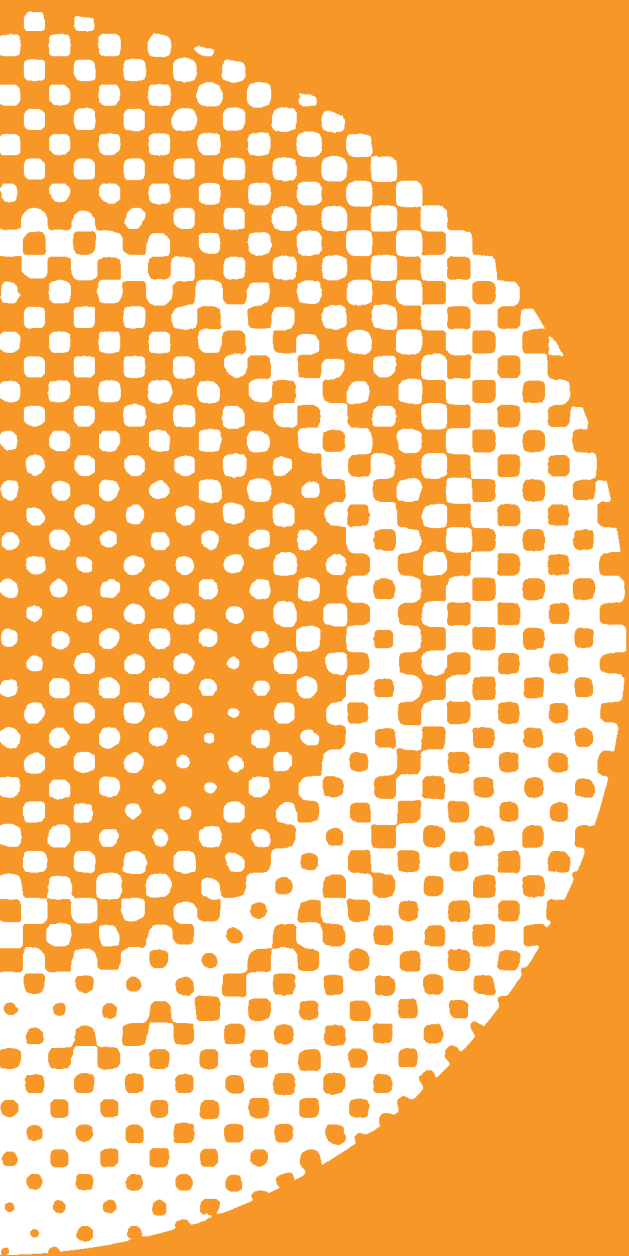


The Clapham House Group PLC

Report and Financial Statements 2008



THE CLAPHAM HOUSE GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 March 2008

Background

The Clapham House Group PLC ("the Company" or "Clapham House") was admitted to 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 three brands, 74 of which are group owned within the UK, 1 Dexters operating under franchise in the UK and 8 GBK restaurants operating under franchise internationally.

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 five Vegetarian burgers, Junior Beef and Junior Chicken burgers and delicious flavour combinations such as the Pesterella Burger (Beef, Mozzarella and Pesto). GBK has formed a partnership with the world famous biodynamic and organic farm Laverstoke Park who supplies GBK with a range of exclusive organic burgers including Buffalo, Wild Boar and Lamb. Seasonal specialities include Christmas burgers and lighter summer options including a range of GBK salads. GBK operates 44 restaurants within the UK and 8 under franchise internationally.

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 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. (2008 Winner of the Menu-Masters award for the best casual theme dining menu in the UK, Zagat 2007: "the staff are cheerful and friendly even when your children aren't", Harden's 2007: "a great family destination"). Tootsies operates 24 restaurants within the UK and 1 Dexter's restaurant under franchise also in the UK.

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 6 locations, including a landmark restaurant on London's South Bank.

Background & Highlights:

- Revenue up 30% for the year to £59.5m (2007: £45.9m) driven by strong organic growth
- Headline EBITDA* up 52% for the year to £8.9m (2007: £5.9m)
- Headline profit before taxation** up 30% for the year to £4.7m (2007: £3.7m)
- Headline diluted EPS** up 27% to 11.8p (2007 : 9.3p)
- Restaurants operated at year end up to 96 (2007: 72)
- Net debt as at 30 March 2008 of £16.0m (2007: £9.5m)
- Statutory loss before taxation of £1.0m (2007: profit £1.5m)
- Statutory diluted loss per share of 4.6p (2007: EPS 3.2p)

Operational highlights:

- Continued successful expansion of the GBK business – 21 new restaurants opened in the UK in FY08
- Tootsies sales stabilised following introduction of new management, new menus and sales promotions

* Headline EBITDA is defined as headline profit before taxation and before depreciation and amortisation, finance income and finance costs.

** Before impairment of property, plant and equipment, impairment of goodwill, restructuring costs, share based payments, deferred taxation on share based payments and pre-opening costs.

Chairman's Statement

It gives me great pleasure to report the results of Clapham House for the year ended 30 March 2008.

Results

During the year ended 30 March 2008, Clapham House's revenue increased 30% from £45.9m to £59.5m. This is a result of the continuing organic growth of our restaurant brands. The Group's headline EBITDA increased 52% for the year to £8.9m (2007: £5.9m).

Headline profit before taxation increased 30% to £4.7m (2007: £3.7m). Pre-opening costs of £1.1m (2007: £0.8m) were incurred during the year and share based payments amounted to £0.5m (2007: £0.6m).

The Group incurred non-trading charges consisting of a £0.7m write down of fixed assets at the Canary Wharf restaurant which has been converted from Tootsies to a GBK and a £0.1m charge relating to the departure of Sarah Willingham, a director of the Company, at the year end. There is also a further £1.3m charge for the impairment of property, plant and equipment, reducing the carrying values of a number of Tootsies restaurants which have traded below expectations and a £1.9m charge for the impairment of goodwill referred to below under corporate activity.

Statutory diluted loss per share for the year were 4.6p (2007: EPS 3.2p) while headline diluted earnings per share before impairment charges, restructuring costs, share based payments, deferred taxation arising on share based payments and pre-opening costs were 11.8p (2007: 9.3p).

Corporate activity

Following the year end, on 16 July 2008 we sold a wholly owned subsidiary, CHG 2 Limited, which owns The Bombay Bicycle Club ("BBC"), for £4.4m in cash. We have recognised £1.9m impairment on goodwill in the year ended 30 March 2008.

Whilst we are sad to see BBC leave our portfolio, it is predominantly a home delivery business with a different pricing point and a longer period for return on capital than our other brands. This disposal is in line with the strategy we set up on flotation of the Group relating to the acquisition and disposal of suitable businesses. We believe that at the current time it is appropriate to strengthen our balance sheet and focus resources on our pure restaurant businesses, Gourmet Burger Kitchen, Tootsies and The Real Greek.

Openings

Our restaurant opening programme has progressed well with 24 new restaurant locations added during the year. There were 21 new GBKs opened in the UK including the conversion of the Tootsies restaurant at Canary Wharf and new restaurants in Oxford, Cambridge, Leeds, Birmingham and Manchester. In addition, two GBKs were opened in international territories. 4 new BBC delivery kitchens were opened and 2 loss-making Tootsies restaurants were sold. This activity took the total number of Clapham House restaurants and delivery kitchens to 96 at 30 March 2008 (2007: 72).

Since 30 March 2008, 4 further GBK restaurants have been opened (in London's Baker Street and, under franchise, in Belfast, Liffey Valley Shopping Centre and Temple Bar, Dublin) and 1 new Dexters restaurant has opened at Bristol Airport under franchise, taking the total number of locations operated by the Company today, owned and franchised, to 83: 52 GBK restaurants (44 UK; 8 international), 25 Tootsies and Dexters restaurants, and 6 The Real Greek restaurants.

We have commenced building at the GBK restaurant at London's Spitalfields development after a delay of more than one year whilst the landlord completed the premises. We have a further 8 restaurant locations signed and planned for construction later in this financial year. In addition, our franchise partners in Ireland and the Middle East have a number of GBK restaurants planned for construction.

We are pleased to observe that rental and premium prices are now becoming more realistic than they were six months ago. However, we believe that over the next year there will be further realignment in property costs and it will remain our policy not to enter into over-rented leases.

Gourmet Burger Kitchen

We remain convinced of the strong and profitable expansion potential for GBK in the UK, with our latest restaurant at Baker Street, London, performing very well since opening in May 2008. Our openings this year for GBK will be focused on major UK cities and high footfall developments such as Liverpool and Westfield London in White City.

Internationally, we now have GBKs operating in the Middle East, Turkey and Ireland. These markets are being developed under franchise arrangements at no capital cost to Clapham House. Over time, an attractive royalty stream should be produced from the GBK international business.

Development Brands

Tootsies

A number of initiatives were launched within the Tootsies business last autumn including a new menu, an improved food offer, a broader range of classic dishes under the "Food for Everyone" banner, a new kids menu in partnership with child nutritionist Annabel Karmel and the introduction of daily specials and a fixed price menu to drive footfall and localised marketing initiatives. We are delighted that these initiatives appear to be working with sales now stabilised at Tootsies.

The Real Greek

The Real Greek traded well last year with the flagship restaurant on London's South Bank and the Covent Garden restaurant performing particularly well. We have new excellent London locations at Spitalfields and White City scheduled to open in this financial year.

Costs

We are firmly focused on recent food and energy cost inflation and will continue to seek where possible to neutralise any adverse effects with better buying. We are reviewing all supply chain arrangements to ensure cost efficiency is maximised and are also reviewing our menu mixes across the brands.

We have introduced a new management system to all our restaurants to ensure that labour costs are managed as tightly as possible.

Promotional activities

In recent months we have launched a number of promotions across our brands including the GBK Official Love Bus tour of UK cities, a Tootsies promotion with Tesco Clubcard holders and The Real Greek Gets the Ouzo Flowing campaign at Euro 2008. We will continue to introduce promotional activities which we consider to be helpful to the development of our businesses.

Funding

During the year, we generated a net cash inflow from operating activities of £9.2m (2007: £4.9m) and we invested £19.6m in the year (2007: £11.2m) in capital expenditure on new sites and infrastructure.

Net debt at 30 March 2008 was £16.0m (2007: £9.5m). Following the disposal of BBC after the year end, our net debt has been partly reduced by the application of proceeds received. The Company's banking facilities are currently £21.7 million.

Impact of the adoption of International Financial Reporting Standards

The financial information shown in these financial statements is presented for the first time in accordance with International Financial Reporting Standards and IFRIC Interpretations as adopted in the E.U. ("IFRS"). The comparative information for the year ended 1 April 2007 has been restated under these standards.

