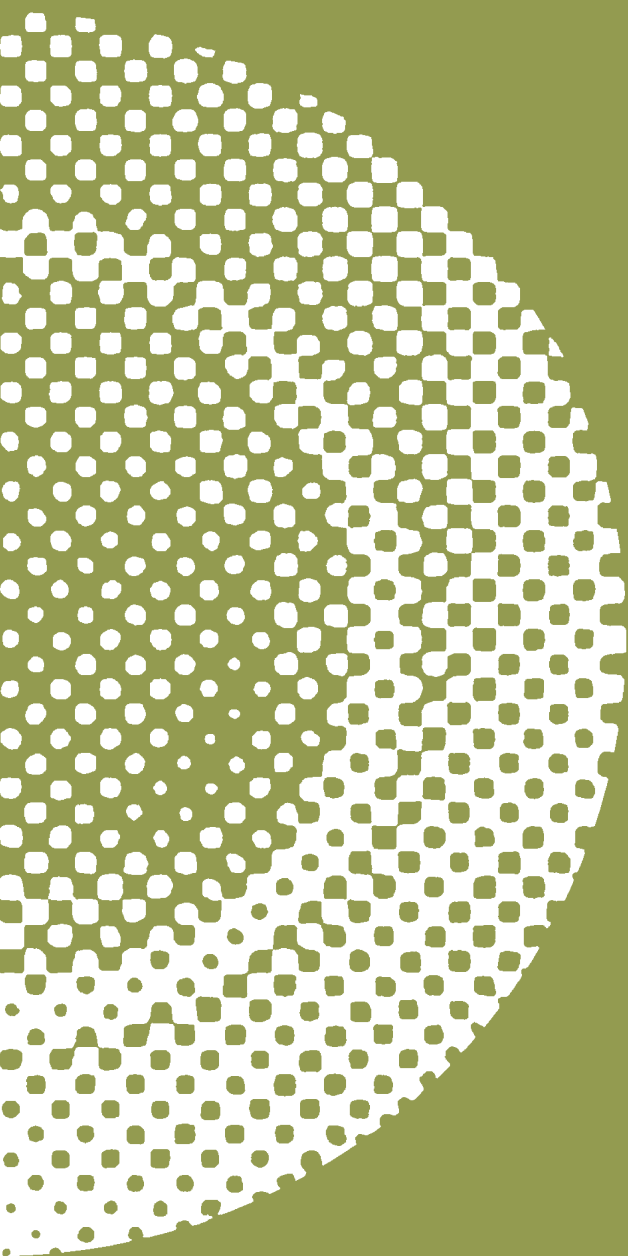


The Clapham House Group PLC

Report and Financial Statements 2007



THE CLAPHAM HOUSE GROUP PLC

REPORT AND FINANCIAL STATEMENTS

1 April 2007

Background

The Clapham House Group PLC ("the Company" or "Clapham House") was listed on AIM in November 2003 to acquire and develop a small number of quality, "best in class" branded restaurant formats for expansion as a high growth restaurant group. There are currently 83 Clapham House restaurant locations across four brands, 79 of which are within the UK and 4 GBK restaurants operating under franchise in the Middle East.

Gourmet Burger Kitchen (www.gbk.co.uk)

Gourmet Burger Kitchen ("GBK") offers a range of nutritious, delicious and sophisticated burgers (Winner of Retailers' Retailer Best Concept 2007, Harden's London Restaurants 2006: "Best Burger", Time Out 2007: "the first and remains our favourite gourmet burger chain"). GBK uses only high quality, fresh ingredients to create each burger including oversized sourdough buns, 100% fully traceable Aberdeen Angus Scotch Beef patties, English chicken and other fresh produce delivered to the restaurants each day. GBK offers a variety of 27 burgers including Beef, Chicken, Lamb, Venison and Chorizo, as well as four Vegetarian burgers, Junior Beef and Junior Chicken burgers and delicious flavour combinations such as the Pesterella Burger (Beef, Mozzarella and Pesto). Seasonal specialities include Christmas burgers and lighter summer options, as well as GBK salads and bespoke GBK ice creams. The 31st GBK restaurant in the UK opened in Crouch End in August 2007. The fourth GBK operating under franchise in the Middle East opened in Kuwait in June 2007.

Tootsies (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 latest Tootsies opened in the Brent Cross Shopping Centre in August 2006. The menu is renowned for offering "great food for everyone" including legendary breakfasts and brunches, imaginative salads 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. (Zagat 2007: "the staff are cheerful and friendly even when your children aren't", Hardens 2007: "a great family destination"). Tootsies operates 25 restaurants within the UK.

The Bombay Bicycle Club (www.thebombaybicycleclub.com)

The Bombay Bicycle Club ("BBC") operates three restaurants and fourteen 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 2007: "posh takeaways are good value especially when delivered to your door", Hardens 2007: "light, fresh and well-crafted curries"). The Bombay Bicycle Club home delivery service provides quality, freshly prepared food to more than 10,000 customers a week in the comfort of their own homes. Our loyalty scheme under the Penny Farthing Club banner has over 5,000 registered users with members enjoying a range of special offers and loyalty discounts. The Bombay Bicycle Club will continue to expand across and beyond Greater London and is seeking to become the largest operator in the quality Indian food market.

The Real Greek (www.therealgreek.com)

The Real Greek ("TRG") offers highly acclaimed traditional Greek cooking (Time Out 2007: "faultless Souvlaki...perfectly char-grilled", Harden's 2007: "revolutionalised our notions of Greek cooking") 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 six locations, including a landmark restaurant on London's South Bank. Later this year a 160 covers restaurant will open in London's Spitalfields Market development.

Highlights :

- Turnover substantially increased for the year to £45.9m (2006: £17.3m)
- Adjusted profit before taxation for the year of £2.9m* (2006 restated: £0.5m)
- Profit before taxation for the year of £1.5m (2006 restated: £0.3m)
- Headline diluted EPS of 7.0p** (2006 restated: 2.3p)
- Diluted EPS of 3.6p (2006 restated: 1.3p)
- Acquisition and successful integration of Urban Dining PLC (incorporating the Tootsies business) completed in May 2006
- Restaurants operated at year end up to 72 (2006: 29)
- Good results from:
 - first GBKs opened outside London (Brighton, Bristol and Basingstoke)
 - refurbishment and introduction of new menus in Tootsies restaurants
 - Tootsies conversions into GBK
 - successful introduction of on-line ordering in BBC
 - operational improvements in TRG
 - GBK international launch under franchise in the Middle East

Current year:

- Clapham House currently operates in 83 locations
- Strong property pipeline built for openings in the financial year 2007/08; already focussing on programme for 2008/09

* before reorganisation costs of £0.8 million and FRS20 share option charge of £0.6 million

** before reorganisation costs of £0.8 million, FRS20 share option charge of £0.6 million and related deferred taxation of £0.2 million

Chairman's Statement

It gives me great pleasure to report the results of Clapham House for the year ended 1 April 2007.

Results

During the year ended 1 April 2007, Clapham House's turnover increased substantially to £45,951,000 from £17,332,000 for the year ended 31 March 2006. This is a result of the continuing organic growth of our businesses and the acquisition of Urban Dining PLC in May 2006.

The Group's profits before the FRS20 charge, reorganisation costs and taxation in the year were £2,927,000 (2006 restated: £529,000). For the first time we are reporting our results net of a share based payments charge, in accordance with Financial Reporting Standard 20 ("FRS20"), following its adoption in the year. The FRS20 charge during the year was £639,000 (2006 restated: £278,000), an accounting charge that does not impact Clapham House's underlying cash flow. As expected we incurred reorganisation costs pursuant to the acquisition of Urban Dining PLC amounting to £760,000 during the year. Clapham House achieved profits before taxation during the year of £1,528,000 (2006 restated: £251,000). Diluted earnings per share for the year were 3.6p (2006 restated: 1.3p) while adjusted diluted earnings per share before reorganisation costs, FRS20 share option charge and deferred taxation arising from the adoption of FRS20 were 7.0p (2006 restated: 2.3p).

