

Richoux Group plc

Interim Report
for the period to
12 July 2009

Chairman's Review

Results

Group turnover from our continuing operations for the 28 week period ended 12 July 2009 decreased to £2.69 million (*July 2008: £2.93 million*) following the closure of the Amato restaurants. Gross profit from continuing operations was £0.07 million (*July 2008: £0.14 million*). Administrative expenses for continuing operations (before impairment and reorganisation costs) of £0.28 million (*July 2008: £0.37 million*) were in line with expectations.

The Directors are not recommending the payment of a dividend.

Operations

Richoux

The Group's established restaurants in Knightsbridge, Mayfair, St John's Wood and Piccadilly continue to trade well with gross profit up on the same period last year. The new Richoux restaurant in High Wycombe and the rebranded Richoux restaurant in Old Compton Street have traded below management's expectations due to a combination of the particularly challenging economic climate and inherent problems with the Richoux concept in non-established sites. As a result an impairment provision of £817,000 has been made following their fitting-out/ refurbishment. Management are currently considering their options regarding these two restaurants.

Amato

The Amato brand has now been discontinued. The Muswell Hill unit has been sold, the Charlotte Street unit has closed and is being disposed of and Old Compton Street has been rebranded. The freehold Central Kitchen premises have been retained but let to a third party for a premium of £100,000 at an initial rent of £42,500.

Zippers

New leasehold premises have been acquired in the Chatham Maritime development. These will trade under the new 'Zippers' concept which is to be a mid-market family orientated concept with a wide food offering.

Capital expenditure and cash flow

The board continued to tightly manage the cash resources of the Group. The Group held cash of £3.00 million (*December 2008: £4.38 million*) at the end of the reporting period.

Capital expenditure of £0.92 million (*December 2008: £2.15 million*) was incurred in the period on the fitting-out/refurbishment of the two new Richoux restaurants.

Outlook

The outlook for the Group remains challenging as it continues to try to build upon the success and profitability of its established core Richoux business. The disappointing performance of the most recent Richoux sites means the Group is not foreseeing further expansion of Richoux at present. A new unit has been acquired in Chatham which will trade under a new mid-market concept "Zippers".

Philip Shotter

Chairman

25 September 2009

Condensed consolidated statement of comprehensive income

for the 28 week period ended 12 July 2009

	<i>28 week period ended 12 July 2009 £'000</i>	<i>28 week period ended 13 July 2008 £'000</i>	<i>52 week period ended 28 December 2008 £'000</i>
<i>Note</i>			
Revenue	2,691	2,928	5,557
Cost of sales:			
Excluding pre-opening costs	(2,564)	(2,747)	(5,132)
Pre-opening costs	(54)	(40)	(42)
Total cost of sales	(2,618)	(2,787)	(5,174)
Gross profit	73	141	383
Administrative expenses	(281)	(369)	(688)
Other operating income	(1)	(1)	(1)
Operating loss before impairment	(209)	(229)	(306)
Impairment of property, plant and equipment	(817)	(200)	(1,672)
Impairment of goodwill	-	-	(91)
Impairment of other intangible assets	-	-	(62)
Operating loss	(1,026)	(429)	(2,131)
Finance income	36	152	255
Finance expense	(2)	(1)	(2)
Loss before taxation	(992)	(278)	(1,878)
Taxation	-	-	-
Loss for the period from continuing operations	(992)	(278)	(1,878)
Profit for the period from discontinued operations	-	-	10
Loss and total comprehensive loss for the period	(992)	(278)	(1,868)
Loss and total comprehensive loss attributable to equity holders of the parent	(992)	(278)	(1,868)
Loss and total comprehensive loss per share:			
From continuing operations:			
Loss per share	3 (2.4)p	(0.7)p	(4.5)p
Diluted loss per share	3 (2.4)p	(0.7)p	(4.5)p
From continuing and discontinued operations:			
Loss per share	3 (2.4)p	(0.7)p	(4.5)p
Diluted loss per share	3 (2.4)p	(0.7)p	(4.5)p

Condensed consolidated statement of changes in equity

for the 28 week period ended 12 July 2009

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Warrants reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 30 December 2007	1,681	10,335	50	(4,350)	7,716
Loss for the period	-	-	-	(278)	(278)
Credit to equity for equity settled share based payments	-	-	-	75	75
Warrants lapsed	-	-	(50)	50	-
At 13 July 2008	1,681	10,335	-	(4,503)	7,513
Loss for the period	-	-	-	(1,590)	(1,590)
Credit to equity for equity settled share based payments	-	-	-	46	46
At 28 December 2008	1,681	10,335	-	(6,047)	5,969
Loss for the period	-	-	-	(992)	(992)
Credit to equity for equity settled share based payments	-	-	-	26	26
At 12 July 2009	1,681	10,335	-	(7,013)	5,003

