Living Ventures Limited
Financial statements
For the year ended 31 March 2006

Company No. 3837985

Company information

Company registration number :	3837985
Registered office :	116 Duke Street Liverpool Merseyside L1 5JW
Directors :	J K Roberts T A Bacon D M Fox J E Branagan A P Haigh
Secretary :	J K Roberts
Bankers :	Bank of Scotland 19–21 Spring Gardens Manchester M2 1FB
Solicitors :	Pinsent Masons 3 Colmore Circus Birmingham B4 6BH
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 March 2006.

Principal activity

The company's principal activity is the operation of bars and restaurants.

Business review

The group profit for the year after taxation amounted to £170,000 (2005 : loss £75,000). The directors do not recommend the payment of a dividend (2005 : £Nil) and the profit has been transferred to reserves.

Since acquiring the Est Est Est business on 31 March 2005, the management team has been fully occupied in integrating and relaunching this business. This has involved major capital investment at five of the sites in the year. In addition, we have opened two Living Room sites in London and Oxford.

In December 2005, we sold our "Prohibition" bar business to Ultimate Leisure, realising a profit on disposal of £1.5m. This transaction was in line with our strategy of focusing on the core restaurant business.

Directors

The directors who served during the year, together with their interests in the share capital of the company, are set out below. All directors served throughout the year unless otherwise stated.

	Ordinary shares	
	2006	**2005**
J K Roberts	314,827	375,000
T A Bacon	314,827	375,000
D M Fox	50,000	50,000
J E Branagan	50,000	50,000
A M Jackson (resigned 17 January 2007)	–	–
P A Newman (appointed 1 July 2005, resigned 4 October 2006)	17,434	17,434
A Page (appointed 1 July 2005, resigned 17 January 2007)	–	–
S Critoph (appointed 11 November 2005, resigned 17 January 2007)	–	–
A P Haigh (appointed 13 June 2006)	–	–

Financial risk management objectives and policies

The group uses various financial instruments which include cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk
Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk
The group has no exposure to either translation or transaction foreign exchange risk, since all of the company's operations are carried out within the United Kingdom.

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short–term flexibility is achieved by overdraft facilities.

The group finances its operations primarily by the use of bank loans. The group has also issued loan notes in order to finance the acquisition of Est Est Est Restaurants Limited in the prior financial year. The maturity of these obligations is set out in note 15 to the financial statements.

Interest rate risk
The group finances its operations through a combination of retained profits, bank loans and loan notes. The group manages its exposure to interest rate fluctuations by entering into fixed rate agreements where possible.

Credit risk
The group's principal financial assets are cash and tangible fixed assets. Since the nature of the company's operations are such that trade debtors are minimal, the directors consider that the company has limited exposure to credit risk.

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

In so far as the directors are aware :

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

J K Roberts
Director

27 February 2007

Grant Thornton

Report of the independent auditors to the members of Living Ventures Limited

We have audited the group and parent company financial statements ("the financial statements") of Living Ventures Limited which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 circumstances, consistently applied and adequately disclosed.

Grant Thornton

Report of the independent auditors to the members of Living Ventures Limited

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2006 and of the group's profit for the year then ended;
- 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 for the year ended 31 March 2006.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

27 February 2007

Principal accounting policies

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Changes in accounting policies
In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards :

- FRS 21 "Events after the balance sheet date"
- FRS 25 "Financial Instruments : Disclosure and Presentation"
- UITF 38 "Accounting for ESOP trusts".

FRS 21 "Events after the balance sheet date"
The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

This change in accounting policy has had no impact on the prior year financial statements.

FRS 25 "Financial Instruments : Disclosure and presentation"
The adoption of FRS 25 has resulted in a change in accounting policy in respect of the disclosure and presentation of the company's redeemable preference shares of £1 each. These are now disclosed as financial liabilities within the balance sheet and associated dividends payable disclosed as interest payments within the profit and loss account. Previously, the company's redeemable preference shares of £1 each were presented as equity within the balance sheet and associated dividends payable disclosed as dividends within the profit and loss account. The impact of the prior year adjustment is disclosed in note 7 to the financial statements.

UITF 38 "Accounting for ESOP trusts"
The adoption of UITF 38 has resulted in a change in accounting policy in respect of the shares in the company held by the employee benefit trust. UITF 38 requires that the consideration paid for those shares should be deducted from the company's shareholders' funds. This change in accounting policy has had no impact on the prior year financial statements, since the employee benefit trust did not hold any of the company's shares as at 31 March 2005.