Corporate activity

In April 2006, Clapham House paid the agreed £6,910,000 final deferred consideration, in cash, on the acquisition of the GBK business. This represented a total consideration for the acquisition of £10,000,000.

We completed the acquisition of Urban Dining PLC in May 2006 for £25,329,000 in cash following the completion of a placing of new ordinary shares in the Company at 188p per share, raising £25,380,000 before issue costs.

Following the year end we completed a placing and subscription at 300p per share, raising £5,130,000 before issue costs to fund the acceleration of the expansion programme for GBK and BBC. At the same time, Clapham House acquired the remaining 9.5% of the issued share capital in CHG2 Limited, trading as The Bombay Bicycle Club, from Sarah Willingham, a director of Clapham House, for £750,000. This removes the last minority interest within the Group.

We have now concluded the calculation of the final earn out consideration payable on the acquisition of The Real Greek Food Company Limited back in December 2003 which shows that no further payment is to be made. Consequently all earn outs and deferred considerations will have been satisfied on all of the Company's acquisitions.

Openings

Our opening programme is progressing strongly and we added two new Tootsies, ten new GBKs and converted three Tootsies into GBKs during the year. Openings included GBK restaurants in the City of London (St Paul's), Covent Garden and Brighton and a new Tootsies restaurant in the Brent Cross shopping centre. We sold two loss making Tootsies restaurants during the year. This activity took the total number of restaurants and delivery kitchens to 72 at 1 April 2007. Since that date, we have opened a further 9 GBK restaurants in Cambridge, Walton-on-Thames, Notting Hill, Greenwich, Lakeside Shopping Centre, Manchester, Wilmslow, Windsor and Crouch End and 3 BBC Delivery Kitchens in Surbiton, Friern Barnet and Greenwich. Our GBK franchise partner has also opened 1 further restaurant in Kuwait. We have also disposed of two underperforming Tootsies restaurants in Ipswich and Tunbridge Wells. We do not envisage any further disposals of Tootsies locations.

The total number of locations currently operated by the Group is therefore 83, made up of 31 GBKs in the UK, 4 GBKs in the Middle East, 25 Tootsies, 17 BBCs and 6 TRGs.

We are currently building at 4 GBK locations, including Beckenham, Oxford, London Brunswick Square and York, and have exchanged contracts on a further 12 GBK, TRG and BBC locations throughout the UK for the current and next financial year. We also have a number of property contracts subject to advanced legal negotiations. We are finding and signing sites which fit both our geographic and financial requirements and expect to remain fully on course with our opening programme for the current financial year. The recent openings for both GBK and BBC are performing in line with our expectations.

Tootsies

The Tootsies business has been transformed since it was acquired in May 2006. All restaurants have now had some form of refurbishment with new seasonally varied menus introduced across the estate. Customer reaction has been positive and we have seen encouraging sales performances coming through in several high street locations. The Tootsies restaurants in shopping centres and leisure parks in particular continue to generate excellent levels of restaurant EBITDA. We have also achieved synergy savings in Tootsies' purchasing and central systems, including areas such as wines, beers, cleaning materials and insurance. The Tootsies accounting function has now been fully incorporated within the Clapham House central team and the former Urban Dining PLC offices have been closed.

Gourmet Burger Kitchen

GBK's financial performance continues to be very strong both from established restaurants and also from newly opened locations. Returns on capital invested continue to be excellent. The level of new opening activity amply demonstrates our confidence in this format which is led by a highly experienced and capable management team. There are currently 31 GBK restaurants in the UK and we see no reason why there cannot be a significant number of GBK restaurants across the UK. Indeed we have already identified and are actively searching out the locations where we would like to site the first 100 GBK restaurants. Accordingly we are looking to accelerate our growth plans for this business wherever possible. We are also very encouraged by the progress made by our GBK franchise partner in the Middle East who has now opened 2 GBKs in Kuwait and 2 GBKs in Dubai. Further openings are planned in the region for later in the year. We believe this demonstrates GBK's international credentials and we are looking to develop further international markets under franchise during this financial year.

The Bombay Bicycle Club

BBC has enjoyed an excellent year with the new delivery kitchens opened last year showing substantial sales growth and becoming profitable ahead of our original expectations. Trade has also benefited from the introduction of an innovative new on-line ordering system that enables customers to pre-order and book delivery slots. This results in higher spend per head and enables delivery kitchens to operate more efficiently at peak times. Already more than 11% of BBC's sales are being generated on-line and we expect to see further growth in this area.

We are looking to significantly expand the BBC business this year and have already opened 3 delivery kitchens since 1 April 2007, with two further leases where we have exchanged contracts and more leases in advanced legal negotiations.

The Real Greek

We are looking to expand The Real Greek estate again this financial year. Already we have exchanged contracts for a major location for The Real Greek in London's Spitalfields Market and we are targeting further openings in due course. We have also recently made a number of operational and management changes and expect the profitability of the business to improve further this year.

Innovation

We continually strive not only to expand but also to improve and develop our formats. Some examples of innovative developments introduced recently are:

- the introduction of seasonal items such as Christmas burgers, summer salads and ice creams to the GBK menu;
- focused customer promotions for Tootsies in London and regional newspapers;
- a new customer loyalty scheme for BBC, "The Penny Farthing Club"; and
- a new extended menu and meze serving style for TRG.

Chairman's Statement (continued)

Funding

During the year we have continued to invest in strengthening our infrastructure and management teams to support our planned restaurant expansion programme. Despite this, we generated a net cash inflow from operating activities of £4,958,000 (after exceptional costs).

We invested £11,167,000 in capital expenditure on new sites and infrastructure and £32,699,000 on acquisitions split between the acquisition of Urban Dining PLC for £25,788,000, inclusive of costs, and the earn out payment for GBK of £6,910,000. As at 1 April 2007 Clapham House's net debt amounted to £9.5 million, funded by a new debt facility of £19.0 million which was put in place in August 2006.

Following the year end Clapham House raised £5,130,000, before expenses, from the placing of 1,549,486 new ordinary shares of 10 pence each at a placing price of 300 pence per ordinary share with institutional and other investors and subscriptions from David Sykes, Sarah Willingham, Nicholas Wong, directors of the Company, and one other member of the senior management for 160,514 new ordinary shares of 10 pence each at the same price. The funds raised are being used to accelerate the Company's expansion of its GBK and BBC formats across the UK.

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

It has again been a very positive year, with strong progress made in terms of rapidly expanding GBK, integrating Tootsies and implementing innovative trading initiatives across our operations. At the same time, we have shown strong profits growth. The new financial year has started in the same vein, indeed we are looking to accelerate our expansion even further. We remain extremely positive regarding the prospects for the UK casual dining market and in particular for our formats. I look forward to reporting on more strong progress in all these areas as the year progresses.

David Page

Chairman

6 September 2007

Board of Directors

The Directors of The Clapham House Group PLC are:

David Page

Chairman

David Page is the Chairman and co-founder of The Clapham House Group PLC. He 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. David is also the Non-executive Chairman of Clerkenwell Ventures PLC.