Condensed consolidated statement of financial position

at 12 July 2009

		12 July 2009 £'000	13 July 2008 £'000	28 December 2008 £'000
	Note			
Assets				
Non-current assets				
Goodwill		234	325	234
Other intangible assets		38	74	44
Property, plant and equipment	5	2,264	3,345	2,325
Lease premiums	5	-	44	-
Total non-current assets		<u>2,536</u>	<u>3,788</u>	<u>2,603</u>
Current assets				
Inventories		75	85	80
Lease premiums	5	-	5	-
Trade and other receivables		486	471	463
Cash and cash equivalents		3,003	4,198	4,375
Total current assets		<u>3,564</u>	<u>4,759</u>	<u>4,918</u>
Total assets		<u>6,100</u>	<u>8,547</u>	<u>7,521</u>
Liabilities				
Current liabilities				
Trade and other payables		(1,041)	(1,026)	(1,545)
Non-current liabilities				
Trade and other payables		(56)	(8)	(7)
Total liabilities		<u>(1,097)</u>	<u>(1,034)</u>	<u>(1,552)</u>
Net assets		<u>5,003</u>	<u>7,513</u>	<u>5,969</u>
Capital and reserves				
Share capital		1,681	1,681	1,681
Share premium account		10,335	10,335	10,335
Retained earnings		(7,013)	(4,503)	(6,047)
Total equity		<u>5,003</u>	<u>7,513</u>	<u>5,969</u>

Condensed consolidated statement of cash flows

for the 28 week period ended 12 July 2009

	<i>Note</i>	28 week period ended 12 July 2009 £'000	28 week period ended 13 July 2008 £'000	52 week period ended 28 December 2008 £'000
Operating activities				
Cash (used in)/generated from operations	6	(491)	53	722
Interest paid		(2)	(1)	(2)
Net cash (used in)/from operating activities		(493)	52	720
Investing activities				
Purchase of property, plant and equipment		(922)	(1,537)	(2,100)
Purchase intangible assets		(2)	(4)	(45)
Proceeds from sale of property, plant and equipment		–	–	10
Interest received		36	152	255
Disposal of joint venture undertakings		9	–	–
Net cash used in investing activities		(879)	(1,389)	(1,880)
Net decrease in cash and cash equivalents		(1,372)	(1,337)	(1,160)
Cash and cash equivalents at the beginning of the period		4,375	5,535	5,535
Cash and cash equivalents at the end of the period		3,003	4,198	4,375

Notes

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

2. The condensed financial information for the 28 week period ended 12 July 2009 and the 28 week period ended 13 July 2008 has been prepared in accordance with IAS 34 “Interim financial reporting” and should be read in conjunction with the annual financial statements for the period ended 28 December 2008 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies used in preparing the condensed financial information are consistent with those of the annual financial statements for the period ended 28 December 2008 except that IAS 1 (revised) has been adopted. The adoption of IAS 1 has led to certain presentational changes, including the adoption of a single statement of comprehensive income and the inclusion of a statement of changes in equity as a primary statement. There have been no changes to the underlying figures as a result of the adoption of the standard. The condensed financial information for the 28 week period ended 12 July 2009 and the 28 week period ended 13 July 2008 have not been audited or reviewed and does not constitute full financial statements within the meaning of section 435 of the Companies Act 2006.

The financial information for the 52 week period ended 28 December 2008 does not constitute the Group’s statutory accounts for that period but it is derived from those accounts. Statutory accounts for the 52 week period ended 28 December 2008 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Premiums payable to acquire leasehold interests in a property are capitalised on the balance sheet separately from property, plant and equipment and amortised over the course of the lease on the property. The board considers these payments to be part of the total payment in respect of property, plant and equipment and cash flows relating to these payments are part of the total payments in respect of property, plant and equipment and cash flows relating to these payments are analysed in the cash flow statement as part of cash flows associated with investing activities.

Notes

3. Loss per share

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

	12 July	13 July	28 December
	2009	2008	2008
	£'000	£'000	£'000
Loss			
Loss from continuing operations for the purpose of basic loss per share excluding discontinued operations	(992)	(278)	(1,878)
Profit from discontinued operations	<u>-</u>	<u>-</u>	<u>10</u>
Loss for the purposes of basic loss per share being the net profit attributable to equity holders of the parent	<u>(992)</u>	<u>(278)</u>	<u>(1,868)</u>
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic loss per share	<u>42,019,612</u>	<u>42,019,612</u>	<u>42,019,612</u>
Share options and warrants not included in the diluted calculations as per the requirements of IAS 33 (as they are anti-dilutive)	<u>1,832,840</u>	<u>2,112,840</u>	<u>2,082,840</u>

