

Richoux Group plc
Annual Report December 2011

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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 A. Rayne
Company Secretary	Susan Ludley FCCA
Nominated Adviser and Nominated Broker	Cenkos Securities plc 6,7,8 Tokenhouse Yard London EC2R 7AS
Auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Solicitors	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ Glovers Solicitors LLP 6 York Street London W1U 6QD
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 25 December 2011 increased to £9.01 million (2010: £5.84 million). Gross profit from continuing operations reduced to £0.25 million (2010: £0.61 million). There was a reduction in the total Group restaurants' gross profit before pre-opening costs percentage from 14.7 per cent to 4.5 per cent during the year. Administrative expenses for continuing operations (before impairment and onerous lease provision) of £0.51 million (2010: £0.47 million) were in line with expectations.

Significant provisions of £2.47 million (2010: £nil) have been made for impairment. This relates to the disposed of Zippers site in Bexhill-on-Sea, Dean's Diner sites in High Wycombe, Basingstoke and Slough and the Villagio site in Barnet, as well as the rebranded Dean's Diner site in Basildon.

As announced in September 2011, the Company entered into an agreement to dispose of its freehold Central Kitchen property for a total consideration of £900,000 payable in cash. The disposal was completed on 30 March 2012.

The Directors are not recommending the payment of a dividend.

Operations

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

Richoux

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

The Group currently has four Richoux restaurants. These restaurants continue to trade in line with expectations.

Zippers

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

The Group has one remaining Zippers site in Chatham which continues to trade in line with expectations. During the year the Group surrendered the lease of the Zippers site in Bexhill-on-Sea in August 2011 and the Zippers sites in Andover and Barnet were rebranded as Villagio.

Dean's Diner

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

The Group has three remaining Dean's Diner restaurants in Chatham, Port Solent and Braintree. In November 2011 the Dean's Diner site in Slough was closed and subsequently disposed of in February 2012. Since the year end the Group has also disposed of the underperforming sites in High Wycombe, in February 2012 and Basingstoke, in April 2012. In addition the Dean's Diner site in Basildon was rebranded as a Villagio restaurant in March 2012.

Villagio

Villagio is a modern local style Italian restaurant.

The Group now has four Villagio sites in Hammersmith and Berkhamsted and the rebranded sites in Andover and Basildon. Since the year end in January 2012 the Group has disposed of the underperforming site in Barnet.

Capital expenditure and cash flow

As at the end of the period under review the Group held cash of £1.04 million (2010: £3.61 million).

Capital expenditure of £2.06 million was incurred in the period predominantly on the fit out of the new Dean's Diner restaurants in Port Solent and Braintree and Villagio restaurants in Hammersmith and Berkhamsted.

Outlook

Trading conditions remain challenging but the Group feels that it is better placed now to develop the Villagio and Dean's Diner concepts at the remaining restaurants trading under those concepts by focusing on further improving the menus, offer and customer experience while increasing customer awareness of these concepts. A period of consolidation is envisaged while the Group continues to assess the opportunities for any further openings.

Philip Shotter
Chairman

26 April 2012

Board of Directors

Philip Shotter, (41) 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, (71) *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 A. Rayne, (63) *Non-executive Director, member of the audit and remuneration committees*

The Hon. Robert A. Rayne is Chairman of Derwent London plc and a Director of LMS Capital plc an international investment company listed on the Main Market of the London Stock Exchange. 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. 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 25 December 2011.

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 pages 2 to 3.

Proposed dividend

The Directors do not recommend the payment of a dividend (2010: £nil).

Post balance sheet events

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

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.

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.

Directors and Directors' interests

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

Philip Shotter
Salvatore Diliberto
The Hon. Robert A. Rayne

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:

	<i>Interest in 4p ordinary shares at end of the period</i>	<i>Interest in 4p ordinary shares at beginning of period</i>
Philip Shotter	–	–
The Hon. Robert A. Rayne**	7,986,133	6,878,442
Salvatore Diliberto	10,762,820	10,762,820

** Includes 112,500 shares held by The Hon. Robert A. Rayne's partner Mrs Benita Refson.

Directors' Report

continued

Directors and Directors' interests (continued)

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

	<i>At start of period</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>At end of period</i>	<i>Exercise Price</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
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 (2010: none).