Paul Campbell ACA

Chief Executive

Paul Campbell has been involved in building a number of successful UK leisure companies. He is the CEO and co-founder of The Clapham House Group PLC. He is also a director of AIM listed Clerkenwell Ventures PLC, an investment vehicle focussed on the leisure sector. He is a former Group Finance Director of FTSE 250 listed restaurant company, PizzaExpress PLC and in the 1990's established and ran Relaxion Group plc, a leisure management company which operated more than 100 leisure, sports, and health and fitness centres throughout the UK. Paul is a Price Waterhouse qualified chartered accountant and former Managing Director of Corporate Finance at The Capita Group plc.

Nicholas Wong ACA

Group Finance Director and Company Secretary

Nicholas 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. She is now responsible for The Real Greek, The Bombay Bicycle Club and Tootsies brands.

David Sykes

Managing Director - GBK

David Sykes has worked in the restaurant sector for over 23 years. He was the former Property Director and Operations Director of PizzaExpress PLC and joined Clapham House Group in July 2005 as Managing Director of Gourmet Burger Kitchen. He was appointed to the main board in May 2007.

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 Arbuthnot 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.

Timothy Woodcock ACA

Non-executive Director

Tim qualified as a Chartered Accountant with Coopers & Lybrand. He also spent 2 years with venture capitalists 3i plc. He has worked with the Sun Capital team since 1998 and during that time he was involved with Punch Taverns where he was responsible for the disposal of the European pubs and also Non Executive Director of First Quench Ltd, the Threshers and Victoria Wine off-licence chain. Tim is also a director of Capital Management and Investment 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 1 April 2007.

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 to 6.

Results and dividends

The results for the year ended 1 April 2007 are set out in the Group profit and loss account on page 19.

The Group has had another strong year. Turnover increased by 165% to £45,951,000 (2006: £17,332,000) The Group achieved full year profit after taxation amounting to £1,258,000 (2006 restated: £268,000).

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 1 April 2007.

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.

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 26 to the financial statements.

Key performance indicators

The Board receive a range of management information delivered in a timely fashion. The principal measures of progress that are reviewed on a regular basis to monitor the development of the Group are shown in the Highlights section on page 3.

Directors

The following directors have held office since 1 April 2006:

DM Page

PA Campbell

NCW Wong

SL Willingham

D Sykes (appointed 8 May 2007)

NJ Donaldson

T Woodcock (appointed 29 September 2006)

The Directors at the date of this report, together with their biographical details, are set out on page 7.

NJ Donaldson retires by rotation at this year's annual general meeting and offers himself for re-election. D Sykes and T Woodcock will also offer themselves 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 1 April 2007		As at 31 March 2006	
	Ordinary shares of 10p each	%	Ordinary shares of 10p each	%
DM Page	1,134,158	3.2%	1,150,010	5.6%
PA Campbell	114,903	0.3%	250,010	1.2%
NCW Wong	5,319	-%	-	-%
SL Willingham	-	-%	-	-%
NJ Donaldson	113,297	0.3%	100,000	0.5%
T Woodcock	-	-%	-	-%

The number of ordinary shares held at 1 April 2007 by DM Page and PA Campbell included Nil (2006: 150,000) ordinary shares each under the Restricted Share Plan.

SL Willingham also held 10,500 (2006: 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 represented 9.5% of the issued share capital of CHG 2 Limited. The Company acquired these shares from SL Willingham for £750,000 on 16 April 2007.

Directors' Report (continued)

Between 4 April and 17 April 2007, David Sykes, Sarah Willingham and Nicholas Wong, directors of the Company, participated in the placing of 1,710,000 ordinary shares of the Company described on page 6. Following the placing, the Directors' interests in the shares of the Company, including family interests, were as follows:

Director	As at 4 September 2007	
	Ordinary shares of 10p each	%
DM Page	1,134,158	3.04%
PA Campbell	114,903	0.31%
NCW Wong	13,300	0.04%
SL Willingham	113,333	0.30%
D Sykes	10,000	0.03%
NJ Donaldson	113,297	0.30%
T Woodcock	-	-%

Details of the Directors' interests in share options during the year are disclosed in the Directors' Remuneration Report on pages 15 to 17.

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 4 September 2007, 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:

	As at 4 September 2007	
	Ordinary shares of 10p each	%
Schroder Investment Management Limited	3,606,469	9.66%
Fidelity International Limited	3,035,850	8.13%
Standard Life	2,500,000	6.70%
AXA S.A.	1,781,666	4.77%
Wolvercote Investments Limited	1,550,000	4.15%
Henderson Global Investors Limited	1,450,000	3.89%
British Airways Pensions Trustees Limited	1,263,400	3.39%
Newton Investment Management Limited	1,236,498	3.31%
DM Page	1,134,158	3.04%

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.

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 year the Group made no political contributions. The Group made charitable donations of £2,500. Charitable events are also 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 1 April 2007, the Group had an average of 34 days (2006: 38 days) purchases outstanding in trade creditors.

Post balance sheet event

Following the year end, the Company acquired the remaining shares in CHG2 Limited that were held by SL Willingham and completed a placing of 1,710,000 ordinary shares of 10p each raising £5,130,000 (before expenses). The details of these transactions are shown on page 42.

Annual general meeting

On pages 45 to 46 is a notice convening the annual general meeting of the Company for 28 September 2007 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 28 September 2007 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 that as far as they are aware, 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

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the Board**Nicholas Wong ACA**

Company Secretary

6 September 2007

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 supplemented 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 1 April 2007, the Group was dealing with corporate governance issues.

Board Structure

The Board of Directors set up to control the Company consists of five executive Directors and two non-executive Directors. The non-executive Directors are independent of the Company. David Page is Chairman of the Board. The Directors' biographies appear on page 7.

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. During the year, following the acquisition of Urban Dining PLC, the Board established the audit committee and the remuneration committee.

Audit Committee

The Audit Committee consists of the two Non-executive Directors and an Executive Director and meets at least twice a year. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on. It meets with the external auditors and reviews reports from the auditors. The Audit Committee recommends the appointment of the external auditors, reviews the audit fee and audit plan.

During the year since inception, the Audit Committee comprised the following members:

T Woodcock (Chairman)
NJ Donaldson
NCW Wong

Remuneration Committee

The Remuneration Committee consists of two Non-executive Directors and an Executive Director. It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. In determining the remuneration of the Executive Directors the committee seeks to ensure that the Company will be able to attract and retain executives of the highest calibre. It makes recommendations to the full Board concerning the allocation of incentive schemes. No Director participates in discussions concerning his or her own remuneration.

During the year since inception, the Remuneration Committee comprised the following members:

NJ Donaldson (Chairman)
T Woodcock
PA Campbell

Further details are found in the Report on Directors' Remuneration on pages 15 to 17.

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 28 September 2007. The notice of the Annual General Meeting may be found on pages 45 and 46.

Internal Control

The Board is responsible for ensuring that the Group 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.

The Group 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 Board has overall responsibility for the Group'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 Group'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 Group's finance function.

Statement of Directors Responsibilities in the preparation of financial statements

The Directors are responsible for preparing the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. 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 that 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 group 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 responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are responsible for ensuring that the annual report includes information required by the AIM Rules of the Financial Services Authority (or Listing Rules).

Statement on Corporate Governance (continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Clapham House Group PLC website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independence of Auditors

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

- 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

6 September 2007

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

During the year, following the acquisition of Urban Dining PLC, the Remuneration Committee was established. It is chaired by NJ Donaldson, the senior Non-executive Director. T Woodcock and PA Campbell also served on the Committee during the year.

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 is undertaken by the Remuneration Committee. The remuneration of the non-executive Directors is determined by the Board, within the limits set out in the Articles of Association.

