to the Directors pursuant to section 551 of the Act.

Notice of Annual General Meeting

continued

Special Resolutions

6. THAT: the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

   6.1. the allotment of equity securities, in conjunction with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders (but in the case of the authority granted under resolution 5.2, by way of rights issue only), in proportion (as nearly as may be) to the respective number of ordinary shares held or deemed to be 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 arising under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange; 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; and

   6.2. the allotment (otherwise than pursuant to resolution 6.1 above) of equity securities up to an aggregate nominal value of £268,079

   and such power shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2012 (unless such authority is revoked varied, renewed or extended at or prior to such time) save that, before the expiry of such authority, the Directors of the Company may make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace all existing authorities to allot equity securities for cash as if section 561(1) of the Act did not apply previously granted to the Directors.

7. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 4 pence each in the capital of the Company provided that:

   7.1. the maximum number of ordinary shares hereby authorised to be purchased is 6,701,961 ordinary shares being 10 per cent of the issued share capital at the date of the passing of the resolution;

   7.2. the minimum price (exclusive of expenses) which may be paid for ordinary shares is 4 pence per ordinary share;

   7.3. the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of:

      7.3.1. 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; and

      7.3.2. the higher of the price of the last independent trade and the highest current independent bid for an ordinary share on the London Stock Exchange Daily Official List at the time the purchase is carried out;

7.4. 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

7.5. the authority hereby conferred shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2012.

By order of the Board

Susan Ludley
Secretary

21 April 2011

Registered Office: 5-8 Cochrane Mews, St John's Wood, London NW8 6NY

Notes

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at 6.00 p.m. on 14 June 2011 (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, speak 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 14 June 2011 shall be disregarded in determining the rights of any person to attend, speak or vote at the Meeting.

2. A member entitled to attend, speak 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 in person. If a member wishes his proxy to speak on his behalf at the 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, speaking 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, PXS, 34 Beckenham Road, Beckenham, 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. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

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.

Notice of Annual General Meeting

continued

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) no later than 48 hours before the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. 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, and 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.

9. 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, PXS, 34 Beckenham Road, Beckenham, 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.

10. Copies of the service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors, will be available for inspection at the Company's registered office during normal business hours on any week day (but not at weekends or on public holidays) up to and including the date of the Annual General Meeting. Copies of all the above mentioned documents will also be available on the date of the Annual General Meeting at the place of the meeting for 15 minutes prior to the meeting until its conclusion.

11. Except as provided above, members who have general queries about the meeting should write to the Company Secretary at the address of our registered office. You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the annual report and accounts and proxy form) to communicate with the Company for any purposes other than those expressly stated.

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