The middle market price of the Company's ordinary shares on the London Stock Exchange was 7.25p on 23 December 2011. During the period ended 25 December 2011, the middle market prices of such shares on the Alternative Investment Market of the London Stock Exchange ranged between a low of 7.25p and a high of 16.75p.

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 £927,472. 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.

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.

Policy on payment to creditors

The number of days' purchases outstanding for payment by the Group at the period end was 50 days (2010: 108 days). The number of days' purchases outstanding for payment by the Company at the period end was 48 days (2010: 30 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.

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

26 April 2012

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:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 25 December 2011 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 8, 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. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 25 December 2011 and of the group's loss 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

26 April 2012

Consolidated Statement of Comprehensive Income

for the 52 week period ended 25 December 2011

		52 week period ended 25 December 2011 Total £000	52 week period ended 26 December 2010 Total £000
Continuing operations:			
Revenue	4	9,009	5,844
Cost of sales:			
Excluding pre-opening costs		(8,607)	(4,986)
Pre-opening costs		(148)	(250)
Total cost of sales		(8,755)	(5,236)
Gross profit		254	608
Administrative expenses		(513)	(467)
Other operating income		3	–
Operating (loss)/profit before impairment and onerous lease provision		(256)	141
Impairment of property, plant and equipment	16	(2,444)	–
Impairment of other intangible assets	15	(26)	–
Onerous lease provision	22	–	333
Operating (loss)/profit		(2,726)	474
Finance income	10	16	32
Finance expense	11	–	(1)
(Loss)/profit before taxation	6	(2,710)	505
Taxation	12	–	–
(Loss)/profit and total comprehensive (loss)/profit for the period		(2,710)	505
(Loss)/profit and total comprehensive (loss)/profit attributable to equity holders of the parent		(2,710)	505
(Loss)/profit and total comprehensive (loss)/profit per share:			
(Loss)/profit per share	14	(4.0)p	1.1p
Diluted (loss)/profit per share	14	(4.0)p	1.1p

The notes on pages 16 to 40 form an integral part of the financial statements

Consolidated Statement of Changes in Equity

for the 52 week period ended 25 December 2011

	<i>Share Capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
Group				
At 27 December 2009	1,681	10,335	(7,516)	4,500
Profit for the period	–	–	505	505
Total comprehensive income	–	–	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)
Total contributions by and distributions to owners of the Company, recognised directly in equity	1,000	960	45	2,005
At 26 December 2010	2,681	11,295	(6,966)	7,010
Loss for the period	–	–	(2,710)	(2,710)
Total comprehensive loss	–	–	(2,710)	(2,710)
Credit to equity for equity settled share based payments	–	–	14	14
Total contributions by and distributions to owners of the Company, recognised directly in equity	–	–	14	14
At 25 December 2011	2,681	11,295	(9,662)	4,314

The notes on pages 16 to 40 form an integral part of the financial statements

Company Statement of Changes in Equity

for the 52 week period ended 25 December 2011

	<i>Share Capital</i> £000	<i>Share premium account</i> £000	<i>Profit and loss account</i> £000	<i>Total</i> £000
Company				
At 27 December 2009	1,681	10,335	(8,564)	3,452
Loss for the period	–	–	(551)	(551)
Total comprehensive loss	–	–	(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)
Total contributions by and distributions to owners of the Company, recognised directly in equity	1,000	960	45	2,005
At 26 December 2010	2,681	11,295	(9,070)	4,906
Loss for the period	–	–	(3,214)	(3,214)
Total comprehensive loss	–	–	(3,214)	(3,214)
Credit to equity for equity settled share based payments	–	–	14	14
Total contributions by and distributions to owners of the Company, recognised directly in equity	–	–	14	14
At 25 December 2011	2,681	11,295	(12,270)	1,706