Otherwise, the principal accounting policies of the company have remained unchanged from the previous year and are set out below. The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the group's circumstances.

Basis of consolidation
The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2006. Profits or losses on intra–group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Turnover
Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Goodwill
Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life. Negative goodwill is written back to the profit and loss account to match the recovery of the non–monetary assets acquired.

Tangible fixed assets and depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected life. The rates generally applicable are as follows :

Leasehold property	Period of lease
Furniture, fittings and equipment	10 – 33% on cost
Motor vehicles	25% on cost

Investments
Investments are included at cost less amounts written off.

Leased assets
Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant portion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Stocks
Stocks are valued at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, on a first in, first out basis after making due allowance for any obsolete or slow moving items.

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

Pension costs
The group contributes to the personal pension schemes of certain employees. The pension costs charged against operating profits represent the amount of contributions payable to the schemes in respect of the accounting year.

Consolidated profit and loss account

	Note	2006 £000	2005 £000
Turnover – continuing operations	1	**48,251**	27,678
Cost of sales		**(12,710)**	(6,778)
Gross profit		**35,541**	20,900
Administrative expenses:			
– exceptional operating expenses	2	**486**	(693)
– amortisation of goodwill		**(497)**	–
– other		**(34,523)**	(19,411)
Total administrative expenses		**(34,534)**	(20,104)
Operating profit – continuing operations		**1,007**	796
Interest payable and similar charges	3	**(2,077)**	(688)
(Loss)/profit on ordinary activities before taxation	1	**(1,070)**	108
Tax on (loss)/profit on ordinary activities	5	**1,240**	(183)
Profit/(loss) for the financial year	18	**170**	(75)

There were no recognised gains or losses other than the profit for the financial year.

Consolidated balance sheet

	Note	2006 £000	Restated 2005 £000
Fixed assets			
Intangible assets	8	**9,444**	6,562
Tangible assets	9	**27,336**	24,339
		36,780	30,901
Current assets			
Stocks	11	**764**	663
Debtors	12	**2,382**	2,229
Cash at bank and in hand		**609**	694
		3,755	3,586
Creditors: amounts falling due within one year	13	**(26,542)**	(17,172)
Net current liabilities		**(22,787)**	(13,586)
Total assets less current liabilities		**13,993**	17,315
Creditors: amounts falling due after more than one year	14	**(12,141)**	(14,485)
Provisions for liabilities	16	**(1,035)**	(2,184)
Net assets		**817**	646
Capital and reserves			
Called up share capital	17	**1,352**	1,281
Share premium account	18	**740**	108
Other reserve	18	**(702)**	–
Profit and loss account	18	**(573)**	(743)
Shareholders' funds	19	**817**	646

The financial statements were approved by the Board of Directors on 27 February 2007.

J K Roberts Director

Company balance sheet

	Note	2006 £000	Restated 2005 £000
Fixed assets			
Tangible assets	9	**16,180**	12,628
Investments	10	**17,749**	15,986
		33,929	28,614
Current assets			
Stocks	11	**514**	442
Debtors	12	**4,382**	3,570
Cash at bank and in hand		**134**	524
		5,030	4,536
Creditors: amounts falling due within one year	13	**(25,233)**	(17,204)
Net current liabilities		**(20,203)**	(12,668)
Total assets less current liabilities		**13,726**	15,946
Creditors: amounts falling due after more than one year	14	**(12,141)**	(14,485)
Provision for liabilities	16	**(526)**	(536)
Net assets		**1,059**	925
Capital and reserves			
Called up share capital	17	**1,352**	1,281
Share premium account	18	**740**	108
Other reserve	18	**(702)**	–
Profit and loss account	18	**(331)**	(464)
Shareholders' funds	19	**1,059**	925

The financial statements were approved by the Board of Directors on 27 February 2007.