If we had prepared the Group's income statement for the year ended 30 March 2008 under UK GAAP, profit before taxation for the year would have been £0.3m (2007: £0.1m) higher as a result of the change in treatment of lease inducements and recognition of a separable intangible amortisation thereof. We expect the variance between the two accounting standards to increase in the coming year as the full year effect of new leases are recognised.

Chairman's Statement (continued)

Dividends

No final dividend is being proposed. As described in the Company's 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.

Current trading and outlook

In December 2007, we made the strategic decision to reduce our opening programme for the financial year 2008/09. Whilst we are continuing to grow and expand of our businesses we believe that this cautious approach is wise in the current economic climate. We do remain highly positive about the mid term market prospects for our brands and the UK eating out market.

David Page

Chairman

7 August 2008

Board of Directors

The Directors of The Clapham House Group PLC are:

David Page

Chairman

David Page, Chairman and co-founder of Clapham House, 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. He is also non-executive chairman of Clerkenwell Ventures plc and a non-executive director of Singer and Friedlander AIM 3 VCT plc and Young & Co.'s Brewery 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 quoted 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 1990s he 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.

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 in July 2005 as Managing Director of Gourmet Burger Kitchen. He was appointed a Director of Clapham House 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. He is also a non-executive director of First Quench Ltd, the Threshers and Victoria Wine off-licence chain and a director of Capital Management and Investment PLC.

Directors' Report

The Directors have pleasure in presenting their report on the affairs of the Company and Group together with the audited financial statements for the year ended 30 March 2008.

Principal activity

The principal activity of the Group is the operation and management of restaurants.

Objective

The Group's objective is to achieve attractive and sustainable rates of growth and returns through investment in "best in 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

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 30 March 2008 are set out in the consolidated income statement on page 20.

Group turnover in the year increased by 30% to £59,497,000 (2007: £45,951,000). The Group reported a full year loss after taxation amounting to £1,713,000 (2007: profit £1,119,000) after recognising impairment charges of £3,243,000 (2007: £Nil).

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 30 March 2008.

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 chains.

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 financial instruments described above, the Group also has other financial instruments such as receivables, trade payables and accruals that arise directly from the Group's operations. Further information is provided in note 19 to the financial statements.

Key performance indicators

The Board receives 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 2007:

DM Page *

PA Campbell

NCW Wong

SL Willingham (resigned 31 March 2008)

D Sykes (appointed 8 May 2007)

NJ Donaldson

T Woodcock

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

* retires by rotation at this year's annual general meeting and offers himself for re-election.

Directors' interests in shares

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

Director	As at 30 March 2008		As at 1 April 2007	
	Ordinary shares of 10p each	%	Ordinary shares of 10p each	%
DM Page	1,117,358	3.0%	1,134,158	3.2%
PA Campbell	256,853	0.7%	114,903	0.3%
NCW Wong	18,800	0.1%	5,319	-%
D Sykes	21,000	0.1%	-	-%
SL Willingham	113,333	0.3%	-	-%
NJ Donaldson	127,147	0.3%	113,297	0.3%
T Woodcock	15,916	0.1%	-	-%

Following the Company's acquisition of her holding at the beginning of the year ended 30 March 2008, SL Willingham held nil (2007: 10,500) ordinary shares of 1 pence each in CHG 2 Limited, trading as The Bombay Bicycle Club, a subsidiary of the Company.

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

Directors' Report (continued)

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

The Directors' interests in the shares of the Company have been disclosed above. On 5 August 2008, the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company:

	Ordinary shares Of 10p each	As at 5 August 2008 %
Capricorn Ventures International Limited	9,302,280	24.93%
Schroder Investment Management Limited	3,606,469	9.66%
Wellington Management Company, LLP	2,214,243	5.93%
Henderson Global Investors Limited	1,898,000	5.09%
Deutsche Bank	1,877,850	5.03%
Kaupthing Bank Luxembourg S.A.	1,866,500	5.00%
AXA S.A.	1,781,666	4.77%
Fidelity International Limited	1,776,050	4.75%
Wolvercote Investments Limited	1,550,000	4.15%
British Airways Pensions Trustees Limited	1,263,400	3.39%
Newton Investment Management Limited	1,236,498	3.31%
DM Page	1,117,358	3.00%

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 (2007: £nil). The Group made charitable donations of £2,500 (2007: £nil). 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 suppliers. At 30 March 2008, the Group had an average of 35 days (2007: 34 days) purchases outstanding in trade payables.

Post balance sheet event

Following the year end, the Company sold the entire issued share capital in CHG 2 Limited, trading as The Bombay Bicycle Club, as described in the Chairman's Statement on pages 4 to 6.

Annual general meeting

On pages 67 to 69 is a notice convening the annual general meeting of the Company for 22 September 2008 and the notice sets out the resolutions to be voted at that meeting. The Board believes that the proposed resolutions to be put to the annual general meeting to be held on 22 September 2008 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 auditor.

Going concern

After making reasonable enquiries, the Board consider that the Company and Group have 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

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By Order of the Board

Nicholas Wong ACA
Company Secretary

7 August 2008

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.

Set out below is a summary of how, at 30 March 2008, the Group was dealing with corporate governance issues.

Board Structure

The Board of Directors set up to control the Company consists of four executive Directors and 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 eleven 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 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.

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, 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, 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 22 September 2008. The notice of the Annual General Meeting may be found on pages 67 and 69.

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 system 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 regulations.

UK Company Law requires the Directors to prepare Group and Company Financial Statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company 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. for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU; and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Statement on Corporate Governance (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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.

Going Concern

The directors confirm that they are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

David Page
Chairman

7 August 2008

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 apply good governance to Directors' remuneration.

Remuneration Committee

The Remuneration Committee is authorised by the Board to determine the Company's remuneration policy on executive Directors' service contracts and remuneration including share based incentive awards. The Remuneration Committee 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 based incentive schemes. 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

DM Page was appointed as a Director in October 2003. Under a service agreement entered into at that time, he was appointed Executive Chairman. His annual salary was reviewed to £168,000 with effect from 1 April 2008. The agreement is terminable on 12 months' notice to be given by either party.

PA Campbell was appointed as a Director in October 2003. Under a service agreement entered into at that time, he was appointed Chief Executive. His annual salary was reviewed to £187,000 with effect from 1 April 2008. This agreement is terminable on 12 months' notice to be given by either party.

NCW Wong was appointed as Group Finance Director in September 2005. He entered into a service agreement with the Company with effect from May 2004. His annual salary was reviewed to £100,800 with effect from 1 April 2008. This agreement is terminable on 3 months' notice to be given by either party.

D Sykes was appointed as a Director in May 2007. His service contract is governed by his service agreement with Gourmet Burger Kitchen Limited, a subsidiary of the Company. His annual salary was reviewed to £132,000 with effect from 1 April 2008. This agreement is terminable on 12 months' notice to be given by either party.

NJ Donaldson was appointed as a Non-Executive Director in October 2003. The service agreement entered into at the time of appointment is terminable on 3 months' notice to be given by either party.

T Woodcock was appointed Non-Executive Director in September 2005. The service agreement entered into at the time of appointment is terminable on 3 months' notice to be given by either party.

Incentive Arrangements

The Directors and employees of the Company also participate in incentive arrangements to reward individuals if shareholder value is created based on earnings targets and share price targets.

Under these arrangements certain Directors and employees are entitled to performance related bonuses and participation in share based incentive schemes. The details of the five share based incentive schemes are given in note 22 on pages 46 to 48.

Report on Directors' Remuneration (continued)

Directors' Remuneration

	2008 £'000	Salary or fees 2007 £'000	2008 £'000	Bonus 2007 £'000	2008 £'000	Benefits 2007 £'000	2008 £'000	Total 2007 £'000
<i>Executive Directors</i>								
DM Page	160	160	-	-	2	2	162	162
PA Campbell	170	170	-	-	2	2	172	172
NCW Wong	84	80	-	8	-	-	84	88
SL Willingham	120	60	-	-	-	-	120	60
D Sykes*	108	-	-	-	-	-	108	-
<i>Non-executive Directors</i>								
NJ Donaldson	26	26	-	-	-	-	26	26
T Woodcock	24	12	-	-	-	-	24	12
	692	508	-	8	4	4	696	520

* D Sykes was appointed during the year on 8 May 2007.

SL Willingham also received £120,000 for compensation for loss of office.

Directors' interests in Company share based incentive schemes

The interests of the Directors under the Company's share based incentive schemes as at 30 March 2008 were as follows:

	Options outstanding 1 April 2007	Options granted/ (exercised) during year	Options outstanding 30 March 2008	Exercise Price £	Exercisable Date	Expiry Date
<i>EMI</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	(9,200)	60,000	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	267,647	(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	142,647	(142,647)	-	1.000	7/11/2006	7/11/2013
	294,000	(175,000)	119,000	1.445	8/06/2007	8/06/2014
	700,000	-	700,000	1.880	31/03/2009	31/03/2016
NCW Wong	800	(800)	-	1.445	8/06/2007	8/06/2014
	20,000	-	20,000	1.365	24/09/2007	24/09/2014
	40,000	-	40,000	1.375	20/09/2008	20/09/2015
	150,000	-	150,000	1.880	31/03/2009	31/03/2016
	20,000	-	20,000	2.135	29/09/2009	29/09/2016
	25,000	-	25,000	3.000	30/03/2010	30/03/2017

Unapproved (continued)

	Options outstanding 1 April 2007	Options granted/ (exercised) during year	Options outstanding 30 March 2008	Exercise Price £	Exercisable Date	Expiry Date
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

* D Sykes was appointed during the year on 8 May 2007.

None of the Directors had any interests in the Company Share Option Plan ("CSOP") or Restricted Shares Plan.

All share options have been issued at the market price of the ordinary shares at the date of grant. During the year ended 30 March 2008, the market price of ordinary shares in the Company ranged from £1.50 to £4.15 (2007: £1.96 to £3.41). The share price as at 30 March 2008 was £1.73 (2007: £3.15).

The interests of the Directors under the Company's 2007 Long Term Incentive Plan ("LTIP") as at 30 March 2008 were as follows:

	LTIP units outstanding 1 April 2007	Options granted/ (forfeited) during year	LTIP units outstanding 30 March 2008	Exercise Price £	Exercisable Date	Expiry Date
<i>Approved</i>						
DM Page	-	-	-	-	-	-
PA Campbell	-	-	-	-	-	-
NCW Wong	-	66,674	66,674	0.10	12/2010	12/2017
SL Willingham	-	66,674	66,674	0.10	12/2010	12/2017
D Sykes*	-	66,674	66,674	0.10	12/2010	12/2017
NJ Donaldson	-	-	-	-	-	-
T Woodcock	-	-	-	-	-	-

* D Sykes was appointed during the year on 8 May 2007.

The conditions subject to which allocations of units vest under this plan are described in note 22 on pages 46 to 48.

