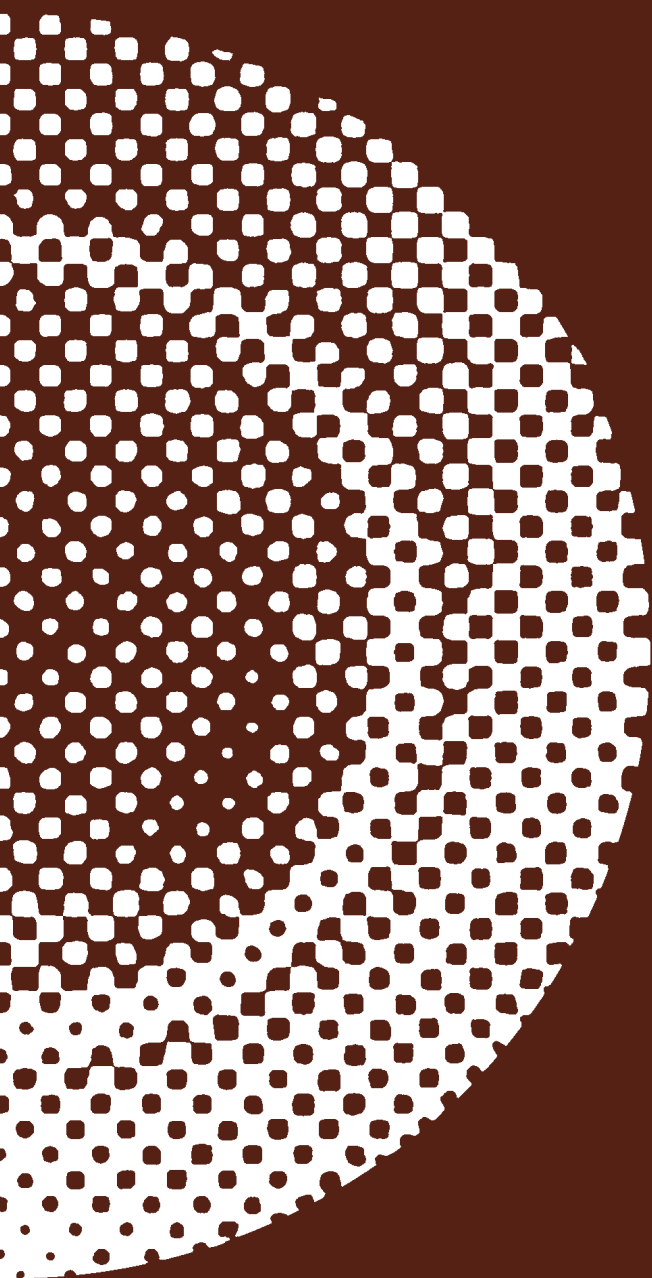


# The Clapham House Group PLC

Report and Financial Statements 2006



# THE CLAPHAM HOUSE GROUP PLC

REPORT AND FINANCIAL STATEMENTS

31 March 2006

## Background

The Clapham House Group PLC ("the Company" or "Clapham House") floated on AIM on 10 November 2003, backed by a number of leading City institutions and with significant investment from the founding management team. The Company's business plan is to create value through acquiring and actively developing a number of restaurant formats into a high growth restaurant group.

Clapham House's strategy has been to invest in "best of class", popular branded restaurant formats which use high quality fresh ingredients, achieve high customer satisfaction ratings and excellent and consistent professional reviews. The Directors believe that the Company's portfolio of formats should show resilience both to competition and to changing consumer tastes and will develop well at a time of increasing quality awareness amongst UK dining customers. Clapham House and its subsidiary undertakings (together "the Group") currently operate 62 units across four formats:

### **Gourmet Burger Kitchen ([www.gbk.co.uk](http://www.gbk.co.uk))**

GBK offers a range of nutritious, delicious and sophisticated burgers (Harden's London Restaurants 2006: "Best Burger", Observer: "Best Cheap Eats 2005") using quality, fresh ingredients to create each burger including oversized sourdough buns, 100% Aberdeen Angus Scotch Beef patties, English chicken and other fresh produce delivered to the restaurants each day. GBK offers a variety of 23 burgers including Beef, Chicken, Lamb, Venison and Chorizo, as well as three Vegetarian burgers, Junior Beef and Junior Chicken burgers and delicious flavour combinations such as the Pesterella Burger (Beef, Mozzarella and Pesto). The eleventh GBK restaurant opened in Brighton in June 2006.

### **Tootsies ([www.tootsiesrestaurants.co.uk](http://www.tootsiesrestaurants.co.uk))**

Tootsies first opened its doors to London diners in Holland Park back in 1971 and rapidly built up a loyal local following. Over the past 35 years, Tootsies has opened many more restaurants throughout London and the United Kingdom, offering high quality, freshly prepared food in a friendly atmosphere. The thirty first Tootsies opened in August 2006. The menu is renowned for its legendary breakfasts and brunches, whilst the char-grill offers steaks, ribs and a superb selection of burgers, including the famous Jalapeno (avocado, Monterey Jack cheese and Mexican hot sauce). Children are very welcome and are offered an organic children's menu and the renowned freshly blended Tootsies milkshakes (Timeout: winner of "Best Family Restaurant 2003").

### **The Bombay Bicycle Club ([www.thebombaybicycleclub.com](http://www.thebombaybicycleclub.com))**

The Bombay Bicycle Club operates three restaurants and ten delivery kitchens and has built an outstanding reputation for quality Indian cuisine over a period of 20 years using the freshest ingredients and providing excellent service, regularly receiving positive plaudits from leading food critics (Zagat 2006: "a curry a cut above the rest"). The Bombay Bicycle Club home delivery service currently provides quality, freshly prepared food to more than 10,000 customers a week in the comfort of their own homes. The Bombay Bicycle Club will continue to expand across the Greater London area and is seeking to become the largest operator in the quality Indian food market.

### **The Real Greek ([www.therealgreek.com](http://www.therealgreek.com))**

The Real Greek offers highly acclaimed traditional Greek cooking (Time Out 2006: "responsible for the best souvlaki west of Corfu") using fresh and seasonal ingredients served in an informal setting and accompanied by specially imported Greek wines. The Real Greek Souvlaki & Bar concept derives its style from Greek "Street Food", where eating mezes and char-grilled souvlakis is part of everyday life. The Real Greek currently operates from seven locations, including a landmark restaurant on London's South Bank and a newly opened restaurant in Covent Garden.

## Highlights

- Turnover for the year up 132% to £17.3m (2005: £7.5m)
- Maiden profit before taxation and exceptional costs for the year of £1.1m (2005: loss £0.4m)
- Full year profit before taxation for the year of £0.7m (2005: loss £0.6m)
- Basic earnings per share of 2.9p (2005: loss 2.5p)
- Operating cash inflow for the year of £0.6m (2005: Operating cash outflow of £0.3m)
- Expansion of estate by 61% during the period from 18 to 29 properties
- Agreement in October 2005 of the earn out consideration for Gourmet Burger Kitchen
- Net cash as at 31 March 2006 of £7.3m

### Current year :

- 3 new restaurants opened in Q1 of 2006/7 and strong pipeline of new restaurants
- 3 restaurants under construction
- New site requirement list issued for GBK detailing more than 100 potential UK locations; similar list being drawn up for The Bombay Bicycle Club
- Acquisition of Urban Dining plc completed May 2006, adding the profitable Tootsies format and a further 30 restaurant properties
- Integration of Tootsies progressing well; initial review completed, conversion and refurbishment programme commenced
- Trading satisfactory in the new financial year

# Chairman's Statement

It gives me great pleasure to report Clapham House's maiden set of profitable figures in the full year results for the year ended 31 March 2006. It has been another exciting year.

## Results

Turnover of the Group for the year has increased substantially from £7.5 million in 2005 to £17.3 million, comprising full year results from The Real Greek ("TRG"), The Bombay Bicycle Club ("BBC") and Gourmet Burger Kitchen ("GBK"), from a portfolio which has grown in the same period by eleven sites to a total of twenty nine.

The Group achieved maiden full year profit before taxation of £684,000 (2005: loss before taxation of £605,000).

The Group's profit before taxation and exceptional costs for the year ended 31 March 2006 was £1,121,000 compared with a loss before taxation and exceptional costs of £440,000 in 2005. Pre-opening costs in the year were £437,000, including £85,000 incurred at two sites (Kingston and Brighton). These two properties were acquired and held before the final agreement of the GBK purchase consideration, to ensure that the Group had a pipeline of development sites once the GBK earn out was completed. Both properties have now opened.