The notes on pages 16 to 40 form an integral part of the financial statements

Consolidated and Company Statement of Financial Position

at 25 December 2011

	Note	Group		Company	
		2011 £000	2010 £000	2011 £000	2010 £000
Assets					
Non-current assets					
Goodwill	15	234	234	–	–
Other intangible assets	15	71	82	27	21
Property, plant and equipment	16	3,815	4,737	11	15
Investment property	16	–	787	–	787
Investments in subsidiaries	18	–	–	1,516	1,516
Trade and other receivables	20	124	82	17	12
Total non-current assets		4,244	5,922	1,571	2,351
Current assets					
Inventories	19	178	158	–	–
Trade and other receivables	20	459	587	2,002	1,710
Cash and cash equivalents		1,039	3,606	903	3,503
Total current assets		1,676	4,351	2,905	5,213
Assets held for sale	17	787	–	787	–
Total assets		6,707	10,273	5,263	7,564
Liabilities					
Current liabilities					
Trade and other payables	21	(2,203)	(3,127)	(3,547)	(2,658)
Total current liabilities		(2,203)	(3,127)	(3,547)	(2,658)
Non-current liabilities					
Trade and other payables	21	(180)	(136)	–	–
Total non-current liabilities		(180)	(136)	–	–
Liabilities associated with assets held for sale	17	(10)	–	(10)	–
Total liabilities		(2,393)	(3,263)	(3,557)	(2,658)
Net assets		4,314	7,010	1,706	4,906
Capital and reserves					
Share capital	25	2,681	2,681	2,681	2,681
Share premium account		11,295	11,295	11,295	11,295
Retained earnings		(9,662)	(6,966)	(12,270)	(9,070)
Total equity		4,314	7,010	1,706	4,906

These financial statements were approved by the board of Directors and authorised for issue on 26 April 2012 and were signed on its behalf by:

Salvatore Diliberto

Director

The notes on pages 16 to 40 form an integral part of the financial statements

Consolidated and Company Statement of Cash Flows

for the 52 week period ended 25 December 2011

	Note	Group		Company	
		52 week period ended 25 December 2011 £000	52 week period ended 26 December 2010 £000	52 week period ended 25 December 2011 £000	52 week period ended 26 December 2010 £000
Operating activities					
Cash generated from/(used in) operations	28	931	486	(2,604)	(1,341)
Interest paid		-	(1)	-	(1)
Net cash from/(used in) operating activities		931	485	(2,604)	(1,342)
Investing activities					
Purchase of property, plant and equipment		(3,475)	(1,874)	-	(7)
Purchase of intangible fixed assets		(35)	(58)	(12)	(12)
Net costs from sale of property, plant and equipment		(4)	-	-	-
Net proceeds from sale of assets held for sale		-	102	-	-
Interest received		16	32	16	32
Net cash (used in)/from investing activities		(3,498)	(1,798)	4	13
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 (decrease)/increase in cash and cash equivalents		(2,567)	647	(2,600)	631
Cash and cash equivalents at beginning of the period		3,606	2,959	3,503	2,872
Cash and cash equivalents at the end of the period		1,039	3,606	903	3,503

The notes on pages 16 to 40 form an integral part of the financial statements

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 Company is a public limited company, listed on the Alternative Investment Market of the London Stock Exchange. 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 5.

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.

The following Standards and Interpretations were adopted in the period:

		<i>Effective date</i>
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 and financial instruments disclosures	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

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:

		<i>Effective date</i>
IFRS 9*	Financial instruments	Accounting periods beginning on or after 1 January 2013
Amendment to IAS 1	Financial statement presentation	Accounting periods beginning on or after 1 July 2012
Revised IAS 24	Related party transactions	Accounting periods beginning on or after 1 January 2011

* 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 25 December 2011. Unless otherwise stated, the acquisition method of accounting has been adopted for acquisitions made during the period. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal. Intra-group transactions, balances, income and expenses are eliminated fully on consolidation.

2 Accounting policies (continued)

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 acquiree'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.

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 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;
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, comprised freehold land and buildings, held for long term rental yields and 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, 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, which includes expectations for new restaurants. 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.

Notes

continued

4 Revenue

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

	2011	2010
	£000	£000
Continuing operations:		
Sale of goods	<u>9,009</u>	<u>5,844</u>
Revenue in the income statement	9,009	5,844
Sublease/lease rental income	202	190
Franchise income	3	–
Investment income	<u>16</u>	<u>32</u>
	<u>9,230</u>	<u>6,066</u>

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 restaurant brands, Richoux, Villagio, Zippers and Dean's Diner. The Zippers and Villagio brands are reported together as some of the Zippers restaurants were rebranded as Villagio restaurants during the year. 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.