Details of the Directors' shareholdings are given in the Directors' Report on pages 8 to 11.

Approval

This report was approved by the Board of Directors on 7 August 2008 and signed on its behalf by:

NJ Donaldson

Chairman of the Remuneration Committee

7 August 2008

Independent Auditors' Report

to the Members of The Clapham House Group PLC

We have audited the consolidated Group and parent Company financial statements on pages 20 to 65.

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 Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent Company 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information cross referenced in the Review of Business section of the Directors' Report.

In addition we 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. The other information comprises only the Directors' Report, Chairman's Statement, 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 March 2008 and of its loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 March 2008;
- the financial statements 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

7 August 2008

Consolidated Income Statement

for the year ended 30 March 2008

	Notes	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Continuing operations			
Revenue	1	59,497	45,951
Cost of sales		(35,485)	(28,941)
Gross profit		24,012	17,010
Administrative expenses		(18,342)	(13,065)
Headline operating profit		5,670	3,945
Share based payments		(516)	(639)
Pre-opening costs	2	(1,136)	(811)
Operating profit	3	4,018	2,495
Impairment of property, plant and equipment	12	(1,343)	-
Impairment of goodwill	12	(1,900)	-
Restructuring costs	4	(823)	(760)
Finance income	5	61	65
Finance costs	6	(985)	(350)
(Loss)/Profit before taxation		(972)	1,450
Income tax expense	8	(741)	(331)
(Loss)/profit for the year attributable to equity shareholders of the parent		(1,713)	1,119
(Loss)/earnings per share			
Basic	9	(4.6p)	3.4p
Diluted	9	(4.6p)	3.2p

Consolidated Balance Sheet

30 March 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Goodwill and intangible assets	10	36,489	38,100
Property, plant and equipment	11	42,423	27,923
Trade and other receivables	16	577	499
Deferred taxation assets	20	-	549
Investments	13	63	-
		79,552	67,071
Current assets			
Inventories	15	1,383	967
Trade and other receivables	16	4,210	3,128
Current taxation recoverable		6	-
Cash and cash equivalents	17	2,115	334
		7,714	4,429
Total assets		87,266	71,500
Current liabilities			
Trade and other payables	18	(14,552)	(11,772)
Current taxation liabilities		-	(26)
Borrowings	19	(74)	(1,657)
		(14,626)	(13,455)
Net current liabilities		(6,912)	(9,026)
Non-current liabilities			
Borrowings	19	(18,000)	(8,200)
Deferred taxation liabilities	20	(289)	-
		(18,289)	(8,200)
Total liabilities		(32,915)	(21,655)
Net assets		54,351	49,845
Equity			
Called up share capital	21	3,732	3,492
Share premium		49,596	44,061
Retained earnings		1,023	2,292
Total equity attributable to equity shareholders of the parent		54,351	49,845

The financial statements on pages 20 to 65 were approved by the board of Directors and authorised for issue on 7 August 2008 and are signed on its behalf by:

David Page
Chairman

Consolidated Statement of Change in Equity

for the year ended 30 March 2008

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total equity £'000
Attributable to equity holders of the parent				
At 1 April 2006	2,029	19,769	57	21,855
Profit for the year	-	-	1,119	1,119
Deferred taxation on share based payments	-	-	477	477
Total recognised income and expense	-	-	1,596	1,596
Ordinary shares issued (net of expenses)	1,463	24,292	-	25,755
Share based payments	-	-	639	639
Total change in equity	1,463	24,292	2,235	27,990
At 1 April 2007	3,492	44,061	2,292	49,845
Loss for the year	-	-	(1,713)	(1,713)
Deferred taxation on share based payments	-	-	(609)	(609)
Current taxation on share based payments	-	-	537	537
Total recognised income and expense	-	-	(1,785)	(1,785)
Ordinary shares issued (net of expenses)	240	5,535	-	5,775
Share based payments	-	-	516	516
Total change in equity	240	5,535	(1,269)	4,506
At 30 March 2008	3,732	49,596	1,023	54,351

Consolidated Cash Flow Statement

for the year ended 30 March 2008

	Notes	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Net cash flow from operating activities	23	9,217	4,874
Investing activities			
Acquisition of property, plant and equipment and intangible assets		(19,879)	(11,193)
Proceeds on disposal of property, plant and equipment		290	513
Purchase of investments		(63)	-
Acquisition of subsidiaries		(852)	(32,699)
Interest received		61	65
Net cash used in investing activities		(20,443)	(43,314)
Financing activities			
Proceeds from issuance of new ordinary shares (net of expenses)		5,775	25,755
Repayment of borrowings		-	(4,301)
Proceeds of new borrowings		9,800	8,200
Interest paid		(985)	(350)
Net cash from financing activities		14,590	29,304
Net increase/(decrease) in cash and cash equivalents		3,364	(9,136)
Cash and cash equivalents at the beginning of the year	17	(1,323)	7,813
Cash and cash equivalents at the end of the year	17	2,041	(1,323)

Accounting Policies

General Information

The Clapham House Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM of the London Stock Exchange.

The financial statements have been prepared under the historical cost convention.

Basis of Preparation

The Group has adopted International Financial Reporting Standards as adopted by the European Union and IFRIC Interpretations ("IFRS") for the first time. The disclosures required by IFRS 1 First Time Adoption of International Financial Reporting Standards concerning the transition from UK GAAP to IFRS are given in note 29.

The Company has taken advantage of the exemption provided under Section 230(3) of the Companies Act 1985 not to publish its individual profit and loss account and related notes.

The consolidated financial statements for the year ended 30 March 2008 are presented in Sterling because that is the primary currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

These consolidated financial statements have been prepared on the basis of the requirements of IFRSs in issue at 30 March 2008, the date of the Group's first annual report under IFRS.

In the current year, the Group has adopted IFRS 7 "Financial Instruments: disclosures", which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 "Presentation of Financial Statements". The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 19).

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

- IAS 1 Amendment Comprehensive Income
- IAS 23 Amendment Borrowing Costs (revised 2007)
- IAS 27 Amendment Consolidated and Separate Financial Statements (revised 2008)
- IAS 28 or 31 Amendment Associates and Joint Ventures
- IAS 32 Amendment Financial Statements: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- IAS 39 Amendment Financial Instruments – Recognition and Measurement - Hedging
- IFRS 1 Amendment First-time Adoption of International Financial Reporting Standards and IAS27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Joint Controlled Entity or Associate
- IFRS 2 Amendment Share-based payments – Vesting conditions and cancellations
- IFRS 3 Amendment Business Combinations (revised 2008)
- IFRS 8 Operating Segments
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedge of Net Investments in a Foreign Operation

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements.

Significant Accounting Policies

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 from the date that the Group has the power to control and will continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

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

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Intangible Assets

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of an acquisition over the Group's interest in the fair value attributed to the net assets at acquisition. Goodwill is not subject to amortisation but is tested for impairment at least annually. After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of these cash generating units represent the Group's investment in a subsidiary.

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

Goodwill has been re-stated on transition to IFRS as certain intangible assets, which were not recognised under UK GAAP, have now been separately classified, as they meet the recognition criteria under IAS 38.

Computer Software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives, being between 3 and 5 years. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and directly attributable overheads.

Software integral to a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programmes are recognised as an expense when they are incurred.

Other Intangible Assets

Other intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives range from 5 to 20 years on a straight-line basis.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation and any recognised impairment loss. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Accounting Policies (continued)

Depreciation is provided on property, plant and equipment 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% to 20% straight line
Motor vehicles	20% to 25% straight line

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of Assets

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

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

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Investments

Long term investments are classified as held to maturity and measured at amortised cost. Provision is made for any impairment in the value of investments.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. 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.

Financial Instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade Receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow, discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade Payables

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

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling, the presentational and functional currency of the Group, 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 income statement.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowing. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may not be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit or the accounting profit.

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

Accounting Policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis. Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Retirement Benefits

The amount charged to the income statement 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.

Revenue Recognition

Revenue represents the fair value of the consideration received or receivable, net of Value Added Tax, for goods sold and services provided to customers outside the Group after deducting discounts. Revenue is recognised when the significant risks and rewards of ownership are transferred.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Share Based Payments

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

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

Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies, described above, with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. These judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions. Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The judgements, estimates and assumptions which are of most significance to the Group are detailed below:

Valuation of acquired businesses

The initial accounting for an acquisition involves identifying and determining the fair values to be assigned to identifiable assets, liabilities and contingent liabilities as well as the acquisition cost. In some instances, this initial accounting can only be determined provisionally by the end of the period in which the acquisition is effected because the fair values and/or the cost is not known with full certainty. In such an event, the initial accounting can be completed using provisional values with any adjustments to those provisional values being completed within 12 months of the acquisition date. Additionally, in determining the fair value of acquisition-related intangible assets, in the absence of market prices for similar assets, valuation techniques are applied. These techniques use a variety of estimates including projected future results and expected future cash flows discounted using the weighted average cost of capital.

Assessment of the recoverable amounts in respect of assets tested for impairment

The Group tests property, plant and equipment and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. The impairment analysis for such assets is principally based upon discounted estimated future cash flows from the use and eventual disposal of the assets. Such an analysis includes an estimation of the future anticipated results and cash flows, annual growth rates and the appropriate discount rates.

Valuation of share based payments

The charge for share based payments is calculated in accordance with the methodology described in note 22. The model requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield and risk-free interest rates.

Definitions

Operating Profit

Operating profit is defined as profits from operations after share based payments and pre-opening costs but before impairment of property, plant and equipment, impairment of goodwill, restructuring costs, finance income, finance costs and taxation.

Headline Operating Profit

Headline operating profit is defined as operating profit before share based payments and pre-opening costs.

Headline EBITDA

Headline EBITDA is defined as headline operating profit before depreciation and amortisation.

Headline Profit Before Taxation

Headline profit before taxation is defined as profit/loss before taxation before impairment of property, plant and equipment, impairment of goodwill, restructuring costs, share based payments and pre-opening costs.

Notes to the Consolidated Financial Statements

for the year ended 30 March 2008

1. Business Segments

For management purposes, the Group is currently organised into two operating divisions, Gourmet Burger Kitchen and Development Brands. These divisions are the basis on which the Group reports its primary segment information.

These groups are made up as follows:

Gourmet Burger Kitchen – Gourmet Burger Kitchen and GBK Franchises; and

Development Brands – The Real Greek, The Bombay Bicycle Club and Tootsies/Dexters.