## Corporate activity

On 1 April 2005, Clapham House paid the agreed £250,000 final deferred consideration on the acquisition of the BBC business, representing a total price of £2.1 million.

On 4 October 2005, we reached an early agreement to conclude the earn-out aspect of the purchase of the GBK business. The business has performed very strongly since its acquisition and the early settlement has enabled us to accelerate the opening programme for the coming financial year and thereafter. Clapham House agreed to satisfy the maximum consideration for GBK under the earn-out of £7.4 million, which was payable at the time of the agreement as to £0.5 million by the issue of 338,982 ordinary shares of 10 pence each in the Company at a price of 147.5 pence per share and £6.9 million in cash, paid at the beginning of April 2006.

During the year, we adjusted the goodwill on acquisition of the various businesses following a review of our previous deferred consideration estimates for the acquisition of the businesses and have updated the associated consolidated goodwill. These revisions do not create a charge in the profit and loss account.

On 31 March 2006, Clapham House announced the terms of a recommended cash offer to purchase the entire issued and to be issued share capital of Urban Dining plc ("Urban Dining"), the owner of the Tootsies Restaurants group, for 44p per Urban Dining share (the "Offer"), valuing Urban Dining at £25.3 million. At the same time, we successfully completed a placing of shares raising £25.4 million (before expenses) at 188p per share to fund the acquisition of Urban Dining. The Offer became unconditional in all respects on 5 May 2006. By 25 July 2006, Clapham House had acquired 100% of the issued share capital of Urban Dining.

## Openings

During the year ended 31 March 2006, we opened eleven new restaurants and delivery kitchens, taking the total operated by the Group to twenty nine at the end of the financial year.

In April 2006 we opened a new GBK in Kingston and in June 2006 we opened a new 85 seat GBK restaurant in the North Laine area of Brighton, both of which have been very well received. We are currently building at a further two new GBK locations and have exchanged contracts to acquire two further properties. We are in negotiations for more than ten additional properties for GBK alone, and in total more than fifteen including Tootsies, BBC and TRG. Given the excellent returns generated by the GBK format in particular, we will continue to assemble a strong pipeline of new properties for a number of years to come, including selected locations outside London.

Since the acquisition of Urban Dining in May, we have sold one restaurant where the Tootsies operation was loss making and two new Tootsies have opened, one at a shopping centre development in Hemel Hempstead and the other, a large and excellently positioned restaurant in the busy Brent Cross shopping centre. We have also completed our review of the Tootsies property estate and commenced a conversion and refurbishment programme. The first two conversions to GBK are currently in progress and are expected to re-open in the autumn, by which time we also plan to have re-launched three refurbished Tootsies restaurants.

The Group now has 62 restaurants and delivery kitchens, comprising of 11 GBKs; 13 BBCs; 7 TRGs and 31 Tootsies.

Our international franchisee in the Middle East has opened its first GBK restaurant in Kuwait early July and has identified a number of other properties for the brand in U.A.E.. Clapham House has no capital exposure in this market and receives franchise fees for each new restaurant opened and a percentage of sales generated.

### **UK expansion potential**

Our excitement at the UK potential for each of our formats is mirrored by that of our customers. All our restaurants achieve favourable customer reaction when they open and some have even been known to generate fan mail and cold callers before they have opened.

We have recently issued a new site requirement list to various UK property agents, targeting more than 100 locations for the GBK operation alone. This list includes more than 60 locations across London, several leading retail centres and some 30 towns and cities outside of London. A similar list has been drawn up for the BBC operation.

The brands we own all appeal to slightly different demographics and are located in varied property locations but all offer uncomplicated menus with genres of food that are extremely popular and well accepted throughout the UK.

Our belief is that this, together with our concentration on continual food quality improvement in each brand, gives our business a defensive quality. Our customers can move back and forth from one of our brands to another as their habits, lifestyle, income, mood, tastes or circumstances change.

### **Funding**

During the year we invested further in building up our infrastructure and management teams to support our planned expansion programmes. Despite this, as a Group, we generated net cash inflow from operating activities of £0.6 million after all central, PLC and brand support costs. Our restaurant operations are strongly cash generative and each format offers, we believe, good returns on capital invested.

During the year, we invested £5.1 million in capital expenditure on new sites and infrastructure and £0.3 million on acquisitions. As at 31 March 2006 the Group's net cash amounted to £7.3 million. In April 2006, £6.9 million was paid in settlement of the GBK earn-out. Immediately following the acquisition of Urban Dining, the Group had net indebtedness of approximately £3.1 million.

We have recently executed a new £19.0 million bank revolving credit facility to support the Group's expansion plans.

### **People**

Our growing team continues to contribute enormously to the growth and success of Clapham House. I thank them all and wholeheartedly welcome those employees who have joined us from Urban Dining and elsewhere. Across the Group, we employ a number of incentive programmes including the use of share options, performance related bonuses and performance recognition awards.

### **Dividends**

No final dividend is being proposed. As described in the Clapham House AIM admission document dated 29 October 2003, it is the Board's policy that, subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, at this stage of the Group's development, our main focus is to deliver capital growth for shareholders.

### **Current trading and outlook**

Trading in the new financial year has commenced satisfactorily. The integration of Urban Dining (Tootsies) is progressing well with some encouraging results from operational improvements. The Board therefore looks forward to the financial results for the current year with confidence.

**David Page**

Chairman

29 August 2006

## Board of Directors

The Directors and Company Secretary of The Clapham House Group PLC are:

### **David Page**

Chairman

David Page was formerly both Chief Executive and Chairman of PizzaExpress plc, having been involved with that company for over 25 years. He was a major shareholder and the managing director of the largest PizzaExpress franchise group prior to its merger with the company-owned restaurants in February 1993. He was Managing Director on the flotation of the business, became Chairman in December 1997 and moved to the position of Chief Executive in February 2002. He was particularly involved in site selection and the strategic development of the company.

### **Paul Campbell ACA**

Chief Executive

Paul Campbell qualified as a chartered accountant with Price Waterhouse, before joining The Capita Group plc where he was Managing Director of Capita Corporate Finance. He was subsequently Chief Executive of Relaxion Group plc, a leisure management company which operated more than 100 leisure, sports and health and fitness centres throughout the UK and also a director of Kunick Plc, a listed company which purchased Relaxion. He joined PizzaExpress plc as Group Finance Director in March 2002.

### **Nicholas Wong ACA**

Group Finance Director and Company Secretary

Nick Wong qualified as a chartered accountant with Baker Tilly. He has spent the majority of his career, prior to joining the Group, specialising in corporate finance, working on a number of due diligence, flotation and acquisition assignments, including the Company's acquisition of The Real Greek Food Company Limited. He joined the Company in May 2004 to head up group finance and was appointed Group Finance Director in September 2005.

### **Sarah Willingham**

Development Director

Sarah Willingham has over ten years' experience in the restaurant industry in a variety of operational, business development and acquisition roles, including responsibility for launching new restaurants, acquisitions and integration at PizzaExpress plc. She joined the Group in April 2004 as Managing Director of The Bombay Bicycle Club and was appointed Development Director in November 2004.

### **Nicholas Donaldson**

Non-executive Director

A barrister by profession, Nick is a partner and co-founder of The Capital Markets Group Limited. Nick was, until 2003, head of corporate finance at Arbutnot Securities Limited and previously held senior investment banking positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is a non-executive director of Games Workshop Group plc and chairman of F4G Software plc.

# Directors' Report

The Directors have pleasure in presenting their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2006.

## Principal activity

The principal activity of the Group is the operation of restaurants and food delivery outlets.

## Objective

The Group's objective is to achieve attractive and sustainable rates of growth and returns through investment in "best of class", popular branded restaurant formats which use high quality fresh ingredients, achieve high customer satisfaction ratings and excellent and consistent professional reviews.

## Review of the business and future developments

Further information about the progress of the business and the Group's corporate activities is given in the Chairman's Statement on pages 4 and 5.

## Results and dividends

The results for the year ended 31 March 2006 are set out in the Group profit and loss account on page 18.

The Group has had another strong year. Turnover increased by 132% to £17,332,000 (2005: £7,458,000). The Group achieved maiden full year profit after taxation amounting to £598,000 (2005: loss £480,000).

As described in the Company's AIM admission document dated 29 October 2003, it is the Board's policy that, subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Company will be in delivering capital growth for shareholders. Therefore the Directors recommend that no dividend be paid for the year ended 31 March 2006.