Business segments for the 52 week period ended 25 December 2011:

	<i>Richoux</i>	<i>Villagio/ Zippers</i>	<i>Dean's Diner</i>	<i>Un- allocated</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	<u>4,539</u>	<u>2,289</u>	<u>2,181</u>	<u>–</u>	<u>9,009</u>
Segment profit/(loss)	908	(127)	(326)	(201)	254
Administrative expenses	–	–	–	(513)	(513)
Other operating income	–	–	–	3	3
Impairment of property, plant and equipment	–	(1,031)	(1,413)	–	(2,444)
Impairment of other intangible assets	–	(15)	(11)	–	(26)
Finance income	–	–	–	16	16
Profit/(loss) before taxation	<u>908</u>	<u>(1,173)</u>	<u>(1,750)</u>	<u>(695)</u>	<u>(2,710)</u>
Non current assets as at 26 December 2010	1,364	1,663	1,975	920	5,922
Additions	41	1,103	943	17	2,104
Depreciation and amortisation	(187)	(145)	(150)	(21)	(503)
Impairment of property, plant and equipment	–	(1,031)	(1,413)	–	(2,444)
Impairment of other intangible assets	–	(15)	(11)	–	(26)
Transfer to assets held for sale	–	–	–	(787)	(787)
Disposals	<u>(1)</u>	<u>(7)</u>	<u>–</u>	<u>(14)</u>	<u>(22)</u>
Non current assets as at 25 December 2011	<u>1,217</u>	<u>1,568</u>	<u>1,344</u>	<u>115</u>	<u>4,244</u>

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

5 Segment reporting (continued)**Business segments for the 52 week period ended 26 December 2010:**

	<i>Richoux</i>	<i>Zippers</i>	<i>Dean's Diner</i>	<i>Closed</i>	<i>Un- allocated</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
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/(loss) 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.

6 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Auditors' fees (note 7)	39	41
Staff costs (note 9)	3,401	2,078
Cost of inventories recognised as an expense	2,098	1,218
Exchange gains	–	(2)
Amortisation of intangible assets	20	12
Depreciation of property, plant and equipment	483	281
Impairment of property, plant and equipment	2,444	–
Impairment of other intangible assets	26	–
Onerous lease provision	–	(333)
Net loss on disposal of property, plant and equipment	26	–
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	18	24
Hire of other assets – rentals payable under operating leases	1,336	962

Total administrative expenses are £2,983,000 (2010: £134,000).

Notes

continued

7 Auditors' fees

The analysis of the auditors' remuneration is as follows:

	2011	2010
	£000	£000
Audit services		
Fees payable to the Parent Company Auditor for the audit of the Company and consolidated financial statements	12	14
Fees payable to the Company Auditor and its associates for other services: The audit of the Company's subsidiaries pursuant to legislation	14	14
Total audit fees	<u>26</u>	<u>28</u>
Non-audit services		
Tax services	13	12
Other services	–	1
Total non-audit fees	<u>13</u>	<u>13</u>
	<u>39</u>	<u>41</u>

8 Key management compensation and remuneration of Directors

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

Philip Shotter
Salvatore Diliberto
The Hon. Robert Rayne

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 27 December 2010 to 25 December 2011, key management personnel comprised an average of three people.

	2011	2010
	£000	£000
Salaries – executive Directors	105	105
Fees – non-executive Directors	40	40
	<u>145</u>	<u>145</u>

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 (2010: none).

Highest paid Director

The emoluments of the highest paid Director are as follows:

	2011	2010
	£000	£000
Emoluments	<u>105</u>	<u>105</u>

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:

	2011	2010
Continuing operations:		
Head office	11	8
Operations	<u>224</u>	<u>112</u>
	<u>235</u>	<u>120</u>

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£000	£000
Continuing operations:		
Wages and salaries	3,135	1,898
Social security costs	263	176
Contributions to personal defined contribution pension schemes	<u>3</u>	<u>4</u>
	<u>3,401</u>	<u>2,078</u>

Pension contributions were made to private individual schemes.

10 Finance income

	2011	2010
	£000	£000
Bank interest	16	31
Other interest	<u>-</u>	<u>1</u>
	<u>16</u>	<u>32</u>

11 Finance expense

	2011	2010
	£000	£000
Other interest	<u>-</u>	<u>1</u>

Notes

continued

12 Taxation on (loss)/profit on ordinary activities

(a) Reconciliation of charge in the period

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

	2011	2010
	£000	£000
(Loss)/profit before tax:	<u>(2,710)</u>	<u>505</u>
UK corporation tax at 26% (2010: 28%) on Group (loss)/profit before tax	(705)	141
Timing differences relating to tangible fixed assets	620	(81)
Expenses not deductible for tax purposes	4	14
Depreciation on assets on which no capital allowances claimed	81	38
Tax losses carried forward	–	1
Other timing differences	–	(113)
Total current tax charge	<u>–</u>	<u>–</u>

(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 £3,214,000 for the period (2010: £551,000).