For the year ended 30 March 2008	Gourmet Burger Kitchen £'000	Development Brands £'000	Head Office £'000	Unallocated £'000	Group £'000
Revenue	28,041	31,456	-	-	59,497
Headline EBITDA	7,116	3,309	(1,503)	-	8,922
Depreciation and amortisation	(1,436)	(1,683)	(101)	(32)	(3,252)
Headline operating profit/(loss)	5,680	1,626	(1,604)	(32)	5,670
Operating profit/(loss)	4,452	1,411	(1,813)	(32)	4,018
Impairment of property, plant and equipment	-	(1,343)	-	-	(1,343)
Impairment of goodwill	-	(1,900)	-	-	(1,900)
Restructuring costs	-	(693)	(130)	-	(823)
Segment result	4,452	(2,525)	(1,943)	(32)	(48)
Finance income					61
Finance costs					(985)
Loss before taxation					(972)
Income tax expense					(741)
Loss for the year					(1,713)
Total assets	40,400	44,914	1,952	-	87,266
Total liabilities	(7,565)	(5,575)	(1,146)	(18,629)	(32,915)
Net assets	32,835	39,339	806	(18,629)	54,351
Other segment information					
Capitalised intangible assets additions	196	63	-	-	259
Capitalised property, plant and equipment additions	16,363	2,856	401	-	19,620

For the year ended 1 April 2007	Gourmet Burger Kitchen £'000	Development Brands £'000	Head Office £'000	Unallocated £'000	Group £'000
Revenue	13,709	32,242	-	-	45,951
Headline EBITDA	2,900	3,826	(849)	-	5,877
Depreciation and amortisation	(581)	(1,275)	(46)	(30)	(1,932)
Headline operating profit/(loss)	2,319	2,551	(895)	(30)	3,945
Operating profit/(loss)	1,400	2,329	(1,204)	(30)	2,495
Restructuring costs	(156)	(591)	(13)	-	(760)
Segment result	1,244	1,738	(1,217)	(30)	1,735
Finance income					65
Finance costs					(350)
Profit/(loss) before taxation					1,450
Income tax expense					(331)
Profit for the year					1,119
Total assets	23,660	46,970	351	519	71,500
Total liabilities	(4,564)	(7,022)	(1,747)	(8,322)	(21,655)
Net assets	19,096	39,948	(1,396)	(7,803)	49,845
Other segment information					
Capitalised intangible assets additions	16	10	-	-	26
Capitalised property, plant and equipment additions	8,160	2,880	127	-	11,167

The Group's two business segments primarily operate in one geographical area which is the United Kingdom.

2. Pre-Opening Costs

Pre-opening costs of £1,136,000 (2007: £811,000) represent the costs incurred up to the date of opening a new restaurant that are written off to the income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements (continued)

3. Operating Profit

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Operating profit is stated after charging/(credited):		
Depreciation of owned property, plant and equipment	3,190	1,897
Amortisation of owned intangible assets	62	35
Loss on disposal of tangible property, plant and equipment	306	31
Operating lease rentals:		
Land and buildings	6,035	4,221
Share based payments	516	639
Inventories – amounts charged as an expense	13,971	11,265
Foreign exchange (gains)/losses	(8)	-

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

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Audit services		
- Statutory audit of parent and consolidated accounts	33	20
- Audit of subsidiaries pursuant to legislation	60	59
Other services		
- Interim results – agreed upon procedures	17	8
Other services relating to taxation		
- Compliance services	24	17
- Advisory services	6	8
- Share option scheme advice	5	7
Corporate finance transaction services		
- Acquisition due diligence and share placing *	58	40
Other services	-	2
	203	161

* Amounts relating to corporate finance transaction services have been capitalised as part of costs relating to business acquisitions. All other costs are included within administrative expenses.

4. Restructuring Costs

The restructuring costs for the years ended 30 March 2008 and 1 April 2007 represent predominantly the restructuring costs pursuant to the acquisition of Urban Dining PLC. These costs include the restructuring of the management team and the closure and transfer of restaurants for conversion.

5. Finance Income

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Interest on bank deposits	61	65

6. Finance Costs

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Interest payable on bank loans and overdrafts	985	350

7. Employees

	Year ended 30 March 2008 No.	Year ended 1 April 2007 No.
--	------------------------------------	-----------------------------------

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

Administration and management	63	50
Restaurants and distribution	1,516	1,233
	1,579	1,283

By segment:

Gourmet Burger Kitchen	607	346
Development brands	943	921
Head office	29	16
	1,579	1,283

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
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Staff costs for above persons:

Wages and salaries	20,421	16,126
Social security costs	1,632	1,530
Social security costs on share based payments	246	30
Share based payments	516	639
	22,815	18,325

Notes to the Consolidated Financial Statements (continued)

7. Employees (continued)

DIRECTORS' REMUNERATION

The remuneration of Directors, who are the key management personnel of the Group, is set out in aggregate below. Further details of directors' emoluments can be found in the Report on Directors' Remuneration on pages 15 to 17.

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Recognised in the income statement		
Emoluments	696	520
Compensation for loss of office	120	-
Remuneration	816	520
Social security costs	89	67
Share based payments	374	421
Social security costs on share based payments	24	19
	1,303	1,027

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Remuneration of directors		
Emoluments	696	520
Gains made on exercise of share options	1,857	1,676
Compensation for loss of office	120	-
	2,673	2,196

The aggregate gross pre-tax gain made on the exercise of share options in the year ended 30 March 2008 by 4 (2007: 2) directors was £1,857,000 (2007: £1,676,000).

No Director received any pension benefits.

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Highest paid director:		
Aggregate emoluments	172	172
Gains made on exercise of share options	859	913
	1,031	1,085

The highest paid director exercised share options during the year.

8. Income Tax Expense

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Based on the result for the year:		
UK corporation tax at 30% (2007: 30%)	538	-
Adjustment in respect of prior years	(26)	(10)
Total current tax	512	(10)
Deferred taxation		
Origination and reversal of temporary timing differences	233	341
Effect of decreased taxation rate	(4)	-
Total deferred tax	229	341
Total tax expense in the income statement	741	331

Factors affecting tax charge for year:

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
(Loss)/profit before taxation	(972)	1,450
Taxation at UK corporation tax rate of 30% (2007: 30%)	(292)	435
Tax effect of expenses not deductible for tax purposes	571	90
Tax effect of unrecognised temporary differences	(161)	(184)
Tax effect of taxation losses carried forward	292	-
Share based payments not recognised in deferred taxation	408	-
Effect of change in tax rate on deferred taxation assets	(51)	-
Adjustment of tax charge in respect of previous years	(26)	(10)
Total income tax expense in the income statement	741	331

9. (Loss)/Earnings Per Share

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
(Loss)/earnings for the purpose of basic and diluted earnings per share:		
(Loss)/profit for the year attributable to equity shareholders of the parent	(1,713)	1,119
Impairment of property, plant and equipment	1,343	-
Impairment of goodwill	1,900	-
Restructuring costs	823	760
Share based payments	516	639
Deferred taxation on share based payments	408	(61)
Pre-opening costs	1,136	811
Adjusted earnings for the period for the purposes of headline basic and diluted earnings per share	4,413	3,268

Notes to the Consolidated Financial Statements (continued)

9. (Loss)/Earnings Per Share (continued)

	Weighted average number of shares '000	Weighted average number of shares '000
Weighted average number of ordinary shares in issue for the purposes of basic earnings per share	37,137	33,011
Effect of dilutive potential ordinary shares:		
- Share options	228	1,957
Weighted average number of shares for the purposes of diluted earnings per share	37,365	34,968
 (Loss)/earnings per share:		
Basic	(4.6p)	3.4p
Diluted	(4.6p)	3.2p
 Headline Basic		
	11.9p	9.9p
 Headline Diluted		
	11.8p	9.3p

10. Goodwill and Intangible Assets

	Computer software £'000	Trademarks and licenses £'000	Brand £'000	Goodwill £'000	Total £'000
Cost					
1 April 2006	-	52	-	14,042	14,094
Additions	-	26	647	23,771	24,444
Adjustments to estimated deferred consideration	-	-	-	(398)	(398)
1 April 2007	-	78	647	37,415	38,140
Additions	207	52	-	101	360
Disposals	-	(9)	-	-	(9)
30 March 2008	207	121	647	37,516	38,491
Amortisation					
1 April 2006	-	5	-	-	5
Charged in the year	-	5	30	-	35
1 April 2007	-	10	30	-	40
Charged in the year	22	8	32	-	62
Impairment	-	-	-	1,900	1,900
30 March 2008	22	18	62	1,900	2,002
Net book value					
30 March 2008	185	103	585	35,616	36,489
1 April 2007	-	68	617	37,415	38,100
1 April 2006	-	47	-	14,042	14,089

Goodwill relates to the anticipated profitability and future operating synergies arising on acquisition of subsidiaries. Goodwill additions are made up of goodwill arising on prior acquisitions of £101,000 following an adjustment to the cost of acquisition.

All amortisation charges have been recognised as administrative expenses in the income statement.

In accordance with the Group's accounting policy the carrying value of goodwill is reviewed annually for impairment. The review entails an assessment of the present value of projected return from an asset over a period into perpetuity with assumptions as described in note 12. The review performed at the year end identified an impairment of the carrying value of goodwill associated with The Bombay Bicycle Club of £1,900,000.

11. Property, Plant and Equipment

	Leasehold improvements £'000	Assets in the course of construction £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
1 April 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
Reclassifications	899	(922)	9	14	-	-
Disposals	(762)	(44)	-	(438)	-	(1,244)
1 April 2007	22,462	1,461	2,192	3,756	173	30,044
Additions	15,779	519	2,263	1,025	34	19,620
Reclassification	2,302	(1,431)	16	(887)	-	-
Disposals	(476)	-	(33)	(323)	(10)	(842)
30 March 2008	40,067	549	4,438	3,571	197	48,822
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
Charge in the year	1,907	-	701	534	48	3,190
Reclassification	285	-	(10)	(275)	-	-
Impairment	934	-	43	366	-	1,343
Disposals	(72)	-	(17)	(161)	(5)	(255)
30 March 2008	4,073	-	1,445	767	114	6,399
Net book value						
30 March 2008	35,994	549	2,993	2,804	83	42,423
1 April 2007	21,443	1,461	1,464	3,453	102	27,923
1 April 2006	7,333	946	828	468	106	9,681

All depreciation charges have been recognised in administrative expenses in the income statement.

Notes to the Consolidated Financial Statements (continued)

12. Impairment

Goodwill

The Group has the following cash generating units, being the lowest level of assets of which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill balance: The Real Greek, The Bombay Bicycle Club, Gourmet Burger Kitchen and Tootsies/Dexters.

Key assumptions used in value in use calculations for The Real Greek, Gourmet Burger Kitchen and Tootsies/Dexters:

<i>Assumption</i>	<i>How determined</i>
Budgeted EBITDA	Budgeted EBITDA, calculated as headline operating profit before depreciation and amortisation
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and includes the ongoing capital expenditure required
Period of cash flow	Perpetuity as brand strength should enable the business to trade for a sufficiently long period of time
EBITDA Growth Rate	3.6% in years 2 to 5 being the generally accepted restaurant sector growth rate and then 0% thereafter into perpetuity.
Weighted average cost of capital	Estimated at 8.4%

No impairment adjustments were resultant from the value in use calculations for these three cash generating units.