J K Roberts Director

Consolidated cash flow statement

	Note	2006 £000	2005 £000
Net cash inflow from operating activities	20	**6,072**	2,532
Returns on investments and servicing of finance			
Interest paid		**(1,176)**	(688)
Net cash outflow from returns on investments and servicing of finance		**(1,176)**	(688)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(8,604)**	(4,614)
Sale of tangible fixed assets		**2,703**	9
Net cash outflow from capital expenditure and financial investment		**(5,901)**	(4,605)
Acquisitions and disposals			
Net cash acquired with subsidiary		**–**	11
Acquisition costs		**(157)**	–
Net cash (outflow)/inflow from acquisitions and disposals		**(157)**	11
Net cash outflow before financing		**(1,162)**	(2,750)
Financing			
Issue of share capital		**1**	–
Net receipts from borrowing	22	**2,001**	1,968
Capital element of finance lease rentals	22	**(64)**	(47)
Net cash inflow from financing		**1,938**	1,921
Increase/(decrease) in cash in the year	21	**776**	(829)

Notes to the financial statements

1 Turnover and (loss)/profit on ordinary activities before taxation

The turnover and (loss)/profit on ordinary activities before taxation are attributable to the principal activity of the group, and arise wholly within the United Kingdom.

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

	2006 £000	2005 £000
Auditors' remuneration:		
– audit services	**36**	25
– non–audit services:		
– tax compliance and consultancy	**14**	17
– other services	**–**	20
Depreciation:		
– owned assets	**2,825**	1,866
– assets held under finance lease	**21**	56
(Profit)/loss on sale of fixed assets	**(1,364)**	5
Operating lease rentals:		
– land and buildings	**3,204**	1,698
– other	**11**	11

2 Exceptional operating expenses

	2006 £000	2005 £000
Unit pre-opening costs and aborted unit acquisition fees	**1,007**	693
Profit on disposal of "Prohibition" sites	**(1,493)**	–
	(486)	693

3 Interest payable and similar charges

	2006 £000	2005 £000
On bank loans and overdrafts	**1,176**	676
Finance lease interest	**–**	12
Interest on loan notes	**668**	–
Provision for redemption premium on preference shares	**233**	–
	2,077	688

4 Directors and employees

	Group		Company	
	2006	2005	**2006**	2005
Staff costs during the year were as follows :	**£000**	£000	**£000**	£000
Wages and salaries	**16,455**	9,055	**10,039**	9,055
Social security costs	**1,541**	760	**1,013**	760
	17,996	9,815	**11,052**	9,815

The average number of employees of the group during the year was :

	Group		Company	
	2006	2005	**2006**	2005
	Number	Number	**Number**	Number
Retail (including part time employees)	**1,259**	808	**789**	808
Management and administration	**184**	48	**166**	48
	1,443	856	**955**	856

	2006	2005
Remuneration in respect of directors was as follows :	**£000**	£000
Emoluments and benefits in kind	**584**	572

	2006	2005
Remuneration in respect of the highest paid director was as follows:	**£000**	£000
Emoluments and benefits in kind	**167**	187

5 Tax on (loss)/profit on ordinary activities

	2006	2005
The tax (credit)/charge represents:	**£000**	£000
United Kingdom corporation tax at 30% (2005 : 30%)	**–**	35
Adjustment in respect of prior years	**(91)**	–
	(91)	35
Deferred tax (note 16)	**(1,149)**	148
	(1,240)	183

Tax on (loss)/profit on ordinary activities (continued)

Factors affecting the tax charge for the year

The difference between the tax assessed for the year and the expected charge based on the standard rate of corporation tax in the UK of 30% (2005 : 30%) is explained as follows:

	2006 £000	2005 £000
(Loss)/profit on ordinary activities before taxation	**(1,070)**	108
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 : 30%)	**(321)**	32
Effect of:		
Expenses not deductible for tax purposes	**234**	199
Capital allowances in excess of depreciation	**(634)**	(202)
Trading losses	**706**	5
Other timing differences	**15**	1
Adjustment in respect of prior years	**(91)**	–
Current tax (credit)/charge for the year	**(91)**	35

6 Profit/(loss) for the financial year

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £133,000 (2005 : £171,000).