14 (Loss)/profit per share

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

	2011	2010
	£000	£000
(Loss)/profit		
(Loss)/profit for the purposes of basic (loss)/profit per share being the net (loss)/profit attributable to equity holders of the parent	<u>(2,710)</u>	<u>505</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic (loss)/profit per share	67,019,612	46,552,579
Share options and warrants	<u>206,502</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted (loss)/profit per share	<u>67,226,114</u>	<u>46,552,579</u>
Share options and warrants not included in the diluted calculations as per the requirements of IAS 33 (as they are anti-dilutive)	<u>2,334,213</u>	<u>2,540,715</u>
Basic (loss)/profit per share:		
From total operations	<u>(4.0)p</u>	<u>1.1p</u>
Diluted (loss)/profit per share:		
From total operations	<u>(4.0)p</u>	<u>1.1p</u>

15 Intangible fixed assets

Group	Goodwill £000	Trademarks £000	Software £000	Total £000
Cost				
At 27 December 2009	269	1	51	321
Additions	–	8	50	58
Disposals	–	(4)	–	(4)
At 26 December 2010	269	5	101	375
Additions	–	11	24	35
Disposals	–	–	(5)	(5)
At 25 December 2011	269	16	120	405
Accumulated amortisation and impairment				
At 27 December 2009	35	–	12	47
Charge for the period	–	–	12	12
At 26 December 2010	35	–	24	59
Charge for the period	–	2	18	20
Impairment	–	–	26	26
Disposals	–	–	(5)	(5)
At 25 December 2011	35	2	63	100
Carrying amount				
At 25 December 2011	234	14	57	305
At 26 December 2010	234	5	77	316

Impairment testing of goodwill and intangible fixed assets

Goodwill of £269,000 (2010: £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 and intangible assets 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 2012, and forecasts to December 2016 based on an EBITDA growth rate of 2 per cent for established sites. The discount rate applied to cash flow projections is 12 per cent.

An impairment charge of £26,000 has been recognised in relation to the unrecoverable elements of the assets relating to one Zippers and one Dean's Diner restaurant following the decision to rebrand these restaurants as Villagio restaurants and five Zippers, Villagio and Dean's Diner restaurants following the decision to close these restaurants (2010: £nil). The value in use of the remaining restaurants is significantly higher than the carrying value.

Notes

continued

15 Intangible fixed assets (continued)

Company	Trademarks <i>£000</i>	Software <i>£000</i>	Total <i>£000</i>
Cost			
At 27 December 2009	–	23	23
Additions	8	4	12
Disposals	(4)	–	(4)
At 26 December 2010	4	27	31
Additions	11	1	12
At 25 December 2011	15	28	43
Accumulated amortisation			
At 27 December 2009	–	5	5
Charge for the period	–	5	5
At 26 December 2010	–	10	10
Charge for the period	1	5	6
At 25 December 2011	1	15	16
Carrying amount			
At 25 December 2011	14	13	27
At 26 December 2010	4	17	21

There is no impairment provision required for the Company (2010: £nil).

**16 Property, plant and equipment
Group**

	<i>Investment property £000</i>	<i>Short leasehold land and buildings £000</i>	<i>Leasehold improvements £000</i>	<i>Fixtures fittings, and equipment £000</i>	<i>Total £000</i>
Cost					
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
Additions	–	1,281	–	746	2,027
Disposals	–	(435)	–	(158)	(593)
Transfer to assets held for sale (note 17)	(1,153)	–	–	–	(1,153)
At 25 December 2011	–	6,529	17	2,897	9,443
Accumulated depreciation and impairment					
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
Charge for period	–	218	–	265	483
Impairment	–	1,737	–	707	2,444
Disposals	–	(421)	–	(150)	(571)
Transfer to assets held for sale (note 17)	(366)	–	–	–	(366)
At 25 December 2011	–	3,734	17	1,877	5,628
Carrying amount					
At 25 December 2011	–	2,795	–	1,020	3,815
At 26 December 2010	787	3,483	–	1,254	5,524

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 2012, and forecasts to December 2016 based on an EBITDA growth rate of 2 per cent for established sites. The discount rate applied to cash flow projections is 12 per cent.