The impairment losses of £1,900,000 (2007: £nil) recognised in the income statement in respect of goodwill relate to The Bombay Bicycle Club which has been tested for impairment using a net realisable value basis, using estimated selling price less cost of disposal, as the business was subsequently disposed of after the year end (see note 28).

Property, plant and equipment

The impairment losses of £1,343,000 (2007: £nil) recognised in the income statement in respect of property, plant and equipment relate to various restaurants within Tootsies/Dexters.

Key assumptions used in value in use calculations:

<i>Assumption</i>	<i>How determined</i>
Budgeted EBITDA	Budgeted EBITDA, calculated as headline operating profit before depreciation and amortisation
Budgeted capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and includes the ongoing capital expenditure required.
Long Term Growth Rate	Nominal GDP rates for the UK
Weighted average cost of capital	Estimated at 8.4%

13. Investments

	Unlisted £'000
Cost	
1 April 2006 and 1 April 2007	-
Additions	63
30 March 2008	63

During the year, the Group acquired a 10% interest in the issued share capital of Master Burger Investments Limited, a company, registered in Ireland, that operate the GBK franchise for Ireland and Northern Ireland.

14. Principal Subsidiary Undertakings

As at 30 March 2008, the Company had the following subsidiary undertakings that have been included in the Consolidated Financial Statements. All subsidiary undertakings have share capital consisting solely of ordinary shares.

Name of subsidiary	Class of Holding	Proportion of Shares held ownership interest and voting power	Nature of business
<i>Incorporated in England and Wales</i>			
CHG 2 Limited *	Ordinary	100%	Operation of restaurants and delivery kitchens
CHG Brands Limited	Ordinary	100%	Brand development
GBK Franchises Limited *	Ordinary	100%	Franchising
Gourmet Burger Kitchen Limited	Ordinary	100%	Operation of restaurants
TD Scotland Limited *	Ordinary	100%	Operation of restaurants
The Real Greek Food Company Limited	Ordinary	100%	Operation of restaurants
Tootsies Restaurants Limited *	Ordinary	100%	Operation of restaurants
Urban Dining Limited	Ordinary	100%	Intermediate holding company
<i>Incorporated in Ireland</i>			
Gourmet Burger Kitchen (Ireland) Limited *	Ordinary	100%	Dormant

* Held by subsidiary undertakings

The Group has presented information above relating to principal subsidiaries only as full compliance with schedule 5 paragraph 15 of the Companies Act 1985 would result in a statement of excessive length.

15. Inventories

	2008 £'000	2007 £'000
Raw materials and consumables	1,383	967

No provisions have been made against the carrying value of the inventories.

Notes to the Consolidated Financial Statements (continued)

16. Trade and Other Receivables

	2008 £'000	2007 £'000
Included within non-current assets:		
Other receivables	577	499
	<u>577</u>	<u>499</u>
Included within current assets:		
Trade receivables	1,432	1,258
Other receivables	2	129
Prepayments and accrued income	2,776	1,741
	<u>4,210</u>	<u>3,128</u>

Other receivables included within non-current assets relate to rent deposits.

Trade receivables are denominated in sterling and relate to amounts of customer receipts processed through credit cards and clears over an average of 3 working days. The Group believes that the balances are recoverable in full and therefore no impairments are required.

The Group holds no collateral against these receivables at the balance sheet date. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

17. Cash and Cash Equivalents

	2008 £'000	2007 £'000
Cash at bank and in hand	883	334
Short term money market deposits	1,232	-
Cash and cash equivalents as presented in the balance sheet	2,115	334
Bank overdrafts	(74)	(1,657)
	<u>2,041</u>	<u>(1,323)</u>

Bank balances and money market deposits comprise cash held by the Group on a short term basis with maturity of three months or less. The carrying amount of these assets approximates their fair value.

18. Trade and Other Payables

	2008 £'000	2007 £'000
Included in current liabilities:		
Trade payables	7,892	6,303
Other taxation and social security payable	2,678	1,275
Other payables	8	1,176
Accruals and deferred income	3,974	3,018
	<u>14,552</u>	<u>11,772</u>

Trade payables were all denominated in sterling and comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases were 35 days (2007: 34 days).

The Directors consider that the carrying amount of trade payables approximate to their fair value.

19. Borrowings

	2008 £'000	2007 £'000
Short term borrowings:		
Bank overdraft	74	1,657
Long term borrowings:		
Bank loans	18,000	8,200
	18,074	9,857

As at 30 March 2008, the Group's committed Sterling borrowing facilities comprises a bank loan facility of £19,000,000 (2007: £19,000,000) expiring between one and two years and a bank overdraft facility of £1,000,000 (2007: £1,000,000) from Barclays Bank PLC which 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 1.125% (2007: 1.25%) above three months LIBOR. The interest rate applicable on the overdraft facility is 1.25% (2007: 1.25%) above Barclays Bank PLC base rate. The Group also has two Sterling overdraft facilities together amounting to £175,000 from HSBC Bank PLC with interest rate applicable on the facility of 1.7% (2007: 1.7%) above HSBC Bank PLC base rate.

Financial Risk Management

The Group's finance function provides a centralised service to all Group businesses for funding, foreign exchange and interest rates management. Derivative instruments may be transacted solely for risk management purposes. There has been no significant change during the financial year or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

Capital Management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade for the foreseeable future. The Group's policy is to borrow centrally using a mixture of long term bank loan facilities and short term bank overdraft facilities to meet anticipated funding requirements. The Board utilises three ratios to monitor debt funding:

- Consolidated Gross Borrowings to Consolidated Headline EBITDA as at 30 March 2008 of 2.0 (2007: 1.68);
- Consolidated Headline EBITDA to Consolidated Gross Financing Costs as at 30 March 2008 of 9.1 (2007: 16.8); and
- Consolidated Headline EBITDA before property rental costs to Consolidated Gross Financing Costs plus property rental costs as at 30 March 2008 of 1.88 (2007: 2.04).

Notes to the Consolidated Financial Statements (continued)

19. Borrowings (continued)

Financial Assets and Liabilities

The Group had the following financial assets and liabilities:

	30 March 2008			1 April 2007		
	Loans and receivables £'000	Other Financial Liabilities £'000	Total £'000	Loans and receivables £'000	Other Financial Liabilities £'000	Total £'000
<i>Non-current financial assets</i>						
Other receivables**	577	-	577	499	-	499
<i>Current financial assets</i>						
Cash at bank and in hand	883	-	883	334	-	334
Short term money market deposits	1,232	-	1,232	-	-	-
Trade receivables**	1,432	-	1,432	1,258	-	1,258
Other receivables**	2	-	2	129	-	129
<i>Current financial liabilities</i>						
Bank overdrafts	-	(74)	(74)	-	(1,657)	(1,657)
Trade and other payables*	-	(11,874)	(11,874)	-	(10,497)	(10,497)
<i>Non-current financial liabilities</i>						
Bank loans	-	(18,000)	(18,000)	-	(8,200)	(8,200)
	4,126	(29,948)	(25,822)	2,220	(20,354)	(18,134)

* excludes other taxation and social security included in trade and other payables in note 18.

** excludes prepayments and accrued income included in trade and other receivables in note 16.

The maturity analysis table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

For the year ended 30 March 2008	Less than	Between	More	Total
	6 months £'000	1 and 5 years £'000	than 5 years £'000	
Cash at bank and in hand	883	-	-	883
Short term money market deposits	1,232	-	-	1,232
Trade receivables	1,432	-	-	1,432
Other receivables	2	-	577	579
Bank overdrafts	(74)	-	-	(74)
Bank loans	-	(19,834)	-	(19,834)
Trade and other payables	(11,874)	-	-	(11,874)
	(8,399)	(19,834)	577	(27,656)

For the year ended 1 April 2007	Less than 6 months £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total 2007 £'000
Cash at bank and in hand	334	-	-	334
Trade receivables	1,258	-	-	1,258
Other receivables	129	-	499	628
Bank overdrafts	(1,657)	-	-	(1,657)
Bank loans	-	(9,361)	-	(9,361)
Trade and other payables	(10,497)	-	-	(10,497)
	(10,433)	(9,361)	499	(19,295)

The financial instruments recognised on the balance sheets and shown above are all loans and receivables and financial liabilities.

Liquidity Risks

As at 30 March 2008, the Group had £1,000,000 (2007: £10,800,000) un-drawn committed long term bank borrowing facilities and £1,175,000 un-drawn committed short term bank overdraft facilities available to manage its liquidity. These facilities expire in August 2009.

Market Risks

The Group's market risk exposure arises mainly from its floating interest rate interest bearing borrowings. Only the following financial assets and liabilities were interest bearing:

	30 March 2008			1 April 2007		
	Floating Rate £'000	Fixed Rate £'000	Total £'000	Floating Rate £'000	Fixed Rate £'000	Total £'000
Cash at bank and in hand	883	-	883	334	-	334
Short term money market deposits	1,232	-	1,232	-	-	-
Bank overdrafts	(74)	-	(74)	-	-	-
Bank loans	(8,000)	(10,000)	(18,000)	(8,200)	-	(8,200)
	(5,959)	(10,000)	(15,959)	(7,866)	-	(7,866)

Under the Group's interest rate management policy, approximately 50% or more of the interest rates on material borrowings are fixed until the end of the borrowing term. As at 30 March 2008, 56% (2007: Nil%) of the Group's long term borrowings were fixed at 5.15% plus mandatory costs and margin for the period to the end of the current loan term. All other borrowings are maintained on a Sterling floating rate basis.

Trade and other receivables and trade and other payables are all non-interest bearing.

Weighted average interest rates paid during the year for bank loans were 7.64% (2007: 6.07%) and the weighted average interest rates paid during the year for bank overdrafts were 6.75% (2007: 6.25%)

Notes to the Consolidated Financial Statements (continued)

19. Borrowings (continued)

The Group has derived a sensitivity analysis based on 20% variances in floating interest rates:

	2008 £'000	2007 £'000
Impact on equity and profit after tax		
20% increase in rate of interest	(275)	(100)
20% decrease in rate of interest	275	100

Foreign Exchange Risks

During the year ended 30 March 2008, the Group did not receive or pay significant amounts denominated in foreign currencies. As income from foreign franchised territories that is not denominated or agreed in Sterling increase to a significant level, the Group will implement a foreign exchange management policy.