## Principal risks

The Directors consider the following to be the principal risks faced by the Group:

### *Development programme*

The Group's development programme is dependent on securing the requisite number of new properties. The prime, high footfall restaurant property market is competitive. To mitigate these issues, the Group has an experienced property team concentrating on securing new sites for the Group.

### *Supply chain*

The Group focuses on the freshness and quality of the produce used in its restaurants. It is exposed to potential supply chain disruptions due to the delay or losses of inventory in transit. The Group mitigates this risk through effective supplier selection and appropriate back-up supply chain.

### *Employees*

The Group's performance depends largely on its brand management team and its local managers and staff. The inability to recruit people with the right experience and skills could adversely affect the Group's results. To mitigate these issues the Group has implemented a number of schemes designed to retain key individuals.

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them.

## Directors' Report (continued)

### Financial risk management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not use complicated financial instruments, and where financial instruments are used it is for reducing interest rate risk. The Group does not trade in financial instruments. Group operations are primarily financed from equity funds raised, retained earnings and bank borrowings (including overdraft facilities). In addition to the primary financial instruments, the Group also has other financial instruments such as debtors, prepayments, trade creditors and accruals that arise directly from the Group's operations. Further information is provided in note 24 to the financial statements.

### Directors

The following directors have held office during the year

DM Page

PA Campbell

NCW Wong (appointed 30 September 2005)

SL Willingham

NJ Donaldson

The Directors at the date of this report, together with their biographical details, are set out on page 6.

PA Campbell retires by rotation at this year's annual general meeting and offers himself for re-election. NCW Wong will also offer himself for re-election, in accordance with the Company's Articles of Association.

### Directors' interests in shares

Directors' interests in the shares of the Company, including family interests, were as follows:

Director	As at 31 March 2006		As at 31 March 2005	
	Ordinary shares of 10p each	%	Ordinary shares of 10p each	%
DM Page	1,150,010	5.6%	1,150,010	5.6%
PA Campbell	250,010	1.2%	250,010	1.2%
NCW Wong	-	-%	-	-%
SL Willingham	-	-%	-	-%
NJ Donaldson	100,000	0.5%	100,000	0.5%

The number of ordinary shares held by DM Page and PA Campbell includes 150,000 ordinary shares each under the Restricted Share Plan which is described on page 31.

SL Willingham also holds 10,500 (2005: 10,500) ordinary shares of 1 pence each in CHG 2 Limited trading as The Bombay Bicycle Club, a subsidiary of the Company. This holding represents 9.5% of the issued share capital of CHG 2 Limited. The Company is party to an option agreement with SL Willingham which gives the Company the right to acquire her holding of the issued share capital of CHG 2 Limited.

On 5 May 2006, the following Directors participated in the placing of 13.5 million ordinary shares of the Company described on page 4:

Director	Ordinary shares of 10p each acquired	As at 25 August 2006	
		Total interest in ordinary shares of 10p each	%
DM Page	104,148	1,254,158	3.68%
PA Campbell	14,893	264,903	0.78%
NCW Wong	5,319	5,319	0.02%
SL Willingham	-	-	-
NJ Donaldson	13,297	113,297	0.33%

Details of the Directors' interests in share options during the year are disclosed in the Directors' Remuneration Report on pages 13 to 15.

### Directors' liability insurance and indemnity

The Company has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also indemnifies the Directors.

### Substantial shareholders

Directors' interests in the shares of the Company have been disclosed above. On 25 August 2006, the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company:

	Ordinary shares of 10p each	As at 25 August 2006	
			%
Schroder Investment Management Limited	4,760,000		13.96%
FMR Corp and Fidelity International Limited	3,122,586		9.16%
Henderson Global Investors Limited	1,450,000		4.25%

No other person has reported an interest of more than 3% in the ordinary shares.

### Employment policy

The Group's policies respect the individual regardless of gender, age, race or religion. Where reasonable and practical under the existing legislation, all persons, including disabled persons, have been treated fairly and consistently, including matters relating to employment, training and career development.

The Group takes a positive view of employee communication and has established systems for employee consultation and communication of developments. The Group operates employee share schemes and a number of profit-related pay schemes as a means of further encouraging the involvement of employees in the Group's performance.

Following the acquisition of Urban Dining PLC, the Company ceased to qualify to grant EMI share options under the Enterprise Management Incentive ("EMI") share option plan and propose as special business at this year's annual general meeting a resolution to introduce a new HM Revenue & Customs approved share option plan, The Clapham House Group PLC Approved Share Option Plan 2006 ("the Plan"), in order to allow selected employees to share in the success of the Group and promote motivation and retention. The Plan offers the opportunity of providing tax efficient share options. Details of the Plan is set out in the notice convening the annual general meeting on pages 38 to 40.

### Environmental policy

The Group acknowledges the importance of environmental matters within its role in the community. The Board reviews on an ongoing basis the development of initiatives to reduce the impact on the environment from the operations of the Group and is working with several key suppliers and external consultants to ensure environmental concerns are considered in conjunction with economic factors. In particular, the Group looks to reduce noise effects from plant at new restaurants, to reduce the production of waste in its operations and to maximise efficiency of water consumption and the use of non-renewable fuels.

### Political and charitable contributions

During the period the Group made no political or charitable contributions. Charitable events are organised by restaurants and delivery kitchens for organisations in their locality.

### Supplier payment policy

The Group's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. The Group does not follow a standard code for dealing specifically with the payments of creditors. At 31 March 2006, the Group had an average of 38 days (2005: 31 days) purchases outstanding in trade creditors.

## Directors' Report (continued)

### Post balance sheet event

On 7 April 2006, the Company paid the agreed £6,910,000 in cash as final consideration for the acquisition of the entire issued share capital of Gourmet Burger Kitchen Limited.

Following the year end, the Company completed a placing of shares and the acquisition of the entire issued share capital of Urban Dining PLC. The details of these transactions are shown on pages 4 and 36.

### Annual general meeting

On pages 38 to 40 is a notice convening the annual general meeting of the Company for 22 September 2006 and the notice sets out the resolutions to be voted at that meeting. The Board believes that the proposed resolutions to be put to the annual general meeting to be held on 22 September 2006 are in the best interests of shareholders and, accordingly, recommends that shareholders vote in favour of the resolutions.

### Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

### Going concern

After making reasonable enquiries, the Board consider that the Company and Group has adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

### Auditors

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

### By order of the Board

**Nicholas Wong ACA**

Company Secretary

29 August 2006

## Statement on Corporate Governance

The Board of The Clapham House Group PLC appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. The Board supports the Code Provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") issued by the UK Listing Authority in June 1998 so far as it is appropriate to the Group's stage of development. Whilst the Combined Code has been superseded by the recommendations of the Higgs Report with respect to companies with financial years commencing after 1 November 2003, these recommendations are not mandatory for AIM companies.

Set out below is a summary of how, at 31 March 2006, the Group was dealing with corporate governance issues.

### Board Structure

The Board of Directors set up to control the Company consists of four executive Directors and one non-executive Director. The non-executive Director is independent of the Company. David Page is Chairman of the Board. The Directors' biographies appear on page 6.

The full Board meets at least nine times per year to discuss the Company's and the Group's performance, strategic decisions and potential acquisitions. Each Board member receives the latest financial information available on the Company and the Group consisting of management accounts and relevant comparisons to budget and previous year accounts. A description of current trading is given by the executive Directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires each of them to offer himself or herself for re-election at least once every three years.

The executive Directors meet on a regular basis and deal with decisions that do not require full Board approval.

As described in the Company's AIM admission document dated 29 October 2003, Audit, Nomination and Remuneration Committees have not been established. Nevertheless, at the present time, the Board feels that decisions can be made effectively without these committees in place. The Board intends to review the establishment of such committees in the near future.

### Directors' Remuneration

As described in the Company's AIM admission document dated 29 October 2003, a remuneration committee has not yet been established. The full Board meets and considers the policy on executive remuneration; no Director is involved in deciding his own remuneration. The executive Directors' current remuneration consists of basic salary and benefits, incentive bonus schemes and share incentive schemes. The statement of remuneration policy and details of each Director's remuneration are set out in the Report on Directors' Remuneration.

### Shareholder Relations

The Directors meet and discuss the performance of the Company with shareholders during the year. Queries raised by shareholders are promptly answered by whoever on the Board is best placed to do so.

Investors are encouraged to participate in the Annual General Meeting at which the Chairman will present a review of the results and comment on current business activity. The Board will be available at the Annual General Meeting to answer shareholder questions.

The next Annual General Meeting will be held on 22 September 2006. The notice of the Annual General Meeting may be found on pages 38 to 40.