An impairment charge of £2,444,000 has been recognised in relation to the unrecoverable elements of the assets relating to one Zippers and one Dean's Diner restaurant following the decision to rebrand these restaurants as Villagio restaurants and five Zippers, Villagio and Dean's Diner restaurants following the decision to close these restaurants (2010: £nil). The value in use of the remaining restaurants is significantly higher than the carrying value.

Notes

continued

16 Property, plant and equipment (continued)

Company	Investment property £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 27 December 2009	1,153	34	1,187
Additions	–	7	7
At 26 December 2010	1,153	41	1,194
Transfer to assets held for sale (note 17)	(1,153)	–	(1,153)
At 25 December 2011	–	41	41
Accumulated depreciation and impairment			
At 27 December 2009	366	21	387
Charge for period	–	5	5
At 26 December 2010	366	26	392
Charge for period	–	4	4
Transfer to assets held for sale (note 17)	(366)	–	(366)
At 25 December 2011	–	30	30
Carrying value			
At 25 December 2011	–	11	11
At 26 December 2010	787	15	802

There is no impairment provision required in the Company (2010: *£nil*).

17 Assets held for sale

During the period the Group exchanged contracts on the sale of its freehold property and the assets and liabilities of this property have been classified as held for sale. The Group disposed of this property on 30 March 2012 for £900,000 which will give rise to a profit on disposal of approximately £100,000. The major classes of assets and liabilities classified as assets and liabilities held for sale are as follows:

	£000
Group and Company	
Investment property – cost	1,153
Investment property – impairment	(366)
Total assets classified as held for sale	787
Trade and other payables	(10)
Total liabilities associated with assets classified as held for sale	(10)

The freehold property was included within unallocated assets in the Group's segment reporting, its contribution to profit and loss being immaterial.

18 Investments in subsidiaries and joint ventures

Company	£000
Cost	
At 27 December 2009, 26 December 2010 and 25 December 2011	<u>2,707</u>
Accumulated impairment	
At 27 December 2009, 26 December 2010 and 25 December 2011	<u>1,191</u>
Carrying value	
At 25 December 2011	<u>1,516</u>
At 26 December 2010	<u>1,516</u>

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.

19 Inventories

	Group	
	2011	2010
	£000	£000
Finished goods and goods for resale	94	73
Raw material and consumables	84	85
	<u>178</u>	<u>158</u>

The Company statement of financial position contains no inventories (2010: £nil).

Notes

continued

20 Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Non-current assets				
Other debtors	112	70	5	–
Prepayments and accrued income	12	12	12	12
	<u>124</u>	<u>82</u>	<u>17</u>	<u>12</u>
Current assets				
Trade debtors	3	30	–	–
Amounts owed by Group undertakings	–	–	1,981	1,693
Other debtors	16	16	–	–
Prepayments and accrued income	440	404	15	11
Taxation and social security	–	137	6	6
	<u>459</u>	<u>587</u>	<u>2,002</u>	<u>1,710</u>

21 Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Current liabilities				
Trade payables	1,168	2,165	28	19
Taxation and social security	322	55	14	13
Other creditors	469	669	110	95
Accruals and deferred income	244	238	20	33
Amounts owed to Group undertakings	–	–	3,375	2,498
	<u>2,203</u>	<u>3,127</u>	<u>3,547</u>	<u>2,658</u>
Non-current liabilities				
Accruals and deferred income	180	136	–	–

22 Provisions

	<i>Onerous lease provision £000</i>
At 27 December 2009	(400)
Provision utilised in the period	67
Provision released in the period	333
At 26 December 2010 and 25 December 2011	<u>–</u>

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 was reversed in the previous period. The Company statement of financial position contains no provisions (2010: £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 during 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 initially 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 initially 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, other debtors, trade payables, accruals and other creditors 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 (2010: £nil), and the value of the Group's credit risk exposure at the statement of financial position date was as follows:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade debtors	3	30	–	–
Credit card transactions – included in cash and cash equivalents	84	58	–	–
Other debtors	128	86	5	–
Amounts owed by Group undertakings	–	–	1,981	1,693
	<u>215</u>	<u>174</u>	<u>1,986</u>	<u>1,693</u>

All amounts due from related undertakings are provided as a result of central treasury management on a rolling basis but are repayable on demand; provision is made where the underlying net assets of the related undertaking do not support recoverability of the aggregate balance (see note 29). As the balances do not attract interest a difference arises between the book and fair value of the asset. Based on a five year recoverability profile the fair value of the assets would be £1,348,000 based on the estimated incremental borrowing rate.