4. No dividend is proposed.

Notes

continued

5. Property, plant and equipment

	<i>Freehold land and buildings</i>	<i>Short leasehold land and buildings</i>	<i>Lease premiums</i>	<i>Leasehold improve- ments</i>	<i>Fixtures, fittings, and equip- ment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost							
At 30 December 2007	–	2,903	–	17	977	4	3,901
Additions	<u>850</u>	<u>290</u>	<u>50</u>	<u>–</u>	<u>347</u>	<u>–</u>	<u>1,537</u>
At 13 July 2008	850	3,193	50	17	1,324	4	5,438
Additions	<u>306</u>	<u>73</u>	<u>–</u>	<u>–</u>	<u>184</u>	<u>–</u>	<u>563</u>
At 28 December 2008	1,156	3,266	50	17	1,508	4	6,001
Additions	–	482	50	–	390	–	922
Disposals	<u>–</u>	<u>(50)</u>	<u>(50)</u>	<u>–</u>	<u>(74)</u>	<u>(4)</u>	<u>(178)</u>
At 12 July 2009	<u>1,156</u>	<u>3,698</u>	<u>50</u>	<u>17</u>	<u>1,824</u>	<u>–</u>	<u>6,745</u>
Accumulated depreciation and impairment							
At 30 December 2007	–	1,178	–	16	486	–	1,680
Charge for period	–	85	1	–	78	–	164
Impairment	<u>–</u>	<u>135</u>	<u>–</u>	<u>–</u>	<u>65</u>	<u>–</u>	<u>200</u>
At 13 July 2008	–	1,398	1	16	629	–	2,044
Charge for period	–	76	–	1	82	1	160
Impairment	<u>369</u>	<u>604</u>	<u>49</u>	<u>–</u>	<u>447</u>	<u>3</u>	<u>1,472</u>
At 28 December 2008	369	2,078	50	17	1,158	4	3,676
Charge for period	–	63	–	–	90	–	153
Impairment	–	393	50	–	374	–	817
Disposal	<u>–</u>	<u>(44)</u>	<u>(50)</u>	<u>–</u>	<u>(67)</u>	<u>(4)</u>	<u>(165)</u>
At 12 July 2009	<u>369</u>	<u>2,490</u>	<u>50</u>	<u>17</u>	<u>1,555</u>	<u>–</u>	<u>4,481</u>
Carrying amount							
At 12 July 2009	<u>787</u>	<u>1,208</u>	<u>–</u>	<u>–</u>	<u>269</u>	<u>–</u>	<u>2,264</u>
At 13 July 2008	<u>850</u>	<u>1,795</u>	<u>49</u>	<u>1</u>	<u>695</u>	<u>4</u>	<u>3,394</u>

Impairment testing of property, plant and equipment

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

The recoverable amounts of the restaurants are calculated from value in use calculations based on cash flow projections from forecasts to December 2009, and thereafter an EBITDA growth rate of 2%. The discount rate applied to cash flow projections is 12%.

In the period an impairment charge of £817,000 has been recognised relating to the unrecoverable elements of assets relating to the two new Richoux CGUs as a result of the underperformance of these two restaurants following their fit out/refurbishment.

Notes

continued

6. Reconciliation of operating loss to operating cash flows

	28 week period ended 12 July 2009 £'000	28 week period ended 13 July 2008 £'000	52 week period ended 28 December 2008 £'000
Operating loss	(1,026)	(429)	(2,131)
Loss on disposal of intangible assets	3	–	–
Depreciation charge	153	164	324
Amortisation charge	5	9	18
Impairment of intangible fixed assets	–	–	153
Impairment of tangible fixed assets	817	200	1,672
Decrease in stocks	5	3	8
Increase in debtors	(32)	(44)	(36)
(Decrease)/increase in creditors	(442)	75	593
Equity settled share based payments	26	75	121
Net cash (outflow)/inflow from operating activities	<u>(491)</u>	<u>53</u>	<u>722</u>

7. Post balance sheet events

On 20 July 2009 the Group's freehold property was leased for a term of 15 years for a premium of £100,000 at an annual rent receivable of £42,500 and on 21 August 2009 the Group entered into a new 20 year lease for a restaurant in Chatham, Kent at an annual rent payable of £60,000.

8. Related party transactions

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

Transactions with directors:

Directors' emoluments

	28 week period ended 12 July 2009 £'000	28 week period ended 13 July 2008 £'000	52 week period ended 28 December 2008 £'000
Short term employee benefits	78	107	196
Share based payments	20	58	74
	<u>98</u>	<u>165</u>	<u>270</u>

During the period the Group paid fees of £7,000 to Glovers Solicitors LLP of which Philip Shotter is a member.