7 Prior year adjustment

The prior year adjustment has arisen due to the mandatory implementation of FRS 25, as disclosed within the principle accounting policies. The effect of the change is as follows :

	2005 As previously reported £000	**Prior year adjustment £000**	**2005 As restated £000**
Consolidated balance sheet			
Creditors: amounts falling due after more than one year	12,985	1,500	14,485
Shareholders' funds	2,146	(1,500)	646
Company balance sheet			
Creditors: amounts falling due after more than one year	12,985	1,500	14,485
Shareholders' funds	2,425	(1,500)	925

8 Intangible fixed assets

	Purchased goodwill £000
Cost	
At 1 April 2005	6,562
Additions	3,379
At 31 March 2006	**9,941**
Amortisation	
At 1 April 2005	-
Provided during the year	497
At 31 March 2006	**497**
Net book amount	
At 31 March 2006	**9,444**
At 31 March 2005	6,562

The goodwill relates to the acquisition of the entire issued share capital of Est Est Est Restaurants Limited in the prior financial year. As disclosed in the 2005 financial statements, provisional fair value adjustments were made in respect of the assets and liabilities acquired in the 2005 financial statements. Those estimates were provisional due to the close proximity of the acquisition to the group's financial year end. During the year to 31 March 2006 in the light of further information becoming available with respect to the fair values of tangible fixed assets and the potential dilapidations liabilities, the directors have reassessed these fair value adjustments and have made the following adjustments to goodwill:

	£000
Reversal of discount applied to consideration settled by loan notes	1,606
Impairment of fixed assets	1,488
Provision for leasehold dilapidation liabilities	128
Additional acquisition costs	157
	3,379

In the prior financial year, the directors discounted the element of the consideration which was settled by the issue of loan notes repayable on 31 March 2008. This discount has been reversed in the year to 31 March 2006 since the group now pays a market rate of interest on the loan notes.

The goodwill is being amortised over a period of 20 years, based on the directors' assessment of the income streams on the acquired business.

9 Tangible fixed assets

Group

	Leasehold property £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2005	10,305	17,781	49	28,135
Additions	1,616	6,988	66	8,670
Disposals	(839)	(1,760)	(13)	(2,612)
At 31 March 2006	**11,082**	**23,009**	**102**	**34,193**
Depreciation				
At 1 April 2005	609	3,173	14	3,796
Fair value adjustment (note 8)	4	1,484	–	1,488
Provided during the year	750	2,075	21	2,846
Disposals	(585)	(680)	(8)	(1,273)
At 31 March 2006	**778**	**6,052**	**27**	**6,857**
Net book amount				
At 31 March 2006	**10,304**	**16,957**	**75**	**27,336**
At 31 March 2005	9,696	14,608	35	24,339

Company

	Leasehold property £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2005	2,507	13,173	49	15,729
Additions	1,275	3,913	66	5,254
Transfer from group company	434	1,372	–	1,806
Disposals	(525)	(1,337)	(13)	(1,875)
At 31 March 2006	**3,691**	**17,121**	**102**	**20,914**
Depreciation				
At 1 April 2005	331	2,756	14	3,101
Transfer from group company	278	417	–	695
Provided during the year	100	1,486	21	1,607
Disposals	(278)	(383)	(8)	(669)
At 31 March 2006	**431**	**4,276**	**27**	**4,734**
Net book amount				
At 31 March 2006	**3,260**	**12,845**	**75**	**16,180**
At 31 March 2005	2,176	10,417	35	12,628

Tangible fixed assets (continued)

The figures stated above include assets held under finance leases and hire purchase contracts as follows :

Group and company	**Fixtures, fittings and equipment £000**	**Motor vehicles £000**	**Total £000**
Net book amount at 31 March 2006	–	75	75
Net book amount at 31 March 2005	203	35	238
Depreciation provided in the year	–	21	21

10 Fixed asset investments

Company	**Shares in subsidiary undertakings £000**
Cost and net book amount	
At 1 April 2005	15,986
Additions	1,763
At 31 March 2006	**17,749**

The additions in the year relate to the adjustment of the purchase consideration in respect of Est Est Est Restaurants Limited (see note 8) and additional acquisition costs. At 31 March 2006 the group had interests in the following subsidiary undertakings:

Name of subsidiary	**Country of incorporation**	**Class of share capital held**	**Proportion held By the company**	**By the group**	**Nature of business**
Est Est Est Restaurants Limited	England	Ordinary	100%	100%	Operation of restaurants
The Living Room Limited	England	Ordinary	100%	100%	Dormant
Miniccino's Limited	England	Ordinary	100%	100%	Dormant
Mosquito Limited	England	Ordinary	100%	100%	Dormant
ZacCo1 Limited	England	Ordinary	100%	100%	Dormant
ZacCo2 Limited	England	Ordinary	100%	100%	Dormant
Living Ventures Group Plc	England	Ordinary	100%	100%	Dormant

All the subsidiary undertakings have been consolidated into the group financial statements.