### Internal Control

The Board is responsible for ensuring that the Company has in place a system of internal controls and for reviewing its effectiveness. In this context, control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

## Statement on Corporate Governance (continued)

The Company operates a sound system of internal financial control and risk management, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. The Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other, ad hoc, reports. There are clearly defined authority limits throughout the Company and its subsidiaries including those matters which are reserved specifically for the Board. The Board has responsibility for the system of internal financial control and an annual review of the same is undertaken.

The Combined Code extended the internal financial control provisions to require the Directors to review the effectiveness of the Company's entire system of internal control, including financial, operational, compliance and risk management. The ICAEW published "Internal Controls: Guidance for Directors on the Combined Code", known as "The Turnbull Guidance", in September 1999, on how to apply the Code principle D2 and provisions D2.1 and D2.2.

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Given the Company's size and the nature of its business, the Board does not consider it would be appropriate to have its own internal audit function. An internal audit function will be established as and when the Group is of an appropriate size but meanwhile the audit of internal financial controls form part of the responsibilities of the Company's finance function.

### Independence of Auditors

The Board undertakes a formal assessment of the auditors' independence each year which includes:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties which could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgment, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 3 to the financial statements.

### By order of the Board

**David Page**

Chairman

29 August 2006

# Report on Directors' Remuneration

## Introduction

The Board of The Clapham House Group PLC has resolved that the Company, whilst trading on the Alternative Investment Market, should prepare this report in accordance with the Directors' Remuneration Report Regulations 2002 as best applicable to the Company given its size, notwithstanding that these Regulations do not apply to the Company. The report describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company before which the financial statements will be laid.

## Remuneration Committee

As described in the Statement on Corporate Governance on pages 11 and 12, the Remuneration Committee has not yet been established. This will be reviewed in the near future.

## Remuneration Policy

The Company's executive remuneration packages are designed to attract, motivate and retain personnel of the high calibre needed to create value for shareholders. There are three components to the executive Directors' remuneration, being basic salary and benefits, annual bonus scheme and share incentive schemes. Salaries were initially set below market levels and these have been reviewed after each restaurant format acquisition and will continue to be reviewed at appropriate intervals. Similarly, the bonus scheme for the executive Directors was initially based on the acquisition of restaurant formats. The bonus scheme was reviewed by the Board after three restaurant formats were acquired and has been aligned with shareholders' interests, the principal measure of which is Group profitability. The performance measurement of the executive Directors and key members of senior management and the determination of their annual remuneration packages are currently undertaken by the Board. The remuneration of the non-executive Director is determined by the Board, within the limits set out in the Articles of Association.

## Directors' Service Agreements

With effect from 28 October 2003, DM Page and PA Campbell each entered into service agreements with The Clapham House Group PLC for one year with an initial salary of £75,000 per annum, to be reviewed subsequent to each corporate acquisition. These were last reviewed in May 2006 with increases from 1 April 2006. These service agreements will continue subject to either party giving the other 12 months' written notice terminable at any time. NJ Donaldson entered into an agreement with the Company with effect from 28 October 2003 which will continue until such time as the agreement is terminated by either party on three months' notice. NJ Donaldson's initial fee of £10,000 per annum is subject to review as the scale of the business increases. This was reviewed in May 2006 with increases from 1 April 2006. SL Willingham's service contract is governed by her service contract with CHG 2 Limited, a subsidiary of the Company, terminable by either party giving 12 months' written notice. Her remuneration varies with the number of sites opened by The Bombay Bicycle Club, up to a maximum of 20 sites. NCW Wong entered into an agreement with the Company with effect from May 2004 which will continue until such time as the agreement is terminated by either party on three months' notice. NCW Wong's salary is subject to review on an annual basis, the last review being in May 2006 with increases from 1 April 2006.

## Incentive Arrangements

The Directors and employees of the Company also participate in incentive arrangements to reward individuals if shareholder value is created.

Under these arrangements certain Directors and employees are entitled to performance related bonuses and participation in an approved and an unapproved share option scheme. The Chairman and Chief Executive also participate in the Restricted Share Scheme.

## Report on Directors' Remuneration (continued)

### Directors' Remuneration

	Year ended 31 March 2006				Year ended
	Salary or fees £'000	Bonus £'000	Benefits £'000	Total £'000	31 March 2005 Total £'000
<i>Executive Directors</i>					
DM Page	155	-	3	158	234
PA Campbell	165	-	4	169	236
NCW Wong	58	-	-	58	-
SL Willingham	54	18	-	72	56
<i>Non-executive Director</i>					
NJ Donaldson	26	-	-	26	26
	458	18	7	483	552

NJ Donaldson received part of his remuneration as fees amounting to £16,000 (2005: £26,000) for his services as non-executive Director via his company, Deep Powder Limited. SL Willingham received fees of £Nil (2005: £10,000) for her services on the acquisition of The Bombay Bicycle Club via her company, Sarah Willingham Limited.

### Directors' Share Options

The interests of the Directors under the Company's share option schemes as at 31 March 2006 were as follows:

	Options outstanding 31 March 2005	Options granted during year	Options outstanding 31 March 2006	Exercise Price £	Exercisable Date	Expiry Date
<i>Approved</i>						
DM Page	100,000	-	100,000	1.000	7/11/2006	7/11/2013
PA Campbell	100,000	-	100,000	1.000	7/11/2006	7/11/2013
NCW Wong	69,200	-	69,200	1.445	8/06/2007	8/06/2014
SL Willingham	70,000	-	70,000	1.310	2/04/2007	2/04/2014
NJ Donaldson	-	-	-	-	-	-
<i>Unapproved</i>						
DM Page	617,647	-	617,647	1.000	7/11/2006	7/11/2013
	294,000	-	294,000	1.445	8/06/2007	8/06/2014
	-	700,000	700,000	1.880	31/03/2009	31/03/2016
PA Campbell	617,647	-	617,647	1.000	7/11/2006	7/11/2013
	294,000	-	294,000	1.445	8/06/2007	8/06/2014
	-	700,000	700,000	1.880	31/03/2009	31/03/2016
NCW Wong	800	-	800	1.445	8/06/2007	8/06/2014
	20,000	-	20,000	1.365	24/09/2007	24/09/2014
	-	40,000	40,000	1.375	20/09/2008	20/09/2015
	-	150,000	150,000	1.880	31/03/2009	31/03/2016
SL Willingham	-	45,000	45,000	1.880	31/03/2009	31/03/2016
NJ Donaldson	21,645	-	21,645	1.155	23/01/2007	23/01/2014
	8,500	-	8,500	1.445	8/06/2007	8/06/2014
	-	20,000	20,000	1.880	31/03/2009	31/03/2016

All share options have been issued at the market price of the ordinary shares at the date of grant. The market price of ordinary shares in the Company during the year ended 31 March 2006 ranged from £1.22 to £2.11 (2005: £1.20 to £1.70). The share price as at 31 March 2006 was £2.02 (2005: £1.475).

**Directors' Interests in Restricted Shares Plan**

The interests of the Directors under the Company's Restricted Shares Plan as at 31 March 2006 were as follows:

	Restricted Shares outstanding at 31 March 2005 and 2006	Market price at date of award £	Vesting Date
DM Page	150,000	1.000	7/11/2006
PA Campbell	150,000	1.000	7/11/2006
NCW Wong	-	-	-
SL Willingham	-	-	-
NJ Donaldson	-	-	-

The conditions subject to which allocations of shares vest under this plan are described on page 31.

Details of the Directors' shareholdings are given in the Directors' Report on page 8.