Directors' Service Agreements

With effect from 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 April 2007 with no variation from £160,000 and £170,000 per annum respectively. 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 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 April 2007 and continues at £25,800 per annum. SL Willingham's remuneration was reviewed in April 2007 to £120,000 per annum with effect from 1 April 2007 when she entered into a new service agreement with Clapham House terminable by either party on twelve months' notice. 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 April 2007 to £84,000 per annum from 1 April 2007. T Woodcock entered into an agreement with the Company with effect from September 2006 which will continue until such time as the agreement is terminated by either party on three months' notice. T Woodcock's initial fee of £24,000 was last reviewed in April 2007 with no variation. D Sykes' service contract is governed by his service contract with Gourmet Burger Kitchen Limited, a subsidiary of the Company, terminable by either party giving 12 months' written notice. His remuneration was reviewed in April 2007 with no changes from £120,000 per annum.

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

	Salary or fees		Bonus		Benefits		Total
	2007	2006	2007	2006	2007	2006	2006
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Executive Directors</i>							
DM Page	160	155	-	-	2	3	158
PA Campbell	170	165	-	-	2	4	169
NCW Wong	80	58	8	-	-	-	88
SL Willingham	60	54	-	18	-	-	72
D Sykes*	-	-	-	-	-	-	-
<i>Non-executive Director</i>							
NJ Donaldson	26	26	-	-	-	-	26
T Woodcock**	12	-	-	-	-	-	12
	508	458	8	18	4	7	483

* D Sykes was appointed post year end on 8 May 2007.

** T Woodcock was appointed during the year on 29 September 2006.

NJ Donaldson received part of his remuneration as fees amounting to £8,000 (2006: £16,000) for his services as non-executive Director via his company, Deep Powder Limited.

Directors' Share Options

The interests of the Directors under the Company's share option schemes as at 1 April 2007 were as follows:

	Options outstanding 31 March 2006	Options granted/ (exercised) during year	Options outstanding 1 April 2007	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
D Sykes	71,174	-	71,174	1.405	30/06/2008	30/06/2015
NJ Donaldson	-	-	-	-	-	-
T Woodcock	-	-	-	-	-	-
<i>Unapproved</i>						
DM Page	617,647	(350,000)	267,647	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	(475,000)	142,647	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

	Options outstanding 31 March 2006	Options granted/ (exercised) during year	Options outstanding 1 April 2007	Exercise Price £	Exercisable Date	Expiry Date
<i>Unapproved (continued)</i>						
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
	-	20,000	20,000	2.135	29/09/2009	29/09/2016
	-	25,000	25,000	3.000	30/03/2010	30/03/2017
SL Willingham	45,000	-	45,000	1.880	31/03/2009	31/03/2016
	-	300,000	300,000	3.000	30/03/2010	30/03/2017
D Sykes	71,174	-	71,174	1.405	30/06/2008	30/06/2015
	140,000	-	140,000	1.880	31/03/2009	31/03/2016
	-	15,000	15,000	2.135	29/09/2009	29/09/2016
	-	25,000	25,000	3.000	30/03/2010	30/03/2017
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
T Woodcock	-	220,000	220,000	2.100	06/06/2009	06/06/2016

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 1 April 2007 ranged from £1.96 to £3.41 (2006: £1.22 to £2.11). The share price as at 1 April 2007 was £3.15 (2006: £2.02).

Directors' Interests in Restricted Shares Plan

The interests of the Directors under the Company's Restricted Shares Plan as at 1 April 2007 were as follows:

	Restricted Shares outstanding at 31 March 2006	Restricted Shares exercised during the year	Restricted Shares outstanding at 1 April 2007	Market price at date of award £	Vesting Date
DM Page	150,000	(150,000)	-	1.000	7/11/2006
PA Campbell	150,000	(150,000)	-	1.000	7/11/2006
NCW Wong	-	-	-	-	-
SL Willingham	-	-	-	-	-
D Sykes	-	-	-	-	-
NJ Donaldson	-	-	-	-	-
T Woodcock	-	-	-	-	-

Details of the Directors' shareholdings are given in the Directors' Report on page 9.

Approval

This report was approved by the Board of Directors on 6 September 2007 and signed on its behalf by:

NJ Donaldson

Chairman of the Remuneration Committee

6 September 2007

Independent Auditors' Report

to the Members of The Clapham House Group PLC

We have audited the financial statements on pages 19 to 43.

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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Review of the business and future developments section of the Directors' Report. 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 1 April 2007 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 UK Audit LLP

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
6 September 2007

Consolidated Profit and Loss Account

for the year ended 1 April 2007

	Notes	Acquired operation £'000	Year ended 1 April 2007 Continuing operation £'000	Total £'000	Year ended 31 March 2006 Restated £'000
Turnover	1	22,107	23,844	45,951	17,332
Cost of sales		(13,812)	(15,129)	(28,941)	(11,459)
Gross profit		8,295	8,715	17,010	5,873
Administrative expenses – excluding exceptional costs		(5,973)	(7,653)	(13,626)	(5,606)
Operating profit before exceptional costs		2,322	1,062	3,384	267
Exceptional costs	2	(71)	(740)	(811)	(437)
Operating profit/(loss)	3	2,251	322	2,573	(170)
Cost of fundamental reorganisation	4			(760)	-
Profit/(loss) on ordinary activities before interest				1,813	(170)
Investment income	5			65	463
Interest payable	6			(350)	(42)
Profit on ordinary activities before taxation				1,528	251
Taxation	8			(270)	17
Profit on ordinary activities after taxation				1,258	268
Earnings per share					
Basic	10			3.8p	1.3p
Diluted	10			3.6p	1.3p

Statement of Total Recognised Gains and Losses

for the year ended 1 April 2007

	Notes	Year ended 1 April 2007 £'000	Year ended 31 March 2006 Restated £'000
Profit for the year		1,258	268
Prior year adjustment	28	(417)	
Total recognised gains and losses since last annual report		841	

Balance Sheets

1 April 2007

	Notes	2007 £'000	Group Restated 2006 £'000	2007 £'000	Company Restated 2006 £'000
Fixed assets					
Intangible assets	11	38,130	14,089	-	-
Tangible assets	12	27,923	9,681	146	65
Investments	13	-	-	40,688	14,809
		66,053	23,770	40,834	14,874
Current assets					
Stocks	14	967	416	4	-
Debtors	15	3,627	1,502	17,162	7,980
Cash at bank and in hand		334	8,035	19	7,928
		4,928	9,953	17,185	15,908
Creditors					
Amounts falling due within one year	16	(13,357)	(10,438)	(1,818)	(7,481)
Net current (liabilities)/assets		(8,429)	(485)	15,367	8,427
Total assets less current liabilities		57,624	23,285	56,201	23,301
Creditors					
Amounts falling due after more than one year	17	(8,200)	(425)	(8,200)	-
Provisions for liabilities and charges	18	(61)	(1,149)	-	(1,148)
Net assets		49,363	21,711	48,001	22,153
Capital and reserves					
Called up share capital	19	3,492	2,029	3,492	2,029
Share premium	21	44,061	19,769	44,061	19,769
Profit and loss account	21	1,810	(87)	448	355
Equity shareholders' funds	21	49,363	21,711	48,001	22,153

The financial statements on pages 19 to 43 were approved by the board of Directors and authorised for issue on 6 September 2007 and are signed on its behalf by:

David Page
Chairman

Consolidated Cash Flow Statement

for the year ended 1 April 2007

	Notes	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net cash flow from operating activities	22A	4,958	604
Returns on investments and servicing of finance	22B	(285)	421
Taxation		(84)	(59)
Capital expenditure and financial investment	22B	(10,680)	(5,065)
Acquisitions	22B	(32,699)	(325)
Cash outflow before use of liquid resources and financing		(38,790)	(4,424)
Management of liquid resources	22B	6,910	(6,910)
Financing	22B	29,654	(61)
Decrease in cash in the year		(2,226)	(11,395)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Decrease in cash in the year		(2,226)	(11,395)
Cash flow from (decrease)/increase in liquid resources		(6,910)	6,910
Cash outflow from change in debt		(3,899)	71
Change in net funds resulting from cash flows		(13,035)	(4,414)
Debt acquired with subsidiary		(3,800)	-
Movement in net debt in the year		(16,835)	(4,414)
Net funds at the beginning of the year		7,312	11,726
Net (debt)/funds at end of the year	22C	(9,523)	7,312

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.