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 have £889,000 at an interest rate of 1.25 per cent held on an instant access account with its bankers (2010: £2,300,000 at an interest rate of 0.90 per cent held on a 60 day notice account with its bankers), The remainder of the cash and cash equivalents balance accrues no interest.

Liquidity risk

In respect of liquidity risk, the Group finances its operations from current cash reserves which will increase following the disposal of the freehold property on 30 March 2012 for £900,000. 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 as follows:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Other creditors	<u>(22)</u>	<u>–</u>	<u>–</u>	<u>–</u>

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 previous period and the Group plans to utilise the cash for the expansion of the Richoux, Villaggio 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:

	<i>Unprovided</i>	
	2011	2010
	£000	£000
Timing differences relating to fixed assets	(1,103)	(596)
Other timing difference	(855)	(920)
	<u>(1,958)</u>	<u>(1,516)</u>

Other timing differences relate to tax losses of £3,287,000 (2010: £3,287,000) carried forward as at 25 December 2011. 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 (2010: £619,000), which give rise to unprovided deferred tax assets of £173,000 (2010: £173,000).

25 Share capital

The share capital of the Company is shown below:

	<i>Number</i>	<i>£000</i>
<i>Shares classed as equity</i>		
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 4 pence as at 27 December 2009	42,019,612	1,681
Issued during the period	<u>25,000,000</u>	<u>1,000</u>
As at 26 December 2010 and 25 December 2011	<u>67,019,612</u>	<u>2,681</u>

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 25 December 2011, options in respect of 2,540,715 (2010: 2,540,715) ordinary shares were outstanding (including 1,100,000 (2010: 1,100,000) to the Directors of the Company) under the Company's various options schemes as follows:

<i>Date granted</i>	<i>Exercise price</i>	<i>Number of shares</i>	<i>Years from date of grant that options are exercisable</i>
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	2011 £000	2010 £000
Share based payment expense	<u>14</u>	<u>45</u>

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	2011		2010	
	Weighted average exercise price per share Pence	Options Number	Weighted average exercise price per share Pence	Options Number
Outstanding at start of period	20	2,540,715	21	2,672,840
Forfeited	–	–	(25)	(132,125)
Outstanding at end of period	20	2,540,715	20	2,540,715
Exercisable at end of the period	28	1,530,715	28	1,530,715

The fair value of options granted during the period to 25 December 2011 was £nil (2010: £nil).

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.

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.

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 (2010: £nil).
- (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	
	2011 £000	2010 £000	2011 £000	2010 £000
Operating leases due:				
Within one year	1,346	1,163	19	10
In the second to fifth years inclusive	5,138	4,761	26	–
Over five years	12,472	10,092	–	–
	18,956	16,016	45	10

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	
	2011 £000	2010 £000	2011 £000	2010 £000
Operating sublease/lease due:				
Within one year	196	195	–	–
In the second to fifth years inclusive	597	748	–	–
Over five years	338	383	–	–
	1,131	1,326	–	–

Notes

continued

27 Commitments (continued)

Company	2011 £000	Other 2010 £000
Operating leases due:		
Within one year	1	–
In the second to fifth years inclusive	1	–
	<u>2</u>	<u>–</u>

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Operating (loss)/profit	(2,726)	474	(3,230)	(582)
Loss on disposal of property, plant and equipment	26	–	–	–
Profit on disposal of assets held for sale	–	(8)	–	–
Loss on disposal of intangible assets	–	4	–	4
Depreciation charge	483	281	4	5
Amortisation charge	20	12	6	5
Impairment of intangible fixed assets	26	–	–	–
Impairment of property, plant and equipment	2,444	–	–	–
Increase in stocks	(20)	(64)	–	–
Decrease/(increase) in debtors	86	(299)	(297)	(1,317)
Increase in creditors	578	441	899	499
Decrease in provisions	–	(400)	–	–
Equity settled share based payments	14	45	14	45
Net cash inflow/(outflow) from operating activities	<u>931</u>	<u>486</u>	<u>(2,604)</u>	<u>(1,341)</u>

29 Related party transactions

Consolidated

During the period the Group paid professional fees for legal services of £83,000 (2010: £85,000) to Glovers Solicitors LLP of which Philip Shotter is a member. As at the end of the period £15,000 was outstanding (2010: £29,000). 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.