**Approval**

This report was approved by the Board of Directors on 29 August 2006 and signed on its behalf by:

**David Page**

Chairman

29 August 2006

## Directors' Responsibilities in the Preparation of Financial Statements

The Directors are responsible for preparing the Company's annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare financial statements for each financial year which 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. In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates which are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records 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 requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditors' Report

to the Members of The Clapham House Group PLC

We have audited the financial statements on pages 18 to 36.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters 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 our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Report, the Statement on Corporate Governance and the Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2006 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

## BAKER TILLY

Registered Auditor  
Chartered Accountants

2 Bloomsbury Street  
London WC1B 3ST

29 August 2006

# Consolidated Profit and Loss Account

for the year ended 31 March 2006

	Notes	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
<b>Turnover</b>	1	17,332	7,458
Cost of sales		(11,459)	(5,432)
Gross profit		5,873	2,026
Administrative expenses – excluding exceptional costs		(5,173)	(3,134)
<b>Operating profit/(loss) before exceptional costs</b>		700	(1,108)
Exceptional costs	2	(437)	(165)
<b>Operating profit/(loss)</b>	3	263	(1,273)
Investment income	4	463	682
Interest payable	5	(42)	(14)
<b>Profit/(loss) on ordinary activities before taxation</b>		684	(605)
Taxation	7	(86)	125
<b>Profit/(loss) for the year</b>		598	(480)
<b>Earning/(loss) per share</b>			
Basic	9	2.93p	(2.50p)
Diluted	9	2.86p	(2.50p)

The operating profit for the year arises from the Group's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Balance Sheets

31 March 2006

	Notes	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
<b>Fixed assets</b>					
Intangible assets	10	14,089	17,850	-	-
Tangible assets	11	9,681	5,428	65	62
Investments	12	-	-	14,556	18,341
		23,770	23,278	14,621	18,403
<b>Current assets</b>					
Stocks	13	416	210	-	-
Debtors	14	1,300	672	7,583	3,640
Cash at bank and in hand		8,035	12,369	7,928	12,147
		9,751	13,251	15,511	15,787
<b>Creditors</b>					
Amounts falling due within one year	15	(10,145)	(2,901)	(7,197)	(746)
<b>Net current (liabilities)/assets</b>		<b>(394)</b>	<b>10,350</b>	<b>8,314</b>	<b>15,041</b>
<b>Total assets less current liabilities</b>		<b>23,376</b>	<b>33,628</b>	<b>22,935</b>	<b>33,444</b>
<b>Creditors</b>					
Amounts falling due after more than one year	16	(1,574)	(12,918)	(1,148)	(12,418)
<b>Provisions for liabilities and charges</b>	17	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>21,802</b>	<b>20,694</b>	<b>21,787</b>	<b>21,026</b>
<b>Capital and reserves</b>					
Called up share capital	18	2,029	1,995	2,029	1,995
Share premium	19	20,039	19,563	20,039	19,563
Profit and loss account	19	(266)	(864)	(281)	(532)
<b>Equity shareholders' funds</b>	20	<b>21,802</b>	<b>20,694</b>	<b>21,787</b>	<b>21,026</b>

The financial statements on pages 18 to 36 were approved by the board of Directors and authorised for issue on 29 August 2006 and are signed on its behalf by:

**David Page**  
Chairman

# Consolidated Cash Flow Statement

for the year ended 31 March 2006

	Notes	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net cash flow from operating activities	21A	604	(268)
Returns on investments and servicing of finance	21B	421	668
Taxation		(59)	(18)
Capital expenditure and financial investment	21B	(5,065)	(3,285)
Acquisitions and disposals	21B	(325)	(4,772)
Cash outflow before use of liquid resources and financing		(4,424)	(7,675)
Management of liquid resources	21B	(6,910)	-
Financing	21B	(61)	6,636
<b>Decrease in cash in the year</b>		<b>(11,395)</b>	<b>(1,039)</b>

## Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Decrease in cash in the year		(11,395)	(1,039)
Cash flow from increase in liquid resources		6,910	-
Cash outflow from change in debt		71	129
Change in net funds resulting from cash flows		(4,414)	(910)
Debt acquired with subsidiary		-	(701)
Movement in net debt in the year		(4,414)	(1,611)
Net funds at the beginning of the year		11,726	13,337
<b>Net funds at end of the year</b>	21C	<b>7,312</b>	<b>11,726</b>

# Accounting Policies

## Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

## Basis of Consolidation

The consolidated financial statements incorporate those of The Clapham House Group PLC and all of its subsidiary undertakings for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

## Intangible Fixed Assets

Intangible fixed assets which mainly comprise trademarks and licences are stated at historical cost less amortisation. Amortisation is provided in order to write off each asset over its estimated useful life at a rate of 5% to 10% straight line.

## Goodwill and Amortisation

Goodwill being the excess of the cost of an acquisition over the fair value attributed to the net assets at acquisition is capitalised.

The useful economic life of the goodwill arising on each acquisition is determined at the time of the acquisition.

The Directors consider that it is appropriate to assign an indefinite life to the goodwill which arose on the acquisition of The Real Greek Food Company Limited, The Bombay Bicycle Club and Gourmet Burger Kitchen Limited during the period in view of the strength of the brand of the three businesses developed over previous years of trading, and the Board's plans to continue the brand development. These attributes are deemed to have indefinite durability, which has been determined based on the following factors: the ability to replicate and expand the business; and the long life span of the brand and its ethos.

Goodwill is not being amortised through the profit and loss account; however, it is subject to annual impairment reviews in accordance with Financial Reporting Standard 11. Impairment of the goodwill is evaluated by comparing the present value of the expected future cash flows, excluding financing and tax (the 'value-in-use') to the carrying value of the underlying net assets and goodwill. If the net assets and goodwill were to exceed the value-in-use, an impairment would be deemed to have occurred and the resulting write-down in the goodwill would be charged to the profit and loss account immediately. Where write-down of goodwill relates to a revision of the estimated deferred consideration, the write down will be matched by a corresponding decrease in deferred consideration recognised as a creditor, thus resulting in no charge to the profit and loss account.

Paragraph 28 of schedule 9 to the Companies Act 1985 requires that all goodwill carried on the balance sheet should be amortised. In the case of the goodwill arising on the acquisition of The Real Greek Food Company Limited, The Bombay Bicycle Club and Gourmet Burger Kitchen Limited, the Directors consider it appropriate to depart from this requirement in order to comply with the over-riding requirement for the accounts to show a true and fair view. If the goodwill was amortised over a period of 20 years, profit before tax for the period ended 31 March 2006 would be £613,000 (2005: £625,000) lower, with a corresponding reduction in reserves of £1,238,000 (2005: £726,000); intangible assets on the balance sheet would also be £1,238,000 (2005: £726,000) lower.

## Tangible Fixed Assets

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold properties and improvements	over lease term or renewal term
Plant and equipment	20% to 33% straight line
Furniture, fixtures and fittings	10% straight line
Motor vehicles	20% to 25% straight line

Depreciation is charged from the date when the asset is brought into use.

## Accounting Policies (continued)

### Investments

Long term investments in subsidiary undertakings are classified as fixed assets and stated at cost in the Company's balance sheet. Provision is made for any impairment in the value of fixed asset investments.

### Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

### Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

### Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### Leased Assets and Obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the period to first rent review.

### Retirement Benefits

The amount charged to the profit and loss account in respect of pension costs is the contributions payable to money purchase schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Turnover

Turnover represents the value, net of Value Added Tax, of goods sold and services provided to customers outside the Group.

### Parent Company

In accordance with Section 230(3) of the Companies Act 1985 a separate profit and loss account for the parent company is not presented.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2006

## 1 Turnover and Profit/(Loss) on Ordinary Activities Before Taxation

The turnover and profit/(loss) for the year are attributable to the principal activity of the Group, which is carried on within the United Kingdom.

## 2 Exceptional Costs

The exceptional costs for the years ended 31 March 2006 and 2005 represent the costs incurred up to the date of opening a new restaurant that are written off to the profit and loss account in the period in which they are incurred.

## 3 Operating Profit/(Loss)

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	788	267
Amortisation of owned intangible fixed assets	3	1
(Profit)/loss on disposal of tangible fixed assets	(2)	11
Operating lease rentals:		
Land and buildings	1,209	493
Exceptional costs (note 2)	437	165

Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Audit services		
- statutory audit	53	41
Other services		
- Taxation consultancy	13	-
- Share option scheme advice	2	-
- Acquisition due diligence	38	82
- Share placing	-	6
	106	129

Amounts relating to acquisition due diligence have been capitalised as part of costs relating to business acquisitions.

## 4 Investment Income

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Bank interest receivable	463	682

## Notes to the Consolidated Financial Statements (continued)

### 5 Interest Payable

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Interest payable on bank loans and overdrafts	(42)	(14)

### 6 Employees

	Year ended 31 March 2006 No.	Year ended 31 March 2005 No.
--	------------------------------------	------------------------------------

The average monthly number of persons (including Directors) employed by the Group during the year was:

Administration and management	32	20
Restaurants and distribution	490	260
	522	280

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
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Staff costs for above persons:

Wages and salaries	7,017	2,695
Social security costs	617	548
Pension contributions	118	51
	7,752	3,294

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
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*Directors' Remuneration*

Emoluments	483	552
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No Director received any pension benefits.