Change in Accounting Policy

Share based payments

The group has adopted FRS 20 Share Based Payments in the current year. FRS20 requires the recognition of a charge for share based payment transactions which include for example share options or restricted shares granted to employees that require a certain length of service before vesting. The adoption of FRS 20 also requires a prior year adjustment to be made.

This has created an adjustment to the profit and loss reserve as at 31 March 2006 of £326,000. Of this amount, £278,000 related to the year ended 31 March 2006.

In accordance with applicable accounting standards an accrual has been recognised at each of the balance sheet dates representing an estimate of the National Insurance Contributions ("NIC") payable by the Group for share options expected to be exercised under the Unapproved Share Option Scheme. This has created an adjustment to the profit and loss reserve as at 31 March 2006 of £293,000 of which £154,000 relates to the year ended 31 March 2006.

In accordance with applicable accounting standards a deferred tax asset has been recognised at each of the balance sheet dates as a result of the adoption of FRS20 and the accrual for NIC representing an estimate of the future tax relief available when the share options are expected to be exercised. This has increased the profit and loss reserve as at 31 March 2006 by £202,000. Of this amount £103,000 related to the year ended 31 March 2006.

Basis of Consolidation

The consolidated financial statements incorporate those of The Clapham House Group PLC and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year 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, Gourmet Burger Kitchen Limited and Urban Dining PLC during the year in view of the strength of the brand of the four 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 on the acquisition of The Real Greek Food Company Limited, The Bombay Bicycle Club, Gourmet Burger Kitchen Limited and Urban Dining PLC 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.

Accounting Policies (continued)

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, Gourmet Burger Kitchen Limited and Urban Dining PLC, 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 year ended 1 April 2007 would be £1,802,000 lower, with a cumulative reduction in reserves of £3,142,000; intangible assets on the balance sheet would also be £3,142,000 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.

Impairment

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairments of revalued assets, except those caused by a clear consumption of economic benefit, are recognised in the statement of total recognised gains and losses until the carrying amount reaches depreciated historic cost. All other impairment losses are recognised in the profit and loss account.

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

All 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 the 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 after deducting discounts. Turnover is recognised when the significant risks and rewards of ownership are transferred.

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 1 April 2007

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 1 April 2007 and 31 March 2006 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 year in which they are incurred.

3 Operating Profit/(Loss)

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	1,897	788
Amortisation of owned intangible fixed assets	5	3
(Profit)/loss on disposal of tangible fixed assets	31	(2)
Operating lease rentals:		
Land and buildings	4,221	1,209
Exceptional costs (note 2)	811	437
Share based payments	639	278

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

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Audit services		
- statutory audit of parent and consolidated accounts	20	17
Other services		
- Audit of subsidiaries where such services are provided by Baker Tilly or its associates	59	36
- Interim results	8	5
Tax services		
- Compliance services	17	12
- Advisory services	8	5
- Share option scheme advice	7	2
Corporate finance transaction services		
- Acquisition due diligence	40	40
Other	2	-
	161	117

Amounts relating to corporate finance transaction services have been capitalised as part of costs relating to business acquisitions.

4 Cost of Fundamental Reorganisation

The cost of fundamental reorganisation for the year ended 1 April 2007 represent the reorganisation costs pursuant to the acquisition of Urban Dining PLC. Included in taxation is the effect of £228,000 (2006: £Nil).

5 Investment Income

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Bank interest receivable	65	463

6 Interest Payable

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Interest payable on bank loans and overdrafts	350	42

7 Employees

	Year ended 1 April 2007 No.	Year ended 31 March 2006 No.
--	-----------------------------------	------------------------------------

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

Administration and management	50	32
Restaurants and distribution	1,233	490
	1,283	522

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 Restated £'000
--	-------------------------------------	--

Staff costs for above persons:

Wages and salaries	16,126	6,782
Social security costs	1,530	617
Social security costs on share based payments	30	154
Pension contributions	-	118
Share based payments	639	278
	18,325	7,949

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 1 April 2007 by 2 (2006: NIL) directors was £1,676,000 (2006: £NIL).

Notes to the Consolidated Financial Statements (continued)

7 Employees (continued)

Further details of directors' emoluments can be found in the Report on Directors' Remuneration on pages 15 to 17.

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
<i>Directors' Remuneration</i>		
Emoluments	628	483

No Director received any pension benefits.

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Highest paid director:		
Aggregate emoluments	172	169

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 1 April 2007 by the highest paid director was £913,000 (2006: £NIL).

8 Taxation

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 Restated £'000
Based on the result for the year:		
UK corporation tax at 30% (2006: 30%)	-	(87)
Over provision in earlier years	10	11
Total current tax	10	(76)
Deferred taxation:		
Origination and reversal of timing differences	(280)	93
Taxation (charge)/credit	(270)	17

Factors affecting tax charge for year:

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 Restated £'000
Profit on ordinary activities before tax	1,528	251
Profit on ordinary activities multiplied by standard rate of 30% (2006: 30%)	458	75
Expenses not deductible for tax purposes	90	44
Capital allowances less/(in excess of) than depreciation for the year	18	(67)
Tax losses utilised	(221)	(13)
Benefit of marginal relief	-	(1)
Share option relief	(316)	83
Other timing	(29)	(34)
Adjustment of tax charge in respect of previous years	(10)	(11)
Current tax (credit)/charge for the year	(10)	76

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

	Year ended 1 April 2007	Year ended 31 March 2006 Restated
	£'000	£'000
Dealt with in the financial statements of the parent company	(546)	155
Retained by group undertakings	1,804	113
	<u>1,258</u>	<u>268</u>

10 Earnings Per Share

	Year ended 1 April 2007	Year ended 31 March 2006 Restated
	£'000	£'000
Earnings for the purpose of basic and diluted earnings per share		
- Profit on ordinary activities after taxation	1,258	268
Cost of fundamental reorganisation	760	-
FRS20 share option charge	639	278
Deferred taxation on FRS20 charge	(192)	(56)
Headline earnings	<u>2,465</u>	<u>490</u>
Weighted average number of shares in issue	33,010,898	20,423,047
Dilutive effect of share options	<u>1,956,677</u>	<u>497,172</u>
Weighted average number of shares in issue after allowing for dilutive potential ordinary shares	<u>34,967,575</u>	<u>20,920,219</u>
Earnings per share:		
Basic	3.8p	1.3p
Diluted	3.6p	1.3p
Headline Basic	7.5p	2.4p
Headline Diluted	<u>7.0p</u>	<u>2.3p</u>

Notes to the Consolidated Financial Statements (continued)

11 Intangible Fixed Assets

GROUP	Trademarks and licenses £'000	Goodwill £'000	Total £'000
Cost			
1 April 2006	52	14,042	14,094
Additions	26	24,418	24,444
Adjustments to estimated deferred consideration (see Note 18)	-	(398)	(398)
1 April 2007	78	38,062	38,140
Amortisation			
1 April 2006	5	-	5
Charged in the year	5	-	5
1 April 2007	10	-	10
Net book value			
1 April 2007	68	38,062	38,130
31 March 2006	47	14,042	14,089

Goodwill additions is made up of goodwill arising on the acquisition of Urban Dining PLC of £24,260,000 (see note 25) and goodwill arising on prior acquisitions of £158,000.