The Group has a group insurance policy which is paid by Richoux Group plc.

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:

	2011	2010
	£000	£000
Gross amounts owed by Group undertakings – Newultra Limited	10,110	7,268
Gross amounts owed by Group undertakings – Bridgedon Limited	207	207
Provision – Newultra Limited	(8,129)	(5,575)
Provision – Bridgedon Limited	(207)	(207)
Net amounts owed by Group undertakings – Newultra Limited (note 20)	1,981	1,693
Net amounts owed by Group undertakings – Bridgedon Limited (note 20)	–	–
Amounts owed to Group undertakings – Richoux Limited (note 21)	(3,362)	(2,485)
Amounts owed to Group undertakings – NGS Finance Limited (note 21)	(13)	(13)

During the period a provision of £2,554,000 (2010: £83,000) was made against amounts due from Group undertakings.

Transactions with Directors

Transactions with Directors are as follows:

Group and Company	2011	2010
	£000	£000
Short term employee benefits	145	145
Share based payments	5	28
	150	173

During the prior period Salvatore Diliberto subscribed for 6,250,000 ordinary shares and The Hon. Robert A. 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 prior 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.

During the period the Group entered into a new lease with Amberstar Limited, a Company in which Phillip Kaye is a shareholder.

On 22 January 2012 the Group disposed of its restaurant in Barnet to Prezzo plc, a Company in which Phillip Kaye is a shareholder.

Notes

continued

30 Post balance sheet events

On 20 January 2012 the Group disposed of its Villagio restaurant in Barnet for £nil, on 22 February 2012 the Group disposed of its Dean's Diner restaurant in Slough for a reverse premium of £11,250, on 28 February 2012 the Group disposed of its Dean's Diner restaurant in High Wycombe for £15,000, on 30 March 2012 the Group disposed of its freehold property for £900,000 which will give rise to a profit on disposal of approximately £100,000, and on 10 April 2012 the Group disposed of its Dean's Diner restaurant in Basingstoke for £100,000 (all sales proceeds are stated before costs).

Following these disposals the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Group				
Operating leases due:				
Within one year	1,132	1,163	19	10
In the second to fifth years inclusive	4,114	4,761	26	–
Over five years	9,141	10,092	–	–
	<u>14,387</u>	<u>16,016</u>	<u>45</u>	<u>10</u>

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:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating sublease/lease due:				
Within one year	163	195	–	–
In the second to fifth years inclusive	417	748	–	–
Over five years	–	383	–	–
	<u>580</u>	<u>1,326</u>	<u>–</u>	<u>–</u>

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 Tuesday 19 June 2012 at 11:00am for the purpose of considering, and if thought fit, passing the following resolutions, of which resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and resolutions 5 and 6 will be proposed as special resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. THAT the Directors' Report and Accounts for the period ended 25 December 2011 and the Auditors' Report thereon be received and adopted.
2. THAT Salvatore Diliberto 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.
3. THAT Rees Pollock be and are hereby re-appointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting to be held in 2013 and the Directors of the Company be and are hereby authorised to fix their remuneration.

SPECIAL BUSINESS

Ordinary Resolution

4. 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:
 - 4.1. up to an aggregate maximum nominal amount of £927,472; and
 - 4.2. in addition to the authority referred to in paragraph 4.1, up to a further maximum aggregate nominal amount of £927,472 in connection with an offer by way of a rights issue:
 - 4.2.1. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - 4.2.2. 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 2013 (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 security into shares in 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

5. 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 4 above or by way of sale of treasury shares as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

5.1. 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 4.2, 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

5.2. the allotment (otherwise than pursuant to resolution 5.1 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 2013 (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.

6. 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:

6.1. 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;

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

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

6.3.1. 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

6.3.2. 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;

-
- 6.4. 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
 - 6.5. the authority hereby conferred shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2013.

By order of the Board

Susan Ludley
Secretary

14 May 2012

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 17 June 2012 (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 17 June 2012 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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