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
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Highest paid director:

Aggregate emoluments	169	236
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**7 Taxation**

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Based on the result for the year:		
UK corporation tax at 30% (2005: 30%)	121	1
(Over)/under provision in earlier years	(11)	2
<b>Total current tax</b>	<b>110</b>	<b>3</b>
Deferred taxation:		
Origination and reversal of timing differences	(24)	(128)
<b>Taxation payable/(receivable)</b>	<b>86</b>	<b>(125)</b>

## Factors affecting tax charge for year:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Profit/(loss) on ordinary activities before tax	684	(605)
Profit/(loss) on ordinary activities multiplied by standard rate of 30% (2005: 30%)	205	(181)
Expenses not deductible for tax purposes	44	15
Capital allowances in excess of depreciation for the period	(67)	(31)
Tax losses not utilised	(60)	-
Tax losses available for relief net of group relief	-	198
Benefit of marginal relief	(1)	-
Adjustment of tax charge in respect of previous periods	(11)	2
<b>Current tax charge for year</b>	<b>110</b>	<b>3</b>

**8 Profit/(Loss) Attributable to Members of the Parent Company**

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Dealt with in the financial statements of the parent company	251	(167)
Retained by group undertakings	347	(313)
	<b>598</b>	<b>(480)</b>

**9 Earnings/(Loss) Per Share**

Basic earnings per ordinary share is based on the profit for the year of £598,000 (2005: Loss £480,000) and on 20,423,047 (2005: 19,138,612) ordinary shares of 10p each being the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is based on the profit for the year of £598,000 and on 20,920,219 shares of 10p each being the weighted average number of shares in issue during the period after allowing for the dilutive effect of the conversion into ordinary shares of options outstanding during the period.

For the year ended 31 March 2005, basic and diluted earnings per share were the same as there are no potential ordinary shares that would increase net loss per share from continuing operations in the period.

## Notes to the Consolidated Financial Statements (continued)

### 10 Intangible Fixed Assets

GROUP	Trademarks and licences £'000	Goodwill £'000	Total £'000
Cost			
1 April 2005	25	17,827	17,852
Additions	27	75	102
Adjustments to estimated deferred consideration	-	(3,860)	(3,860)
31 March 2006	52	14,042	14,094
Amortisation			
1 April 2005	2	-	2
Charged in the year	3	-	3
31 March 2006	5	-	5
Net book value			
31 March 2006	47	14,042	14,089
31 March 2005	23	17,827	17,850

### 11 Tangible Fixed Assets

GROUP	Short term leasehold properties £'000	Assets In the Course of Construction £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
1 April 2005	3,318	1,311	561	476	45	5,711
Additions	3,218	946	607	178	100	5,049
Reclassification	1,282	(1,311)	21	8	-	-
Disposals	-	-	(7)	(1)	(7)	(15)
31 March 2006	7,818	946	1,182	661	138	10,745
Accumulated depreciation						
1 April 2005	109	-	84	88	2	283
Charge in the year	376	-	273	105	34	788
Disposals	-	-	(3)	-	(4)	(7)
31 March 2006	485	-	354	193	32	1,064
Net book value						
31 March 2006	7,333	946	828	468	106	9,681
31 March 2005	3,209	1,311	477	388	43	5,428

**11 Tangible Fixed Assets (continued)**

COMPANY	Short term leasehold properties £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
1 April 2005	15	55	9	79
Additions	4	32	2	38
Disposals	-	(5)	(1)	(6)
31 March 2006	19	82	10	111
Accumulated depreciation				
1 April 2005	2	14	1	17
Charged in the year	9	22	1	32
Disposals	-	(3)	-	(3)
31 March 2006	11	33	2	46
Net book value				
31 March 2006	8	49	8	65
31 March 2005	13	41	8	62

**12 Fixed Assets Investments**

	Group £'000	Company £'000
Investment in subsidiary undertakings		
Cost and net book value		
1 April 2005	-	18,341
Additions	-	75
Adjustments to estimated deferred consideration	-	(3,860)
31 March 2006	-	14,556

## Notes to the Consolidated Financial Statements (continued)

### 12 Fixed Assets Investments (continued)

Name of subsidiary	Class of Holding	Proportion of shares held	Nature of business
CHG 2 Limited **	Ordinary	90.5%	Operation of restaurants and delivery kitchens
CHG 3 Limited	Ordinary	100%	Dormant
CHG Brands Limited	Ordinary	100%	Brand development
CHG 5 Limited	Ordinary	100%	Dormant
GBK Franchises Limited	Ordinary	100%	Franchising
Gourmet Burger Kitchen Limited	Ordinary	100%	Operation of restaurants
Gourmet Burger Limited *	Ordinary	100%	Dormant
Nilecroft Limited *	Ordinary	100%	Dormant
Odsey Limited *	Ordinary	100%	Dormant
Overpark Limited *	Ordinary	100%	Dormant
The Real Greek Food Company Limited	Ordinary	100%	Operation of restaurants
The Real Greek Wine Company Limited *	Ordinary	100%	Dormant
Seahawk Limited *	Ordinary	100%	Dormant
Souvlaki & Bar Limited *	Ordinary	100%	Dormant

\* Held by subsidiary undertakings

\*\* The Group is party to an option agreement with SL Willingham which gives the Group the right to acquire the remaining 9.5% of the issued share capital of CHG 2 Limited. The Group has therefore consolidated CHG 2 Limited as 100% wholly owned.

All subsidiaries are unlisted and are registered in England and Wales.

### 13 Stock

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Raw materials and consumables	416	210	-	-

### 14 Debtors

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Due within one year:				
Trade debtors	172	50	2	31
Other debtors	364	197	24	15
Deferred taxation (see Note 17)	8	-	78	-
Amounts owed by subsidiary undertakings	-	-	73	-
Prepayments and accrued income	756	425	176	21
	1,300	672	353	67
Due in over one year:				
Amounts owed by subsidiary undertakings	-	-	7,230	3,573
	1,300	672	7,583	3,640

**15 Creditors: Amounts falling due within one year**

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Bank loans and overdrafts	298	143	-	-
Trade creditors	1,252	1,132	169	205
Corporation tax	110	59	-	-
Other taxation and social security	774	377	44	100
Other creditors	7,178	395	6,911	250
Amounts owed to subsidiary undertakings	-	-	24	-
Accruals and deferred income	533	795	49	191
	10,145	2,901	7,197	746

**16 Creditors: Amounts falling due in more than one year**

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Bank loans	425	500	-	-
Other creditors	1,149	12,418	1,148	12,418
	1,574	12,918	1,148	12,418

Other creditors falling due within one year of £6,910,000 (2005: £250,000) and falling due in more than one year of £1,149,000 (2005: £12,418,000) relate to the estimated deferred consideration payable to the respective vendors on the acquisition of The Real Greek Food Company Limited and The Bombay Bicycle Club, based on the adjusted profits before taxation in the respective periods, and Gourmet Burger Kitchen Limited based on the adjusted earnings before interest, taxation, depreciation and amortisation. The obligations in respect of the deferred consideration payable on the acquisition of The Real Greek Food Company Limited, capped at £7,950,000, and Gourmet Burger Kitchen Limited, capped at £6,910,000, are secured on the issued share capital of the respective acquired businesses.

**Analysis of Loans:**

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
The bank loans and overdrafts are repayable within:				
One year	298	143	-	-
More than one year but not more than two years	81	76	-	-
More than two years but not more than five years	282	262	-	-
More than five years	62	162	-	-
	723	643	-	-

A bank overdraft of £209,000 (2005: £47,000) is secured by a debenture giving fixed and floating charges over the assets of The Real Greek Food Company Limited. A bank overdraft in CHG 2 Limited of £13,000 (2005: £24,000) is unsecured. A bank loan in Gourmet Burger Kitchen Limited of £501,000 (2005: £572,000) is secured by fixed and floating charges over all assets of Gourmet Burger Kitchen Limited.

## Notes to the Consolidated Financial Statements (continued)

### 17 Provision for Liabilities and Charges

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Deferred taxation				
1 April 2005	16	6	-	-
Balance acquired with subsidiary undertaking	-	138	-	-
Transfer from profit and loss account	(24)	(128)	(78)	-
<b>(Asset)/liability at 31 March 2006</b>	<b>(8)</b>	<b>16</b>	<b>(78)</b>	<b>-</b>

The asset/liability disclosed above relates primarily to accelerated capital allowances and trading losses carried forward.

A deferred tax asset of £Nil (2005: £87,000) relating to the Company and Group has not been recognised in the financial statements in respect of accumulated losses of £Nil (2005: £532,000).