12 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 vehicle £'000	Total £'000
Cost						
1 April 2006	7,818	946	1,182	661	138	10,745
Additions	7,507	1,481	1,001	1,143	35	11,167
Acquisition of subsidiary	7,000	-	-	2,376	-	9,376
Reclassification	899	(922)	9	14	-	-
Disposals	(762)	(44)	-	(438)	-	(1,244)
1 April 2007	22,462	1,461	2,192	3,756	173	30,044
Accumulated depreciation						
1 April 2006	485	-	354	193	32	1,064
Charge in the year	857	-	374	627	39	1,897
Disposals	(323)	-	-	(517)	-	(840)
1 April 2007	1,019	-	728	303	71	2,121
Net book value						
1 April 2007	21,443	1,461	1,464	3,453	102	27,923
31 March 2006	7,333	946	828	468	106	9,681

12 Tangible Fixed Assets (continued)

COMPANY	Short term leasehold properties £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
1 April 2006	19	82	10	111
Additions	4	116	7	127
1 April 2007	23	198	17	238
Accumulated depreciation				
1 April 2006	11	33	2	46
Charged in the year	3	41	2	46
1 April 2007	14	74	4	92
Net book value				
1 April 2007	9	124	13	146
31 March 2006	8	49	8	65

13 Fixed Asset Investments

	Group £'000	Company £'000
Investment in subsidiary undertakings		
Cost and net book value		
1 April 2006 (restated)	-	14,809
Additions	-	25,947
Adjustments to estimated deferred consideration	-	(398)
Capital contributions arising from share based payments	-	330
As at 1 April 2007	-	40,688

Notes to the Consolidated Financial Statements (continued)

13 Fixed Asset Investments (continued)

Investment additions is made up of investment in Urban Dining PLC of £25,788,000 (see note 25) and additions in relation to prior acquisitions of £159,000.

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
Seahawk Limited *	Ordinary	100%	Dormant
Souvlaki & Bar Limited *	Ordinary	100%	Dormant
The Real Greek Food Company Limited	Ordinary	100%	Operation of restaurants
The Real Greek Wine Company Limited *	Ordinary	100%	Dormant
Tootsies Holdings Limited *	Ordinary	100%	Dormant
Tootsies Restaurants Limited *	Ordinary	100%	Operation of restaurants
Urban Dining 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. Following the year end, the Group acquired the remaining 9.5% on the terms set out in Note 27.

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

14 Stock

	2007 £'000	Group 2006 £'000	2007 £'000	Company 2006 £'000
Raw materials and consumables	967	416	4	-

15 Debtors

	2007 £'000	Group Restated 2006 £'000	2007 £'000	Company Restated 2006 £'000
Due within one year:				
Trade debtors	1,258	172	-	2
Amounts owed by subsidiary undertakings	-	-	-	73
Other debtors	113	60	54	24
Prepayments and accrued income	1,741	747	128	176
Deferred taxation (see Note 18)	-	219	323	280
	3,112	1,198	505	555
Due in over one year:				
Amounts owed by subsidiary undertakings	-	-	16,657	7,425
Other debtors	515	304	-	-
	3,627	1,502	17,162	7,980

Other debtors due after more than one year relates to rent deposits.

Amounts owed by subsidiary undertakings are unsecured and repayable on demand with interest receivable at an average of 2% above base interest rate.

16 Creditors: Amounts falling due within one year

	2007 £'000	Group Restated 2006 £'000	2007 £'000	Company Restated 2006 £'000
Bank loans and overdrafts	1,657	298	24	-
Trade creditors	6,303	1,252	254	169
Amounts owed to subsidiary undertakings	-	-	47	24
Corporation tax	26	110	-	-
Other taxation and social security	1,275	774	91	44
Other creditors	1,176	7,178	793	6,911
Accruals and deferred income	2,920	826	609	333
	13,357	10,438	1,818	7,481

See note 17 for further information on bank loans and overdrafts.

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

17 Creditors: Amounts falling due in more than one year

	2007 £'000	Group 2006 £'000	2007 £'000	Company 2006 £'000
Bank loans	8,200	425	8,200	-

Analysis of Loans:

	2007 £'000	Group 2006 £'000	2007 £'000	Company Restated 2006 £'000
The bank loans and overdrafts are repayable within:				
One year	1,657	298	-	-
More than one year but not more than two years	-	81	-	-
More than two years but not more than five years	8,200	282	-	-
More than five years	-	62	-	-
	9,857	723	-	-

Bank overdraft of £112,000 (2006: £209,000) is repayable on demand with interest at 1.7% over base rate and is secured by a debenture giving fixed and floating charges over the assets of The Real Greek Food Company Limited. Bank overdraft in CHG2 Limited of £Nil (2006: £13,000) is repayable on demand with interest at 1.7% over base rate and is unsecured. Bank loan in Gourmet Burger Kitchen Limited of £Nil (2006: £501,000) was secured by a mortgage debenture in favour of The Governors and the Company of The Bank of Scotland representing fixed or floating charges over all assets of Gourmet Burger Kitchen Limited. Bank loan and overdraft of the Group of £9,745,000 (2006: £NIL) is secured by a mortgage debenture in favour of Barclays Bank PLC representing fixed or floating charges over all assets of the Group. The interest rate applicable on this revolving facility is 1.25% above three months LIBOR.

18 Provision for Liabilities and Charges

GROUP	Deferred Consideration £'000	Deferred Taxation £'000
1 April 2006 (restated)	1,149	(219)
Agreed deferred consideration	(1,149)	-
Transfer to/(from) profit and loss account	-	280
1 April 2007	-	61

COMPANY	Deferred Consideration £'000	Deferred Taxation £'000
1 April 2006 (restated)	1,148	(280)
Agreed deferred consideration	(1,148)	-
Transfer to/(from) profit and loss account	-	(43)
1 April 2007	-	(323)

18 Provision for Liabilities and Charges (continued)

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

	2007 £'000	Group Restated 2006 £'000	2007 £'000	Company Restated 2006 £'000
Accelerated capital allowances	703	352	2	1
Unutilised losses	(319)	(369)	(2)	(79)
Share options	(323)	(202)	(323)	(202)
Deferred taxation provision/(asset)	61	(219)	(323)	(280)

There are trade losses of £5,455,000 (2006: 932,000) which, subject to agreement with the Inland Revenue, are available to offset against future profits of the same trade. There are also other losses of £2,225,000 (2006: £265,000) which, subject to agreement with the Inland Revenue, are available to offset against future profits. A deferred taxation asset in respect of a proportion of these losses of £6,617,000 (2006: NIL) has not been recognised in the financial statements. Although the directors are confident that the company will achieve future profitability in line with current expectations, the timing of such profits is uncertain and therefore the directors have not recognised the entire deferred tax asset at the balance sheet date.

The other creditors falling due within one year of £750,000 (2006: £6,910,000) and the provision for deferred consideration falling due in more than one year of £Nil (2006: £1,149,000) 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 years, 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, were secured on the issued share capital of the respective acquired businesses.

19 Share Capital

	2007 £'000	2006 £'000
Authorised:		
50,000 redeemable shares of £1 each	50	50
55,000,000 (2006: 40,000,000) ordinary shares of 10p each	5,500	4,000
	5,550	4,050
Allotted, issued called up and fully paid:		
34,918,002 (2006: 20,293,002) ordinary shares of 10p each	3,492	2,029
Allotted, issued and uncalled		
Nil (2006: 300,000) ordinary shares of 10p each	-	-
	3,492	2,029

On 5 May 2006, the Company increased its authorised share capital from 40,000,000 ordinary shares of 10 pence each to 55,000,000 ordinary shares of 10 pence each by the creation of 15,000,000 new ordinary shares of 10 pence each. On the same day, the Company issued 13,500,000 ordinary shares of 10 pence each at £1.88 by way of a placing.