11 Stocks

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Goods for resale	**764**	663	**514**	442

12 Debtors

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Trade debtors	**822**	513	**794**	507
Amounts owed by group companies	**–**	–	**2,523**	1,688
Prepayments and accrued income	**1,248**	1,375	**764**	1,034
Other debtors	**312**	341	**301**	341
	2,382	2,229	**4,382**	3,570

13 Creditors : amounts falling due within one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank overdraft	**355**	1,216	**–**	1,216
Bank loans (note 15)	**17,389**	5,186	**17,389**	5,186
Loan notes (note 15)	**–**	6,000	**–**	6,000
Corporation tax	**–**	90	**–**	–
Trade creditors	**2,521**	1,594	**1,620**	1,478
Amounts owed to group companies	**–**	–	**2,000**	958
Amounts owed to related companies	**752**	–	**656**	–
Social security and other taxes	**2,024**	961	**1,390**	887
Accruals and deferred income	**2,511**	2,025	**1,539**	1,379
Other creditors	**966**	59	**615**	59
Amounts due under finance leases (note 15)	**24**	41	**24**	41
	26,542	17,172	**25,233**	17,204

The bank overdraft is secured by a mortgage debenture over the leasehold properties, and a fixed and floating charge over all the other assets of the group.

14 Creditors : amounts falling due after more than one year

	Group and Company	
		Restated
	2006	2005
	£000	£000
Bank loans (note 15)	**–**	4,202
Loan notes (note 15)	**10,375**	8,769
Amounts due under finance leases (note 15)	**33**	14
Shares classified as financial liabilities	**1,733**	1,500
	12,141	14,485

The carrying value of the redeemable preference shares of £1,733,000 (2005 : £1,500,000) includes an accrued redemption premium of £233,000 (2005 : £Nil).

15 Borrowings

Borrowings, excluding overdrafts, are repayable as follows:

	Group and Company	
	2006	2005
	£000	£000
Within one year:		
Bank loans	**17,389**	5,186
Loan notes	**–**	6,000
Finance leases	**24**	41
After one and within two years:		
Bank loans	–	1,204
Loan notes	**10,375**	–
Finance leases	**33**	14
After two and within five years:		
Bank loans	–	2,928
Loan notes	–	8,769
After more than five years:		
Bank loans	**–**	70
	27,821	24,212

The bank loans are secured by a first legal charge over the group's leasehold properties and a fixed and floating charge over all the other assets of the group, and interest is charged at base rate plus margin. All bank loans are all repayable by monthly or quarterly instalments.

Amounts due under finance leases are secured on the assets to which they relate.

Borrowings (continued)
The loan notes are secured by means of a second-ranking charge over the assets of the group. Interest is payable at LIBOR multiplied by 1.22, and the loan notes are repayable in full on 31 March 2008.

16 Provisions for liabilities

Deferred taxation	**Group £000**	**Company £000**
At 1 April 2005	2,184	536
Transfer from group undertaking	–	(70)
(Credit)/charge for the year	(1,149)	60
At 31 March 2006	**1,035**	**526**

Deferred taxation, all of which is provided, is calculated using a tax rate of 30% and is set out below.

	Group		**Company**	
	2006 £000	2005 £000	**2006 £000**	2005 £000
Accelerated capital allowances	**2,149**	2,967	**1,191**	1,249
Other timing differences	**(17)**	–	**(10)**	–
Tax losses	**(1,097)**	(783)	**(655)**	(713)
	1,035	2,184	**526**	536

17 Share capital

	2006 Number	2005 Number	**2006 £000**	2005 £000
Authorised				
Ordinary shares of £1 each	**1,392,339**	1,392,339	**1,392**	1,392
Redeemable preference shares of £1 each	**1,500,000**	1,500,000	**1,500**	1,500
	2,892,339	2,892,339	**2,892**	2,892
Allotted, called up and fully paid				
Ordinary shares of £1 each	**1,351,912**	1,281,645	**1,352**	1,281
Redeemable preference shares of £1 each	**1,500,000**	1,500,000	**1,500**	1,500
	2,851,912	2,781,645	**2,852**	2,781
Shares classified as financial liabilities				
Redeemable preference shares of £1 each			**1,500**	1,500

Share capital (continued)

On 8 September 2005 the company issued 70,267 ordinary £1 shares at £10 per share, satisfied in cash. The difference between the total consideration of £702,670 and the nominal value of £70,267 has been credited to the share premium account.