### 18 Share Capital

	2006 £'000	2005 £'000
Authorised:		
50,000 redeemable shares of £1 each	50	50
40,000,000 (2005: 40,000,000) ordinary shares of 10p each	4,000	4,000
	<b>4,050</b>	<b>4,050</b>
Allotted, issued called up and fully paid:		
20,293,002 (2005: 19,954,020) ordinary shares of 10p each	2,029	1,995
Allotted, issued and uncalled		
300,000 ordinary shares of 10p each	-	-
	<b>2,029</b>	<b>1,995</b>

On 30 September 2005, the Company issued 338,982 ordinary shares of 10 pence each at £1.475 each as part consideration for the earn out payable on the acquisition of Gourmet Burger Kitchen Limited.

## 18 Share Capital (continued)

### Share options

The Company has two share option schemes. Outstanding share options to acquire ordinary shares of 10 pence each as at 31 March 2006 are as follows:

	Outstanding	Date granted	Exercise Price £	Exercise Date
Approved	200,000	Nov 2003	1.000	7 Nov 2006 to 2013
	25,974	Jan 2004	1.155	23 Jan 2007 to 2014
	70,000	Apr 2004	1.310	2 Apr 2007 to 2014
	90,700	Jun 2004	1.445	8 Jun 2007 to 2014
	2,000	Jun 2004	1.445	21 Jun 2007 to 2014
	10,000	Sep 2004	1.365	24 Sep 2007 to 2014
	10,000	Dec 2004	1.395	3 Dec 2007 to 2014
	71,174	Jun 2005	1.405	30 Jun 2008 to 2015
	73,000	Sep 2005	1.375	20 Sep 2008 to 2015
	150,000	Oct 2005	1.475	3 Oct 2008 to 2015
	52,631	Jan 2006	1.900	9 Jan 2009 to 2016
	52,126	Mar 2006	1.880	31 Mar 2009 to 2016
Unapproved	1,235,294	Nov 2003	1.000	7 Nov 2006 to 2013
	21,645	Jan 2004	1.155	23 Jan 2007 to 2014
	10,000	Apr 2004	1.310	2 Apr 2007 to 2014
	600,800	Jun 2004	1.445	8 Jun 2007 to 2014
	20,000	Sep 2004	1.365	24 Sep 2007 to 2014
	71,174	Jun 2005	1.405	30 Jun 2008 to 2015
	58,200	Sep 2005	1.375	20 Sep 2008 to 2015
	68,421	Jan 2006	1.900	9 Jan 2009 to 2016
	1,863,874	Mar 2006	1.880	31 Mar 2009 to 2016

All share options were issued at market value on the date of grant.

### Restricted Shares Plan

On 7 November 2003, the Company issued 300,000 ordinary shares of 10 pence each uncalled at 10 pence each under the Restricted Share Plan to the executive Directors. The ordinary shares had a market value on the date of issue of £1 each. All of these shares are subject to certain restrictions which apply for three years from the date of issue. During the restricted period:

- the shares may not be sold, transferred or in any way pledged;
- the share certificates are retained by the Company until the end of the restriction period;
- the shares do not have any voting rights until the end of the restricted period;
- if the executive Director leaves employment as a "bad leaver", all restricted shares will be transferred to the Company at the acquisition price;
- if the executive Director leaves employment as a "good leaver", the restricted period shall end on the date on which employment or directorship is terminated.

During the year ended 31 March 2006, the market price of ordinary shares in the Company ranged from £1.22 to £2.11 (2005: £1.20 to £1.70). The share price as at 31 March 2006 was £2.02 (2005: £1.475).

## Notes to the Consolidated Financial Statements (continued)

### 19 Reserves

	Share Premium £'000	Profit and Loss £'000
GROUP		
1 April 2005	19,563	(864)
Premium on shares issued	466	-
Cost of shares issued	10	-
Profit for the year	-	598
31 March 2006	20,039	(266)
COMPANY		
1 April 2005	19,563	(532)
Premium on shares issued	466	-
Cost of shares issued	10	-
Profit for the year	-	251
31 March 2006	20,039	(281)

### 20 Reconciliation of Movement in Shareholders' Funds

	2006 £'000	2005 £'000
GROUP		
Ordinary shares issued (net of expenses)	510	7,048
Profit/(loss) for the financial year	598	(480)
Net addition to shareholders' funds	1,108	6,568
Opening shareholders' funds	20,694	14,126
Closing shareholders' funds	21,802	20,694
COMPANY		
Ordinary shares issued (net of expenses)	510	7,048
Profit/(loss) for the financial year	251	(167)
Net addition to shareholders' funds	761	6,881
Opening shareholders' funds	21,026	14,145
Closing shareholders' funds	21,787	21,026

## 21 Cash Flows

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
<b>A Reconciliation of operating profit to net cash outflow from operating activities</b>		
Operating profit/(loss)	263	(1,273)
Depreciation and amortisation	791	268
(Profit)/loss on disposal of tangible fixed assets	(2)	11
Increase in stocks	(207)	(81)
Increase in debtors	(617)	(265)
Increase in creditors	376	1,072
<b>Net cash inflow/(outflow) from operating activities</b>	<b>604</b>	<b>(268)</b>
<b>B Analysis of cash flows for headings netted in the cash flow</b>		
<b>Returns on investments and servicing of finance</b>		
Interest received	463	682
Interest paid	(42)	(14)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>421</b>	<b>668</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(5,049)	(3,274)
Purchase of intangible fixed assets	(27)	(19)
Sale of tangible fixed assets	11	8
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(5,065)</b>	<b>(3,285)</b>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertakings (including costs)	(325)	(5,036)
Net cash acquired with subsidiaries	-	264
<b>Net cash outflow from acquisition</b>	<b>(325)</b>	<b>(4,772)</b>
<b>Management of liquid resources</b>		
Increase in short term deposits	6,910	-
<b>Financing</b>		
Capital repayments on bank loans	(71)	(129)
Gross proceeds of ordinary shares issued	-	7,000
Issue costs	10	(235)
<b>Net cash (outflow)/inflow from financing</b>	<b>(61)</b>	<b>6,636</b>

## Notes to the Consolidated Financial Statements (continued)

### 21 Cash Flows (continued)

#### C Analysis of net funds

	At 1 April 2005 £'000	Cash flow £'000	Other Movements £'000	At 31 March 2006 £'000
Cash in hand, at bank	12,369	(11,244)	-	1,125
Overdrafts	(71)	(151)	-	(222)
	12,298	(11,395)	-	903
Short term deposits	-	6,910	-	6,910
Debt due within 1 year	(72)	71	(75)	(76)
Debt due after 1 year	(500)	-	75	(425)
<b>Total net funds</b>	<b>11,726</b>	<b>(4,414)</b>	<b>-</b>	<b>7,312</b>

Cash at bank and in hand of £8,035,000 (2005: £12,369,000) on the Group's balance sheet includes short term deposits of £6,910,000 (2005: £Nil) which was not classified as cash under FRS1 for the purposes of the cash flow statement.

#### D Major non-cash transactions

The only material non-cash transaction that occurred during the period was the issue of 338,982 ordinary shares to satisfy part of the deferred earn out consideration on the acquisition of Gourmet Burger Kitchen Limited.

### 22 Commitments under Operating Leases

#### GROUP

The Group had annual commitments under non-cancellable operating leases as follows:

	2006 £'000	2005 £'000
Land and buildings		
Expiring within one year	48	1
Expiring between one and two years	-	66
Expiring between two and five years	18	18
Expiring after five years	1,680	1,040
	1,746	1,125
Others		
Expiring within one year	7	8
Expiring between one and two years	9	14
Expiring between two and five years	35	35
	51	57

Included above are certain annual lease commitments relating to subsidiary companies that have been guaranteed by the parent company.

**22 Commitments Under Operating Leases (continued)**

## COMPANY

The Company had annual commitments under non-cancellable operating leases as follows:

	2006 £'000	2005 £'000
Land and buildings		
Expiring within one year	48	1
Expiring between one and two years	-	66
	48	67

**23 Capital Commitments**

	2006 £'000	2005 £'000
Capital expenditure contracted for but not provided in the financial statements	2,214	927

**24 Financial Instruments**

The Group's financial instruments comprise cash balances, overdrafts, bank loans and items such as trade debtors and trade creditors which arise directly from its operations. Financial instruments such as investments in and advances to subsidiary undertakings and short-term debtors and creditors have been excluded from the disclosure below. The Group has little exposure to credit and cash flow risk. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate and liquidity risk. The policy for managing these risks is summarised below and has been applied through the period.

Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances. The weighted average interest rate of the short-term deposits utilised during the period was 4.60% (2005: 4.77%) and the average amount of time for which interest rates are fixed on short-term deposits were 93 days (2005: 1 day). When seeking borrowings the Directors consider the commercial terms available and, in consultation with their advisers, consider whether such terms should be fixed or variable and are appropriate to the business. Any surplus cash balances, during the period, were placed on short-term interest bearing accounts at standard bank interest rates. The cash at bank and in hand as at 31 March 2006 was £8,035,000 (2005: £12,369,000) and their fair value was the same as the carrying value.

The financial liabilities of the Group as at 31 March 2006 were designated in sterling and were all floating rate liabilities with the exception of a term loan acquired with Gourmet Burger Kitchen Limited. The total overdrafts at the year end were £222,000 (2005: £71,000) and their fair value were the same as the carrying value. Interest rates on the bank overdrafts were based on appropriate LIBOR rates. The term loan outstanding at the year end was £501,000 (2005: £572,000) and is repayable by monthly instalments until 2011. Interest on the term loan is fixed at 7.11% per annum.

The Group had undrawn committed borrowing facilities available at 31 March 2006 of £103,000 (2005: £108,000) which expire within one year.

## Notes to the Consolidated Financial Statements (continued)

### 25 Subsequent Events

On 7 April 2006, the Company paid the agreed £6,910,000 in cash as final consideration for the acquisition of the entire issued share capital of Gourmet Burger Kitchen Limited.

Following the year end, the Company completed a placing of shares raising £25,380,000 (before expenses) and the acquisition of the entire issued share capital of Urban Dining PLC for £25,329,000 in cash.

### 26 Related Party Disclosures

During the year, the Group was invoiced £Nil (2005: £10,000), excluding VAT, by Sarah Willingham Limited for the provision of consultancy services by SL Willingham. SL Willingham has a controlling interest in Sarah Willingham Limited. No balances were outstanding as at 31 March 2006 or 2005.

## Directors, Officers and Advisers

### Directors

DM Page

PA Campbell ACA

NCW Wong ACA

SL Willingham

NJ Donaldson

Chairman

Chief Executive

Group Finance Director

Development Director

Non-executive Director

### Company Secretary

NCW Wong ACA

### Registered in England

Number 4918500

### Registered Office

85 Clerkenwell Road

London EC1R 5AR

### Auditors

Baker Tilly

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

### Nominated Adviser and Broker

Noble & Company Limited

76 George Street

Edinburgh EH2 3BU

### Solicitors

Marriott Harrison

12 Great James Street

London WC1N 3DR

### Registrars

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

### Bankers

Barclays Bank plc

HSBC Bank plc

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10am on Monday 22 September 2006 at The Real Greek Souvlaki & Bar, 142 St John Street, London, EC1V 4UA for the following purposes:

## Ordinary business

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. to receive and adopt the Report of the Directors, the financial statements and the report of the auditors for the year ended 31 March 2006.
2. to receive and approve the Directors' remuneration report for the year ended 31 March 2006.
3. to re-appoint Mr Paul Adam Campbell, who retires by rotation under the Company's Articles of Association as a director of the Company.
4. to re-appoint Mr Nicholas Chi Wai Wong who was appointed a director of the Company during the period.
5. to re-appoint Baker Tilly as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the Directors to determine their remuneration.

## Special business

To consider and, if thought fit, pass the following resolutions of which resolution 6 will be proposed as a special resolution:

6. that The Clapham House Group PLC Approved Share Option Scheme 2006 comprising the rules and ancillary documents produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and is hereby approved and adopted (subject to such modification, if any, as may be necessary to obtain the approval of HM Revenue & Customs thereto within the terms of the Income Tax (Earnings and Pensions) Act 2003) and the directors are hereby authorised to do all other acts and things which they may consider necessary or expedient to carry the same into effect.

## BY ORDER OF THE BOARD

### Nicholas Wong ACA

Company Secretary  
85 Clerkenwell Road  
London EC1R 5AR

29 August 2006

## Notes

1. A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the company's registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 48 hours before the time and date appointed for holding the annual general meeting. Completion of the proxy does not preclude a member from attending and voting at the meeting in person if he or she so wishes.
3. The time by which a person must be entered on the Company's Register of members in order to attend and vote at the meeting is 5 p.m. on Wednesday 20 September 2006 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time and date fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
4. Details of those Directors seeking re-election are given on pages 8 of the Report and Financial Statements. The details of the service contracts for the Executive Directors are set out in the Directors' Remuneration Report on pages 13 to 15 of the Report and Financial Statements.

### **Explanation of special business**

The Company on flotation implemented an Enterprise Management Incentive (EMI) share option plan and options were granted under that plan until 31 March 2006. After the completion of the acquisition of Urban Dining PLC, the Company ceased to qualify to grant EMI options and is proposing therefore, in substitution for the existing EMI scheme to introduce a new HM Revenue & Customs approved share option plan, The Clapham House Group PLC Approved Share Option Plan 2006 ("the Plan"), in order to allow selected employees to share in the success of the group and promote motivation and retention. The Plan offers the opportunity of providing tax efficient share options.

The terms of the Plan are set out in summary below.

#### *Grants of options*

Options may be granted to eligible employees at the discretion of the board of directors of the Company ("the Directors") or a duly constituted committee thereof. Options may only be granted during the period of 42 days following any of the following:

- the date of approval of the Plan by HM Revenue & Customs;
- the day following the announcement of yearly, half yearly or other period financial results of the Company.

Options may be granted outside the periods specified above if the Directors in their absolute discretion consider the circumstances sufficiently exceptional to justify the grant of options under the Plan.

#### *Eligibility*

All employees and full-time directors shall be eligible to participate in the Plan provided they do not have a material interest in the Company. An individual will have a material interest if they, broadly, individually or together with their associates own or who have the ability to control 25% or more of the share capital.

#### *Performance Criteria*

The Directors may impose performance conditions which will have to be satisfied before options may be exercised.

#### *Exercise Price*

Options granted under the Plan must have an exercise price no lower than the market value of the shares as agreed with HM Revenue & Customs.

#### *Limit of participation*

A participant may not hold options under the Plan over shares with a market value in excess of £30,000 as at the date of grant.

#### *Total number of shares available*

In any rolling ten year period from the date of adoption of the Plan no more than 10% of the fully diluted ordinary issued share capital of the Company from time to time may be allocated under the Plan or any other employee share option plan operated by the Company.

## Notice of Annual General Meeting (continued)

### *Exercise of options*

Options shall generally be exercisable after a period of between three years or more and up to ten years from the date of grant.

In the case of a takeover, demerger, statutory reconstruction or winding up the option holder shall be able to exercise options within certain periods as follows:

- Demerger – a period not exceeding 30 days
- Statutory reconstruction – six months from the date of court sanction
- Winding-up – the period between the resolution for the voluntary winding-up and the commencement of winding-up
- Take-over – forty days from the date of the take-over

Option holders may also be able to exchange their options under the Plan for options over the shares of the company making any take-over.

### *Employees leaving the company*

Save as set out below, all options will lapse if the option holder ceases to be employed by the Company or any member of the group.

If an option holder ceases to hold office or employment with any company in the group by reason of injury, disability, redundancy, retirement or the employing company or business ceasing to be within the group any options shall be exercisable within a period of 12 weeks from the date of cessation of employment and if not so exercised will lapse.

If an option holder dies, any option may be exercised by that option holder's personal representatives within 26 weeks of the date of death.

### *Variation of share capital*

In the event of a variation of share capital the Directors may adjust the number of shares under option and the exercise price to reflect such variation. This adjustment shall be subject to confirmation by the Auditors that such adjustment is fair and reasonable. Such adjustment will need to be agreed in advance by HM Revenue & Customs.

### *Alteration of Plan*

The Directors may at any time alter or amend the provision of the Plan but, in general, no alteration shall be made without the prior approval by ordinary resolution of the members of the Company in general meeting.

Any such alteration will not need to be so approved where the amendments are minor, to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax treatment.

Any alteration to the Plan will need to be approved in advance by HM Revenue & Customs if it is an alteration to a key feature of the Plan.

### *Pensions*

Benefits under the Plan will not be pensionable.

### *Documents available for inspection*

A copy of the draft rules of The Clapham House Group PLC Approved Share Option Scheme 2006 will be available for inspection at the Company's registered office 85 Clerkenwell Road, London EC1R 5AR during normal business hours on any business day from the date of despatch of this notice up to and including the date of the AGM and at the place of the AGM for at least fifteen minutes prior to and including the AGM.



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