On 4 December 2006, the Company issued 350,000 ordinary shares of 10 pence each at £1.00 each on the exercise of share options. On the same day the Company called the unpaid share capital on 300,000 ordinary shares of 10p each issued under the Restricted Share Plan at £1.00 each.

On 17 January 2007, the Company issued 475,000 ordinary shares of 10 pence each at £1.00 each on the exercise of share options.

Notes to the Consolidated Financial Statements (continued)

20 Share Based Payments

The Group currently uses a number of equity settled share plans to grant options and shares to its Directors and employees. The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed fifteen per cent of the fully diluted number of ordinary shares of the Company.

Share options

The Company operates three share option schemes and one share plan:

- Enterprise Management Incentive ("EMI") Share Option Plan;
- Unapproved Share Option Plan
- Approved Share Option Scheme 2006 ("CSOP"); and
- Restricted Share Plan.

The Group's share option plans provide for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period on all share option plans is 3 years with an expiration date 10 years from the date of grant. Furthermore, share options are forfeited if the employee leaves the Group before the options vest.

Movements in ordinary share options outstanding:

	2007 £'000	2006 £'000
1 April 2006	4,757	2,298
Granted during the year	1,048	2,463
Forfeited during the year	(204)	(4)
Exercised during the year	(825)	-
1 April 2007	4,776	4,757

	2007 £	2006 £
Weighted average exercise price		
1 April 2006	1.49	1.16
Granted during the year	2.60	1.80
Forfeited during the year	2.05	1.41
Exercised during the year	1.00	-
1 April 2007	1.81	1.49

The weighted average share price for options exercised over the year was £3.03 (2006: N/A).

20 Share Based Payments (continued)

Outstanding and exercisable share options to acquire ordinary shares of 10 pence each as at 1 April 2007 are as follows:

Range of exercise prices	Number of shares '000	Weighted Average Exercise Price £	Options outstanding Weighted Average Remaining Contractual life months	Number of shares '000	Weighted Average Exercise Price £	Options exercisable Weighted Average Remaining Contractual life months
EMI						
£0.01 - £1.00	200	1.00	79	200	1.00	79
£1.01 - £2.00	440	1.47	94	26	1.16	81
	640	1.32	89	226	1.02	79
Unapproved						
£0.01 - £1.00	410	1.00	79	410	1.00	79
£1.01 - £2.00	2,714	1.75	102	22	1.16	81
£2.01 - £3.00	809	2.63	116	-	-	-
	3,933	1.85	102	432	1.01	79
CSOP						
£2.01 - £3.00	203	2.55	117	-	-	-
	203	2.55	117	-	-	-

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

No cash was used to settle equity instruments granted under share based payment schemes.

During the year ended 1 April 2007, the market price of ordinary shares in the Company ranged from £1.96 to £3.41 (2006: £1.22 to £2.11). The share price as at 1 April 2007 was £3.15 (2006: £2.02).

The fair value of the options is estimated at the date of grant using a Black-Scholes valuation model that uses the assumptions noted below:

	2007	2006
Expected life of options (years)	3	3
Expected share price volatility (180 days)	17.5% - 30.3%	21.5% - 30.8%
Dividend yield	0%	0%
Risk free rate (Bank of England base interest rate)	4.50% - 5.25%	4.50% - 4.75%
Exercise price	£2.10 - £3.00	£1.41 - £1.88
Share price at date of grant	£2.10 - £3.00	£1.41 - £1.88

The weighted average fair value of options granted during the year ended 1 April 2007 was £0.55 (2006: £0.48).

During 2007 the Group recognised total share-based payment expenses (FRS20) of £639,000 (2006 - £278,000) of which all related to equity-settled share-based payment transactions.

Notes to the Consolidated Financial Statements (continued)

21 Reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Shareholders Funds £'000
GROUP				
At 1 April 2005	1,995	19,563	(864)	20,694
Prior year adjustments	-	(270)	231	(39)
At 1 April 2005 (restated)	1,995	19,293	(633)	20,655
Ordinary shares issued (net of expenses)	34	476	-	510
FRS20 Share option charge	-	-	278	278
Profit for the financial year	-	-	268	268
At 1 April 2006 (restated)	2,029	19,769	(87)	21,711
Ordinary shares issued (net of expenses)	1,463	24,292	-	25,755
FRS20 Share option charge	-	-	639	639
Profit for the financial year	-	-	1,258	1,258
At 1 April 2007	3,492	44,061	1,810	49,363
COMPANY				
At 1 April 2005	1,995	19,563	(532)	21,026
Prior year adjustments	-	(270)	454	184
At 1 April 2005 (restated)	1,995	19,293	(78)	21,210
Ordinary shares issued (net of expenses)	34	476	-	510
FRS20 Share option charge	-	-	278	278
Profit for the financial year	-	-	155	155
At 1 April 2006 (restated)	2,029	19,769	355	22,153
Ordinary shares issued (net of expenses)	1,463	24,292	-	25,755
FRS20 Share option charge	-	-	639	639
Profit for the financial year	-	-	(546)	(546)
At 1 April 2007	3,492	44,061	448	48,001

22 Cash Flows

	Year ended 1 April 2007 £'000	Year ended 31 March 2006 Restated £'000
A Reconciliation of operating profit to net cash outflow from operating activities		
Operating profit/(loss)	2,573	(170)
Depreciation and amortisation	1,902	791
FRS20 share option charge	639	278
Loss/(profit) on disposal of tangible fixed assets	31	(2)
	<u>5,145</u>	<u>897</u>
Increase in stocks	(279)	(207)
Increase in debtors	(1,069)	(617)
Increase in creditors	2,062	531
Payments in respect of fundamental reorganisation	(901)	-
Net cash inflow from operating activities	<u>4,958</u>	<u>604</u>
B Analysis of cash flows for headings netted in the cash flow		
Returns on investments and servicing of finance		
Interest received	65	463
Interest paid	(350)	(42)
Net cash (outflow)/inflow from returns on investments and servicing of finance	<u>(285)</u>	<u>421</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(11,167)	(5,049)
Purchase of intangible fixed assets	(26)	(27)
Sale of tangible fixed assets	513	11
Net cash outflow from capital expenditure and financial investment	<u>(10,680)</u>	<u>(5,065)</u>
Acquisitions		
Purchase of subsidiary undertakings (including costs)	(32,852)	(325)
Net cash acquired with subsidiaries	153	-
Net cash outflow from acquisition	<u>(32,699)</u>	<u>(325)</u>
Management of liquid resources		
(Decrease)/Increase in short term deposits	(6,910)	6,910
Financing		
Capital repayments on bank loans	(4,301)	(71)
Capital drawn on bank loans	8,200	-
Gross proceeds of ordinary shares issued	26,235	-
Issue costs	(480)	10
Net cash inflow/(outflow) from financing	<u>29,654</u>	<u>(61)</u>

Notes to the Consolidated Financial Statements (continued)

22 Cash Flows (continued)

C Analysis of net funds

	At 1 April 2006 £'000	Cash flow £'000	Acquisition £'000	At 1 April 2007 £'000
Cash in hand, at bank	1,125	(791)	-	334
Overdrafts	(222)	(1,435)	-	(1,657)
	903	(2,226)	-	(1,323)
Short term deposits	6,910	(6,910)	-	-
Debt due within 1 year	(76)	76	-	-
Debt due after 1 year	(425)	(3,975)	(3,800)	(8,200)
Total net funds	7,312	(13,035)	(3,800)	(9,523)

Cash at bank and in hand of £334,000 (2006: £8,035,000) on the Group's balance sheet includes short term deposits of £Nil (2006: £6,910,000) which was not classified as cash under FRS1 for the purposes of the cash flow statement.