Credit Risks

The Group's exposure to credit risk arises mainly from as follows:

	2008 £'000	2007 £'000
Cash at bank and in hand	883	334
Short term money market deposits	1,232	-
Trade receivables and other receivables	2,011	1,886
	4,126	2,220

The Group's cash balances are placed on short term money market deposits so as to maximise interest earned while maintaining the liquidity requirements of the business. The Board regularly review the placing of cash balances. The weighted average interest rate of the short-term deposits utilised during the year was 3.9% (2007: 4.7%) and the average amount of time for which interest rates are fixed on short-term deposits were 1 day (2007: 30 days).

The majority of the Group's trade receivables are due for maturity within 7 days and largely comprise amounts receivable from credit and debit card clearing houses.

Fair Values of Financial Assets and Financial Liabilities

The fair value amounts of the Group's financial assets and liabilities as at 30 March 2008 and 1 April 2007 did not vary from the carrying value amounts.

20. Deferred Taxation

The movement in the year of the Group's net deferred tax position was as follows:

	2008 £'000	2007 £'000
1 April 2007	(549)	(413)
Transfer to/(from) income statement	229	341
Transfer to retained earnings	609	(477)
30 March 2008	289	(549)

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

	2008 £'000	2007 £'000
Deferred tax assets		
Unutilised losses	152	319
Share options	26	933
Other timing differences	73	-
	251	1,252
Deferred tax liabilities		
Accelerated capital allowances	(540)	(703)
Deferred taxation asset/(provision)	(289)	549

There are losses of £5,464,000 (2007: £7,680,000) 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 £4,957,000 (2007: £6,617,000) 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.

21. Share Capital

	2008 £'000	2007 £'000
Authorised:		
50,000 redeemable shares of £1 each	50	50
55,000,000 (2007: 55,000,000) ordinary shares of 10p each	5,500	5,500
	5,550	5,550
Allotted, issued called up and fully paid:		
37,321,796 (2007: 34,918,002) ordinary shares of 10p each	3,732	3,492

The Company has one class of ordinary share which carries no rights to fixed income.

On 16 April 2007, the Company issued 1,710,000 ordinary shares of 10p each at £3.00 per share by way of a placing.

On 19 June 2007, the Company issued 19,300 ordinary shares of 10 pence each at £1.445 each and 10,000 ordinary shares of 10 pence each at £1.31 each on the exercise of share options.

On 28 June 2007, the Company issued 410,294 ordinary shares of 10 pence each at £1.00 each, 70,000 ordinary shares of 10 pence each at £1.31 each and 184,200 ordinary shares of 10 pence each at £1.445 each on the exercise of share options.

Notes to the Consolidated Financial Statements (continued)

22. 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 Company operates five share based incentive schemes:

- Restricted Share Plan;
- Share Option Plans:
 - Enterprise Management Incentive ("EMI") Share Option Plan;
 - Unapproved Share Option Plan
 - Approved Share Option Scheme 2006 ("CSOP"); and
- 2007 Long Term Incentive Plan ("LTIP").

Restricted Share Plan

There were no outstanding restricted shares as at 30 March 2008 or 1 April 2007.

Share Option Plans

The Group's Share Option Plans comprised the EMI, Unapproved Share Option Plan and the CSOP.

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 unless forfeiture is waived at the discretion of the Remuneration Committee.

Outstanding share options to acquire ordinary shares of 10 pence each as at 30 March 2008 and 1 April 2007 are as follows:

	2008 £'000	2007 £'000
1 April 2007	4,776	4,757
Granted during the year	62	1,048
Forfeited during the year	(3)	(204)
Exercised during the year	(694)	(825)
30 March 2008	4,141	4,776

Weighted average exercise price

	2008 £'000	2007 £'000
1 April 2007	1.81	1.49
Granted during the year	3.59	2.60
Forfeited during the year	2.25	2.05
Exercised during the year	1.17	1.00
30 March 2008	1.95	1.81

The weighted average share price for options exercised over the year was £3.95 (2007: £3.03).

Outstanding and exercisable share options to acquire ordinary shares of 10 pence each as at 30 March 2008 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
<i>EMI</i>						
£0.01 - £1.00	200	1.00	67	200	1.00	67
£1.01 - £2.00	343	1.51	85	114	1.37	74
	543	1.32	79	314	1.13	70
<i>Unapproved</i>						
£1.01 - £2.00	2,525	1.77	92	463	1.43	74
£2.01 - £3.00	809	2.63	104	-	-	-
£3.01 - £4.00	33	3.59	112	-	-	-
	3,367	2.00	95	463	1.43	74
<i>CSOP</i>						
£2.01 - £3.00	202	2.54	105	-	-	-
£3.01 - £4.00	29	3.59	112	-	-	-
	231	2.568	106	-	-	-

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

During the year ended 30 March 2008, the market price of ordinary shares in the Company ranged from £1.50 to £4.15 (2007: £1.96 to £3.41). The share price as at 30 March 2008 was £1.73 (2007: £3.15).

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:

	2008	2007
Expected life of options (years)	3	3
Expected share price volatility (180 days)	21.0% - 22.7%	17.5% - 30.3%
Dividend yield	0%	0%
Risk free rate (Bank of England base interest rate)	5.50% - 5.75%	4.50% - 5.25%
Exercise price	£3.32 - £3.81	£2.10 - £3.00
Share price at date of grant	£3.32 - £3.81	£2.10 - £3.00

Expected life of options used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Expected volatility was determined by calculating the historical 90 days volatility of the Group's share price over the previous 180 days.

The weighted average fair value of options granted during the year ended 30 March 2008 was £0.81 (2007: £0.55). During 2008 the Group recognised total share-based payment expenses for the Group's Share Option Plans of £500,000 (2007: £639,000) of which all related to equity-settled share-based payment transactions.

2007 Long Term Incentive Plan

The Group's LTIP 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 the LTIP is 3 years with an expiration date 10 years from the date of grant. Furthermore, LTIP units are forfeited if the employee leaves the Group before the options vest unless forfeiture is waived at the discretion of the Remuneration Committee.

Notes to the Consolidated Financial Statements (continued)

22. Share Based Payments (continued)

Outstanding LTIP units to acquire ordinary shares of 10 pence each as at 30 March 2008 and 1 April 2007 are as follows:

	2008 £'000	2007 £'000
1 April 2007	-	-
Granted during the year	621	-
Forfeited during the year	(90)	-
30 March 2008	531	-

All LTIP units outstanding at 30 March 2008 have 117 months of contractual life remaining. The performance targets for the LTIP units granted during the year are based on the share price of the ordinary shares of 10 pence each in the company as follows:

Condition 1:

The share price return on the third anniversary of grant exceeds the return of the AIM index during the same period.

Condition 2:

The share price return on the third anniversary of grant exceeds the minimum threshold price target:

	Minimum Threshold Price £	Maximum Threshold Price £
Share price target on the third anniversary of grant	2.874	3.691
Percentage of units released on vesting date if both conditions satisfied	20%	100%

The fair value of the LTIP units is estimated at the date of grant using a Black-Scholes based asset or nothing valuation model that uses the assumptions below:

	2008	2007
Expected life of options (years)	3	-
Expected share price volatility (180 days)	26.1%	-
Dividend yield	0%	-
Risk free rate (Bank of England base interest rate)	5.50%	-
Share price at date of grant	£1.89	-

Expected life of options used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Expected volatility was determined by calculating the historical 90 days volatility of the Group's share price over the previous 180 days.

The weighted average fair value of LTIP units granted during the year ended 30 March 2008 was £0.29 (2007: £NIL). During 2008, the Group recognised total share-based payment expenses for the Group's LTIP of £16,000 (2007: £NIL) of which all related to equity-settled share-based payment transactions.

23. Cash Flows

	Year ended 30 March 2008 £'000	Year ended 1 April 2007 £'000
Reconciliation of net cash flows from operating activities		
Profit before taxation	(972)	1,450
Adjustments		
Finance costs	985	350
Finance income	(61)	(65)
Depreciation and amortisation	3,252	1,932
Impairment of property, plant and equipment	1,343	-
Impairment of goodwill	1,900	-
Loss on disposal of property, plant and equipment	306	31
Share based payments expense	516	639
Operating cash flows before movements in working capital	7,269	4,337
Increase in inventories	(416)	(279)
Increase in trade and other receivables	(1,160)	(1,069)
Increase in payables	3,531	1,969
Cash generated from operating activities	9,224	4,958
Income tax paid	(7)	(84)
Net cash from operating activities	9,217	4,874

24. Commitments Under Operating Leases

The Group had aggregate minimum lease payments under non-cancellable operating leases as follows:

	2008 £'000	2007 £'000
Land and buildings		
Expiring within one year	6,654	5,411
Expiring between one and five years	26,806	21,394
Expiring after five years	84,402	79,925
	117,862	106,730
Others		
Expiring within one year	35	35
Expiring between one and two years	-	-
Expiring between two and five years	70	105
	105	140
Total commitments	117,967	106,870

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

Operating lease payments for land and buildings represent rent payable by the Group for certain office and restaurant properties. Leases either negotiated as a new lease or acquired through lease assignment have an average term of 15 years and rentals are fixed for an average of 5 years.

Notes to the Consolidated Financial Statements (continued)

25. Capital Commitments

	2008 £'000	2007 £'000
Group capital expenditure contracted for but not provided in the financial statements relating to committed new restaurant build costs	702	5,013

26. Acquisitions

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.

	Fair value £'000	Acquiree's carrying value £'000
Intangible assets	647	-
Property, plant and equipment	9,376	9,376
Inventories	271	271
Trade and other receivables	1,266	1,266
Bank overdrafts and loans	(3,647)	(3,647)
Trade and other payables	(5,740)	(5,740)
Net assets	2,173	1,526
Goodwill	23,666	
Total consideration including direct costs satisfied by cash	25,839	

The fair value adjustment has been made as part of the transition to IFRS as described in note 29 to recognise the Tootsies brand as a separately identifiable intangible asset on acquisition to the value of £647,000.

For the year ended 1 April 2007, the acquisition year, 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 goodwill is attributable to the synergies that are expected to arise in the post acquisition period and the skilled labour force of the acquired business. The value of the skilled labour force was not recognised as a separate intangible asset on that basis that it could not be separated from the value generated from the business as a whole.

27. Related Party Disclosures

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group is provided in the Report on Directors Remuneration on pages 15 to 17, and in note 7. Details of share options granted and exercised by Directors are also shown in the Report on Directors Remuneration on pages 15 to 17.

Other related party transactions

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

During the year, the Company provided office services to Clerkenwell Ventures PLC, a company in which DM Page and PA Campbell are non-executive directors. £93,000 (2007: £nil) were invoiced to Clerkenwell Ventures PLC during the year and the balance outstanding at 30 March 2008 was £1,000 (2007: £nil).

28. Post Balance Sheet Events

On 16 July 2008, the Company sold The Bombay Bicycle Club for £4,400,000 in cash.

Also, following the year end the Company's bank overdraft facility was increased from £1,000,000 to £2,500,000.