The holders of the redeemable preference shares are not entitled to a dividend. The holders of the ordinary shares are only entitled to a dividend with the prior written consent of the holders of 75% of the ordinary shares.

The preference shares are redeemable on 31 March 2008, and will be redeemed at a premium of 46.67 pence per share.

Further details of the respective rights of each class of share are provided in the company Articles of Association.

18 Share premium account and reserves

Group	**Share premium account £000**	**Other reserve £000**	**Profit and loss account £000**
At 1 April 2005	108	–	(743)
Retained profit for the financial year	–	–	170
Premium on issue of share capital	632	–	–
Company shares purchased by EBT	–	(702)	–
At 31 March 2006	**740**	**(702)**	**(573)**

Company	**Share premium account £000**	**Other reserve £000**	**Profit and loss account £000**
At 1 April 2005	108	–	(464)
Retained profit for the financial year	–	–	133
Premium on issue of share capital	632	–	–
Company shares purchased by EBT	–	(702)	–
At 31 March 2006	**740**	**(702)**	**(331)**

The other reserve represents the cost of the company's own shares held by the employee benefit trust, which has been deducted from shareholders' funds in accordance with UITF 38.

19 Reconciliation of movements in shareholders' funds

	Group 2006 £000	Group Restated 2005 £000	Company 2006 £000	Company Restated 2005 £000
Profit/(loss) for the financial year	**170**	(75)	**133**	171
Issue of share capital	**703**	–	**703**	–
Company shares purchased by EBT	**(702)**	–	**(702)**	–
Net movement in shareholders' funds	**171**	(75)	**134**	171
Opening shareholders' funds	**646**	721	**925**	754
Closing shareholders' funds	**817**	646	**1,059**	925

20 Reconciliation of operating profit to operating cashflows

	2006 £000	2005 £000
Operating profit	**1,007**	796
Depreciation	**2,846**	1,922
Amortisation	**497**	–
(Profit)/loss on sale of fixed assets	**(1,364)**	5
Increase in stocks	**(101)**	(165)
Increase in debtors	**(153)**	(557)
Increase in creditors	**3,340**	531
Net cash inflow from operating activities	**6,072**	2,532

21 Reconciliation of net cash flow to movement in net debt

	2006 £000	2005 £000
Increase/(decrease) in cash in the year	**776**	(829)
Cash inflow from financing	**(2,001)**	(1,968)
Cash outflow from finance leases	**64**	47
Movement in net debt resulting from cash flows	**(1,161)**	(2,750)
Loan notes issued as consideration for acquisition	–	(14,769)
Inception of finance leases	**(66)**	(29)
Other non-cash movements	**(1,606)**	–
Movement in net debt in the year	**(2,833)**	(17,548)
Net debt at 1 April 2005	**(24,734)**	(7,186)
Net debt at 31 March 2006	**(27,567)**	(24,734)

22 Analysis of changes in net debt

	At 1 April 2005 £000	Cashflows £000	Non–cash items £000	**At 31 March 2006 £000**
Cash at bank and in hand	694	(85)	–	**609**
Bank overdraft	(1,216)	861	–	**(355)**
	(522)	776	–	**254**
Loans	(9,388)	(8,001)	–	**(17,389)**
Loan notes	(14,769)	6,000	(1,606)	**(10,375)**
Finance leases	(55)	64	(66)	**(57)**
	(24,734)	(1,161)	(1,672)	**(27,567)**

The non-cash movement in relation to the loan notes relates to the reversal of the discounting adjustment applied in the previous financial year (see note 8).

23 Leasing commitments

Operating lease payments amounting to £4,112,000 (2005 : £3,406,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings			**Other**
Group	**2006 £000**	2005 £000	**2006 £000**	2005 £000
In one year or less	–	–	**11**	6
Between one and five years	**76**	106	**–**	–
In five years or more	**4,025**	3,294	–	–
	4,101	3,400	**11**	6

24 Related party transactions

The company has taken advantage of the exemptions of FRS 8 and has not disclosed transactions with group companies.

During the year the group purchased goods and services amounting to £243,426 from The Restaurant Group Plc, which owns 40% of the issued share capital of the company and also the loan notes in issue of £10,375,000. During the year, interest of £667,813 accrued on the loan notes. At 31 March 2006 the total amount owed to The Restaurant Group Plc, excluding the loan notes, was £752,000 and is disclosed within creditors.