D Major non-cash transactions

There were no material non-cash transactions that occurred during the year ended 1 April 2007. The only material non-cash transaction that occurred during the year ended 31 March 2006 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.

23 Commitments Under Operating Leases

GROUP

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

	2007 £'000	2006 £'000
Land and buildings		
Expiring within one year	72	48
Expiring between one and two years	105	-
Expiring between two and five years	18	18
Expiring after five years	5,216	1,680
	5,411	1,746
Others		
Expiring within one year	35	7
Expiring between one and two years	-	9
Expiring between two and five years	35	35
	70	51

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

COMPANY

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

	2007 £'000	2006 £'000
Land and buildings		
Expiring within one year	72	48

24 Capital Commitments

	2007 £'000	2006 £'000
Capital expenditure contracted for but not provided in the financial statements relating to committed new restaurant build costs	5,013	2,214

25 Acquisitions

The principal acquisition of subsidiary undertakings was:

On 5 May 2006, the Company acquired the entire issued share capital of Urban Dining PLC comprising the business and assets of the Tootsies Restaurants operation for a consideration of £25,329,333 paid in cash.

	Book value and fair value of net assets acquired Urban Dining PLC £'000
Fixed assets	9,376
Stock	271
Debtors	1,266
Net debt	(3,647)
Creditors – amounts due within one year	(5,738)
Net assets	1,528
Cash consideration	25,329
Acquisition costs	459
Total consideration	25,788
Capitalised goodwill	24,260

The acquired business contributed £460,000 to the group's net operating cash flows, paid £229,000 in respect of net returns on investments and servicing of finance and utilised £1,944,000 for capital expenditure.

The results of Urban Dining PLC for the period from 1 February 2006 to the date of acquisition are shown below:

	3 months ended 5 May 2006 £'000	Year ended 29 January 2006 £'000
Turnover	5,833	19,897
Operating loss	(669)	(5,760)
Fundamental reorganisation	(3,817)	-
Loss before taxation	(3,890)	(5,874)
Taxation	-	(550)
Loss after taxation	(3,890)	(6,424)

Notes to the Consolidated Financial Statements (continued)

26 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. Other than a minimal exposure to Kuwaiti Dinars and United Arab Emirates Dirham through the Group's franchising operation, there is no other exposure to currency 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 year.

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 year was 4.7% (2006: 4.6%) and the average amount of time for which interest rates are fixed on short-term deposits were 30 days (2006: 93 days). 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 year, were placed on short-term interest bearing accounts at standard bank interest rates. The cash at bank and in hand as at 1 April 2007 was £334,000 (2006: £8,035,000) and were designated in Sterling. The fair value was the same as the carrying value.

The financial liabilities of the Group as at 1 April 2007 were designated in sterling and were all floating rate liabilities with the exception of a term loan acquired with Gourmet Burger Kitchen Limited that terminated during the year. The total overdrafts at the year end were £1,657,000 (2006: £222,000) and their fair value were the same as the carrying value. Interest rates on the bank overdrafts were based on appropriate LIBOR rates. The bank loan outstanding at the year end was £8,200,000 (2006: £501,000). Interest on the bank loan is floating on 3 months LIBOR plus a margin.

The Group had un-drawn committed borrowing facilities available at 1 April 2007 of £10,800,000 (2006: £103,000) which expire within one year.

27 Subsequent Events

On 16 April 2007, the Company paid £750,000 in cash consideration for the acquisition of the remaining 9.5% of the issued share capital of CHG2 Limited.

Following the year end, the Company completed a placing of 1,710,000 ordinary shares of 10p each raising £5,130,000 (before expenses).

28 Prior Year Adjustment

The prior year adjustment is the result of the first time adoption of FRS20 Share Based Payments as described in page 23.

The effects of the restatement for the national insurance contribution potentially payable on the exercise of share options granted under the Unapproved Share Option Plan and the deferred taxation on both the FRS20 and the NIC charges are summarised below:

	2007 £'000	2006 £'000
Balance Sheet – Group		
Debtors – deferred taxation asset	-	202
Creditors – accrual for NIC		(293)
Decrease in net assets	-	(91)
Balance Sheet – Company		
Investments – Capital contributions arising from share based payments	-	253
Debtors – Amounts owed by subsidiary undertakings due in over one year	-	195
Debtors – deferred taxation asset	-	202
Creditors – accrual for NIC		(284)
Increase in net assets	-	366

The effects of the prior year adjustments on the Group's profit and loss account are set out below:

	Profit for the year £'000
FRS20	(326)
NIC	(293)
Deferred taxation	202
	(417)

29 Related Party Disclosures

On 16 April 2007, the Company paid £750,000 in cash consideration to SL Willingham, a director of the Company, for the acquisition of the remaining 9.5% of the issued share capital of CHG2 Limited.

Details of share options granted and exercised by Directors are shown in the Report on Directors Remuneration on pages 15 to 17.

Directors, Officers and Advisers

Directors

DM Page

PA Campbell ACA

NCW Wong ACA

SL Willingham

D Sykes

NJ Donaldson

T Woodcock ACA

Chairman

Chief Executive

Group Finance Director

Development Director

Director

Non-executive Director

Non-executive Director

Company Secretary

NCW Wong ACA

Registered in England

Number 4918500

Registered Office

1 Lindsey Street

Suite D, Second Floor

London EC1A 9HP

Auditors

Baker Tilly UK Audit LLP

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

Nominated Adviser

Noble and Company Limited

76 George Street

Edinburgh EH2 3BU

Solicitors

Marriott Harrison

Staple Court, 11 Staple Inn Buildings

London WC1V 7QH

Registrars

Capita Registrars

The Registry, 34 Beckenham Road

Beckenham

Kent BR3 4TU

Bankers

Barclays Bank plc

HSBC Bank plc

Brokers

Investec Investment Bank

Noble and Company Limited

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10am on Friday 28 September 2007 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 1 April 2007.
2. to receive and approve the Directors' remuneration report for the year ended 1 April 2007.
3. to re-appoint Mr Nicholas Donaldson, who retires by rotation under the Company's Articles of Association as a director of the Company.
4. to re-appoint Mr David Sykes who was appointed a director of the Company since the last Annual General Meeting.
5. to re-appoint Mr Timothy Woodcock who was appointed a director of the Company since the last Annual General Meeting.
6. to re-appoint Baker Tilly UK Audit LLP 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 7 will be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution:

7. the directors be and are generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 as amended (the "Act"), to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £500,000 for a period expiring on the conclusion of the annual general meeting of the Company to be held in 2008, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired.
8. the Directors be and they are hereby unconditionally empowered pursuant to section 95 of the Act for a period expiring on the conclusion of the annual general meeting of the Company to be held in 2008 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution 7 above as if section 89(1) of the Act did not apply to any such allotment provided that the power is limited to:
 - a. the allotment of equity securities by way of rights issue or otherwise generally available to all shareholders of the Company in proportion (as nearly as practicable) to their holdings of ordinary shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - b. the allotment of equity securities for cash up to an aggregate nominal amount of £373,000;
but the Company may before the expiry of the power conferred on them by this resolution make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the power conferred hereby has expired.

By Order of the Board

Nicholas Wong ACA

Company Secretary
1 Lindsey Street
Suite D, Second Floor
London EC1A 9HP

6 September 2007

Notice of Annual General Meeting (continued)

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 Capita Registrars, 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 10 a.m. on Wednesday 26 September 2007 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 page 7 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 15 to 17 of the Report and Financial Statements.