29. Transition to International Financial Reporting Standards ("IFRS")*BASIS OF PREPARATION OF IFRS FINANCIAL INFORMATION*

The Group's Annual Report for the year ending 30 March 2008 are the first annual consolidated financial statements that will comply with IFRS. These financial statements have been prepared in accordance with the significant accounting policies described on pages 24 to 29 above. The Group has applied IFRS 1 (First time adoption of International Reporting Standards) in preparing these financial statements.

The Group's Annual Report for the year ending 30 March 2008 provides one year of comparative financial information and the opening balance sheet date on adoption of IFRS at 1 April 2006.

IFRS 1 EXEMPTIONS

IFRS 1 sets out the procedures that the Group must follow when adopting IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies as at 30 March 2008 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at the date of transition which is 1 April 2006. The standard provides a number of optional exemptions to this general principle. The exemptions applicable to the Group are set out below together with how the Group has applied them:

Business combinations that occurred before the opening IFRS balance sheet date (IFRS3 – Business Combinations)

Clapham House has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition. As a result, in the opening balance sheet, goodwill arising from the acquisition of Urban Dining PLC is measured in accordance with IFRS while goodwill arising from the previous acquisitions of The Real Greek Food Company Limited, the four companies making up The Bombay Bicycle Club and Gourmet Burger Kitchen Limited remains as stated under UK GAAP at 31 March 2006.

Fair value or revaluation as deemed cost (IAS 16 – Property, Plant and Equipment)

The Group has elected not to measure any item of property, plant and equipment at the date of transition to IFRS at its fair value.

Notes to the Consolidated Financial Statements (continued)

29. Transition to International Financial Reporting Standards ("IFRS") (continued)

IMPACT OF TRANSITION TO IFRS

The following is a summary of the effects of the differences between IFRS and UK GAAP on the Group's total equity shareholders' funds and profit for the period for the periods previously reported under UK GAAP following the date of transition to IFRS.

Total equity shareholders' funds

	Notes	As at 1 April 2007 £'000	As at 1 April 2006 £'000
Total equity shareholders' funds (UK GAAP)		49,363	21,711
Measurement and recognition differences			
Goodwill	a	(30)	-
Intangible assets	b	-	-
Lease inducements	c	(98)	(50)
Deferred taxation	d	610	194
Total equity shareholders' funds (IFRS)		49,845	21,855

Profit for the year

	Notes	Year ended 1 April 2007 £'000	Year ended 31 March 2006 £'000
Profit for the year (UK GAAP)		1,258	268
Measurement and recognition differences			
Goodwill	a	(30)	-
Intangible assets	b	-	-
Lease inducements	c	(48)	(50)
Deferred taxation	d	(61)	194
Profit for the year (IFRS)		1,119	412

PRINCIPAL DIFFERENCES BETWEEN IFRS AND UK GAAP

Measurement and recognition differences:

a. Goodwill

IAS 36 (Impairment of Assets) requires that goodwill is not amortised but be subject to an annual impairment review. As the Group has adopted this accounting policy under UK GAAP in previous periods, there is no resultant adjustment to goodwill.

IFRS 3 (Business Combinations) requires that, when businesses are acquired, any separable intangible assets acquired with the business are valued and capitalised as an intangible asset if the fair value can be measured reliably. Any residual difference between the consideration paid or payable and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. IFRS 3 also requires that goodwill is not amortised but is instead subject to an annual impairment review.

An adjustment has been made to recognise the Tootsies brand as a separately identifiable intangible asset on acquisition to the value of £647,000. The brand is amortised over 20 years being its useful economic life and in the year ended 1 April 2007 £30,000 (2006: £nil) was charged to the income statement.

b. Intangible assets

The Group has reclassified separately identifiable computer software assets from tangible assets under UK GAAP to intangible assets as required under IAS 38 (Intangible Assets).

c. Lease inducements

Under UK GAAP, the Group recognised rent-free periods and capital contributions from landlords on new property leases over the period to the commencement of the first rent review. Under IFRS, lease incentives are spread over the full term of the lease. As at the date of the transition, additional deferred income reflecting the amount of lease inducements to be taken in the income statement in future periods has been recognised.

d. Deferred tax

IAS 12 (Income taxes) requires deferred tax to be provided on all temporary differences rather than just timing differences under UK GAAP.

As a result, deferred tax assets in the Group's IFRS opening balance sheet at 1 April 2006 were adjusted by £194,000, recognised in equity, made up primarily of changes in recognition on share based payments, and a further £355,000 was recognised in equity in the year ended 1 April 2007.

Presentation differences:

e. Trade and other receivables

Under IFRS, long term receivables are shown as non-current assets whereas under UK GAAP, all receivables were shown as current assets. As shown in the reconciliations below, 2007: £499,000 (2006: 290,000) were transferred from current trade and other receivables and non-current trade and other receivables.

f. Deferred taxation assets

Under IFRS, deferred taxation assets are shown as non-current assets whereas under UK GAAP, they were shown as current assets. As shown in the reconciliations below, 2007: £Nil (2006: £219,000) were transferred from current assets under UK GAAP to non-current deferred taxation assets under IFRS.

RECONCILIATIONS

To explain the impact of the transition, the reconciliations have been included that show the changes made to the balance sheets and income statements previously reported under UK GAAP. The following reconciliations are included:

- Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet as at 1 April 2006;
- Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet as at 1 April 2007; and
- Reconciliation of the UK GAAP consolidated income statement to the IFRS consolidated income statement for the year ended 1 April 2007.

The consolidated cash flow statements are not affected by the transition from UK GAAP to IFRS other than presentational and formatting differences.

Notes to the Consolidated Financial Statements (continued)

29. Transition to International Financial Reporting Standards ("IFRS") (continued)

Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet:

1 April 2006	As at 1 April 2006 UK GAAP £'000	Presentation Differences £'000	Measurement and Recognition Differences £'000	As at 1 April 2006 IFRS £'000
Non-current assets				
Intangible assets including goodwill	14,089	-	-	14,089
Property, plant and equipment	9,681	-	-	9,681
Trade and other receivables	-	290	-	290
Deferred taxation assets	-	219	194	413
Investments	-	-	-	-
	23,770	509	194	24,473
Current assets				
Inventories	416	-	-	416
Trade and other receivables	1,502	(509)	-	993
Cash and cash equivalents	8,035	-	-	8,035
	9,953	(509)	-	9,444
Total assets	33,723	-	194	33,917
Current liabilities				
Trade and other payables	(10,030)	-	(50)	(10,080)
Current taxation liabilities	(110)	-	-	(110)
Borrowings	(298)	-	-	(298)
	(10,438)	-	(50)	(10,488)
Non-current liabilities				
Borrowings	(425)	-	-	(425)
Deferred taxation liabilities	-	-	-	-
Long-term provisions	(1,149)	-	-	(1,149)
	(1,574)	-	-	(1,574)
Total liabilities	(12,012)	-	(50)	(12,062)
Net assets	21,711	-	144	21,855
Equity				
Share capital	2,029	-	-	2,029
Share premium account	19,769	-	-	19,769
Retained earnings	(87)	-	144	57
Total equity attributable to equity shareholders of the parent	21,711	-	144	21,855

Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet:

1 April 2007	As at 1 April 2007 UK GAAP £'000	Presentation Differences £'000	Measurement and Recognition Differences £'000	As at 1 April 2007 IFRS £'000
Non-current assets				
Intangible assets including goodwill	38,130	-	(30)	38,100
Property, plant and equipment	27,923	-	-	27,923
Trade and other receivables	-	499	-	499
Deferred taxation assets	-	-	549	549
Investments	-	-	-	-
	66,053	499	519	67,071
Current assets				
Inventories	967	-	-	967
Trade and other receivables	3,627	(499)	-	3,128
Cash and cash equivalents	334	-	-	334
	4,928	(499)	-	4,429
Total assets	70,981	-	519	71,500
Current liabilities				
Trade and other payables	(11,674)	-	(98)	(11,772)
Current taxation liabilities	(26)	-	-	(26)
Borrowings	(1,657)	-	-	(1,657)
	(13,357)	-	(98)	(13,455)
Non-current liabilities				
Borrowings	(8,200)	-	-	(8,200)
Deferred taxation liabilities	(61)	-	61	-
	(8,261)	-	61	(8,200)
Total liabilities	(21,618)	-	(37)	(21,655)
Net assets	49,363	-	482	49,845
Equity				
Share capital	3,492	-	-	3,492
Share premium account	44,061	-	-	44,061
Retained earnings	1,810	-	482	2,292
Total equity attributable to equity shareholders of the parent	49,363	-	482	49,845

Notes to the Consolidated Financial Statements (continued)

29. Transition to International Financial Reporting Standards ("IFRS") (continued)

Reconciliation of the UK GAAP consolidated income statement to the IFRS consolidated income statement:

Year ended 1 April 2007	Year ended 1 April 2007 UK GAAP £'000	Measurement and Recognition Differences £'000	Year ended 1 April 2007 IFRS £'000
Continuing operations			
Revenue	45,951	-	45,951
Cost of sales	(28,941)	-	(28,941)
Gross profit	17,010	-	17,010
Administrative expenses	(12,987)	(78)	(13,065)
Headline operating profit	4,023	(78)	3,945
Share based payments	(639)	-	(639)
Pre-opening costs	(811)	-	(811)
Operating profit	2,573	(78)	2,495
Restructuring costs	(760)	-	(760)
Finance income	65	-	65
Finance costs	(350)	-	(350)
Profit before taxation	1,528	(78)	1,450
Income tax expense	(270)	(61)	(331)
Profit for the period	1,258	(139)	1,119
Earnings per share (total and from continuing operations)			
Basic	3.8p		3.4p
Diluted	3.6p		3.2p

Company Balance Sheet

30 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	1	446	146
Investments	2	38,094	40,688
		38,540	40,834
Current assets			
Stocks	3	11	4
Debtors: amounts falling due within one year	4	239	505
Debtors: amounts falling due after one year	4	29,176	16,657
Cash at bank and in hand		1,264	19
		30,690	17,185
Creditors			
Amounts falling due within one year	5	(1,146)	(1,818)
Net current assets/(liabilities)		29,544	15,367
Total assets less current liabilities		68,084	56,201
Creditors			
Amounts falling due after more than one year	6	(18,363)	(8,200)
Net assets		49,721	48,001
Capital and reserves			
Called up share capital	8	3,732	3,492
Share premium	10	49,596	44,061
Profit and loss account	10	(3,607)	448
Equity shareholders' funds	10	49,721	48,001

Accounting Policies

BASIS OF PREPARATION

Basis of Accounting

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

Cash Flow Statement

The Company has taken the exemption in Financial Reporting Standard 1 and has not prepared a cash flow statement.

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.

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.

Share Based Payments

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

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

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 Company Financial Statements

for the year ended 30 March 2008

1. Tangible Fixed Assets

	Short term leasehold properties £'000	Assets In the Course of Construction £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost					
1 April 2007	23	-	198	17	238
Additions	174	24	130	73	401
Reclassification	-	-	(18)	18	-
30 March 2008	197	24	310	108	639
Accumulated depreciation					
1 April 2007	14	-	74	4	92
Charged in the year	63	-	27	11	101
Reclassification	-	-	(10)	10	-
30 March 2008	77	-	91	25	193
Net book value					
30 March 2008	120	24	219	83	446
1 April 2007	9	-	124	13	146

2. Fixed Assets Investments

	£'000
Investment in subsidiary undertakings	
Cost and net book value	
1 April 2007	40,688
Additions	99
Capital contributions arising from share based payments	307
Impairment of investment in The Bombay Bicycle Club	(3,000)
As at 30 March 2008	38,094

Investment additions are made up of additional costs in relation to prior acquisitions.

As at 30 March 2008, the Company had the following principal subsidiary undertakings:

Name of subsidiary	Class of Holding	Proportion of shares held, ownership interest and voting power	Nature of business
<i>Incorporated in England and Wales</i>			
CHG 2 Limited	Ordinary	100%	Operation of restaurants and delivery kitchens
CHG Brands Limited	Ordinary	100%	Brand development
GBK Franchises Limited *	Ordinary	100%	Franchising
Gourmet Burger Kitchen Limited	Ordinary	100%	Operation of restaurants
TD Scotland Limited *	Ordinary	100%	Operation of restaurants
The Real Greek Food Company Limited	Ordinary	100%	Operation of restaurants
Tootsies Restaurants Limited *	Ordinary	100%	Operation of restaurants
Urban Dining Limited	Ordinary	100%	Intermediate holding company
<i>Incorporated in Ireland</i>			
Gourmet Burger Kitchen (Ireland) Limited *	Ordinary	100%	Dormant

* Held by subsidiary undertakings

The Company has presented information above relating to principal subsidiaries only as full compliance with schedule 5 paragraph 15 of the Companies Act 1985 would result in a statement of excessive length.

3. Stock

	2008 £'000	2007 £'000
Consumables	11	4

4. Debtors

	2008 £'000	2007 £'000
Due within one year:		
Trade debtors	1	-
Other debtors	88	54
Prepayments and accrued income	142	128
Deferred taxation (see Note 7)	8	323
	239	505
Due in over one year:		
Amounts owed by subsidiary undertakings	29,176	16,657
	29,415	17,162

Amounts owed by subsidiary undertakings are unsecured and have no fixed repayment date with interest receivable at an average of 2% above base interest rate.

Notes to the Company Financial Statements (continued)

5. Creditors: Amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans and overdrafts	-	24
Trade creditors	266	254
Amounts owed to subsidiary undertakings	-	47
Other taxation and social security	59	91
Other creditors	11	793
Accruals and deferred income	810	609
	1,146	1,818

See note 6 for further information on bank loans and overdrafts.

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

6. Creditors: Amounts falling due in more than one year

	2008 £'000	2007 £'000
Bank loans	18,000	8,200
Amounts owed to subsidiary undertakings	363	-
	18,363	8,200

ANALYSIS OF LOANS:

	2008 £'000	2007 £'000
The bank loans and overdrafts are repayable within:		
One year	-	24
More than one year but not more than two years	18,000	-
More than two years but not more than five years	-	8,200
More than five years	-	-
	18,000	8,224

Bank loan and overdrafts of the Company of £18,000,000 (2007: £8,224,000) are 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 1.125% (2007: 1.25%) above three months LIBOR.

7. Deferred Taxation

	2008 £'000
1 April 2007	(323)
Transfer to/(from) profit and loss account	315
30 March 2008	(8)

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

	2008 £'000	2007 £'000
Accelerated capital allowances	(8)	2
Unutilised losses	-	(2)
Share options	-	(323)
Deferred taxation provision/(asset)	(8)	(323)

A deferred taxation asset in respect of tax losses of £262,358 (2007: £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.

8. Share Capital

	2008 £'000	2007 £'000
Authorised:		
50,000 redeemable shares of £1 each	50	50
55,000,000 (2007: 55,000,000) ordinary shares of 10p each	5,500	5,500
	5,550	5,550
Allotted, issued called up and fully paid:		
37,321,796 (2007: 34,918,002) ordinary shares of 10p each	3,732	3,492

Details of ordinary shares issued in the year are given in note 21 to the consolidated financial statements.

9. Share Based Payments

Details of share option awards and their valuation are given in note 22 to the consolidated financial statements.

Notes to the Company Financial Statements (continued)

10. Reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Shareholders Funds £'000
At 1 April 2006	2,029	19,769	355	22,153
Ordinary shares issued (net of expenses)	1,463	24,292	-	25,755
Share based payments	-	-	639	639
Loss for the financial year	-	-	(546)	(546)
At 1 April 2007	3,492	44,061	448	48,001
Ordinary shares issued (net of expenses)	240	5,535	-	5,775
Share based payments	-	-	516	516
Loss for the financial year	-	-	(4,571)	(4,571)
At 30 March 2008	3,732	49,596	(3,607)	49,721

11. Financial Instruments

The Company'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 short-term debtors and creditors have been excluded from the disclosure below. The Company has little exposure to currency, credit and cash flow risk. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company'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 3.9% (2007: 4.7%) and the average amount of time for which interest rates are fixed on short-term deposits were 1 day (2007: 30 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 30 March 2008 was £1,264,000 (2007: £19,000) and were designated in Sterling. The fair value was the same as the carrying value.

The financial liabilities of the Company as at 30 March 2008 were designated in sterling and were all floating rate liabilities. The total overdrafts at the year end were £nil (2007: £24,000) and their fair value were the same as the carrying value. Interest rates on the bank overdrafts were based on LIBOR rates. The bank loan outstanding at the year end was £18,000,000 (2007: £8,200,000). Interest on the bank loan is floating on 3 months LIBOR plus a margin. During the year the Company purchased an interest rate swap for £nil premium to fix the interest rate before margin at 5.15% until August 2009.

The Company had un-drawn committed borrowing facilities available at 30 March 2008 of £2,000,000 (2007: £11,776,000) which expire between one and two years.

12. Commitments Under Operating Leases

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

	2008 £'000	2007 £'000
Land and buildings		
Expiring within one year	96	72

13. Related Parties Transactions

The Company has taken advantage of the exemptions from disclosure applicable to subsidiary undertakings, where 90% or more of the voting rights are controlled within the Group. The Company has guaranteed certain property leases for these subsidiary undertakings of which none of the guarantees have been called during the year.

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

During the year, the Company provided office services to Clerkenwell Ventures PLC, a company in which DM Page and PA Campbell are non-executive directors. £93,000 (2007: £NIL) were invoiced to Clerkenwell Ventures PLC during the year and the balance outstanding at 30 March 2008 was £1,000 (2007: £NIL).

14. Post Balance Sheet Events

On 16 July 2008, the Company sold The Bombay Bicycle Club for £4,400,000 in cash.

Also, following the year end the Company's bank overdraft facility was increased from £1,000,000 to £2,500,000.

Directors, Officers and Advisers

Directors

DM Page
PA Campbell ACA
NCW Wong ACA
D Sykes
NJ Donaldson
T Woodcock ACA

Chairman
Chief Executive
Group Finance 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

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 Monday 22 September 2008 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 30 March 2008.
2. to receive and approve the Report on Directors' Remuneration for the year ended 30 March 2008.
3. to re-appoint Mr David Michael Page, who retires by rotation under the Company's Articles of Association as a director of the Company.
4. 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 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5. 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 2009, 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.
6. 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 2009 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution number 5 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) of 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.

Notice of Annual General Meeting (continued)

7. That the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purpose of identification be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of the existing Articles of Association, with effect from the conclusion of the meeting.

The principal changes introduced to the Articles of Association are set out in Appendix 1.

By Order of the Board

Nicholas Wong ACA
Company Secretary

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

7 August 2008

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 speak on their behalf, and on a poll or a show of hands, 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, 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 10:00 am on Saturday 20 September 2008 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. Changes to entries in the register of members after 10.00 am on Saturday 20 September 2008 will be disregarded in determining the rights of any person to attend or 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 Report on Directors' Remuneration on pages 15 to 17 of the Report and Financial Statements. The Register of Directors' Interests and the Directors' service agreements will be available for inspection during usual business hours on any weekday (Saturdays and Public Holidays excluded) at the registered office of the Company until the date of the Annual General Meeting and at the place of the meeting for 15 minutes prior to and until the termination of the meeting.
5. Representatives of Shareholders which are corporations attending the meeting should produce evidence of their appointment by an instrument executed in accordance with section 36A of the Act or signed on behalf of the corporation by a duly authorised officer or agent and in accordance with the Company's articles of association.

6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (<http://www.icsa.org.uk>) for further details of this procedure.

Appendix 1

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

1. ARTICLES WHICH DUPLICATE STATUTORY PROVISIONS

Provisions in the current Articles which replicate provisions contained in the Companies Act 1985 are in the main amended to bring them into line with the Companies Act 2006 or remove them from the new Articles to avoid duplication. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. FORM OF RESOLUTION

The current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. All references to extraordinary resolutions have therefore been removed from the new Articles.

3. CONVENING ANNUAL GENERAL MEETINGS AND OTHER GENERAL MEETINGS

The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting other than an Annual General Meeting can be convened on not less than 14 days' notice whereas previously not less than 21 days' notice was required if the general meeting was to consider a special resolution.

4. VOTES OF MEMBERS

Under the Companies Act 2006, proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The new Articles reflect all of these new provisions.

The time limits for the appointment or termination of a proxy appointment have been altered in the Companies Act 2006 so that articles of association cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for taking of a poll, with weekends and bank holidays permitted to be excluded. The new Articles have been updated to reflect this.

The new Articles also remove the right of the Chairman of a general meeting to exercise a casting vote.

5. CONFLICTS OF INTEREST

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the new Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

6. RETIREMENT BY ROTATION

The current Articles contain an obligation on one third of the Directors to retire at each AGM. This has been replaced with an obligation that any Director should offer themselves for re-election at least once every three years, which matches the obligation in the Combined Code for all directors to submit themselves for re-election at regular intervals and at least every three years.

7. ORDERLY CONDUCT OF MEETINGS

A provision has been added to the new Articles to facilitate the orderly conduct of general meetings. It allows the chairman of the meeting to take such action as he sees fit to allow the meeting to be run in good order.

8. GENERAL

Generally the opportunity has been taken to bring clearer language into the new Articles.

Notes



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The Clapham House Group PLC

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

T: 0870 066 2099

F: 0870 066 2089

www.claphamhousegroup.com