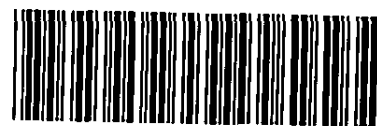


APOSTROPHE RESTAURANTS LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011

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APOSTROPHE RESTAURANTS LIMITED

COMPANY INFORMATION

DIRECTOR	A Chen
COMPANY SECRETARY	Mornington Secretaries Limited
COMPANY NUMBER	04054395
REGISTERED OFFICE	12 Devereux Court London WC2R 3JP
AUDITORS	Sopher + Co Chartered Accountants & Statutory Auditors 5 Elstree Gate Elstree Way Borehamwood Hertfordshire WD6 1JD
BANKERS	Mizrahi Tefahot Bank Limited London EC2N 1HQ HSBC Bank Plc London EC4A 2DY

APOSTROPHE RESTAURANTS LIMITED

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APOSTROPHE RESTAURANTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2011

The director presents his report and the financial statements for the year ended 31 August 2011

PRINCIPAL ACTIVITIES

Apostrophe operates patisserie-boulangerie cafes in central London and at London airports, selling freshly baked breads, pastries and savouries, freshly prepared gourmet sandwiches, salads, tarts and cakes. A large drinks menu is also on offer, including coffees, loose-leaf teas, and freshly squeezed and farm-pressed juices. All products are presented in an attractive showcase display, where customers make their selection. Orders are paid for and then received at the counter in china crockery and stainless steel cutlery for consumption on site, or in attractive branded packaging to take away.

BUSINESS REVIEW

Over the past 12 months the UK has experienced economic uncertainty, increased unemployment and government spending cuts. In January 2011, VAT was increased from 17.5% to 20%. Apostrophe implemented a price increase on most of its products to reflect the higher VAT. We continued to avoid discounting and promotions in favour of offering high quality and differentiated products and excellent guest service.

During the financial year ending 31st August 2011, we were pleased to record an increase in Turnover of 2.6%. Like-for-like Turnover was also positive, driven by strong performance across most stores.

Gross Profit increased by only 2.3% as a result of limited raw material price increases and effective payroll management. Other Direct Operating Expenses increased by 1.3%, with Rates rebates and a reduction in some variable costs offsetting an increase in Rent.

Administrative expenses increased by 29.6%. This was mainly due to an increase in expensed Directors Salaries and higher legal fees resulting from Apostrophe's dispute with HMRC regarding historical VAT calculations. The Company incurred a higher recruitment charge as it embarked upon a management recruitment drive.

During the year we invested £50,359 in fixed assets and repaid £120,000 of bank debt, funded by cash from operating activities. An amortising bank loan of £449,573 remains outstanding, representing 25.3% of Shareholders' Funds.

In March 2011 our franchise partner, The Restaurant Group, opened their second Apostrophe site at Gatwick South Terminal. This was also the first Apostrophe branch at a landside airport location.

The Apostrophe brand continued to gain in momentum in 2011, with a strong online following as well as partnerships with leading institutions such as the National Theatre, The Royal Academy and The Whitechapel Gallery.

RESULTS

The loss for the year, after taxation, amounted to £265,538 (2010 - loss £296,241).

DIRECTOR

The director who served during the year was

A Chen

APOSTROPHE RESTAURANTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2011

PRINCIPAL RISKS AND UNCERTAINTIES

The health of the economy and its impact on unemployment and consumer spending remain the principal risks and uncertainties affecting the Company. Prolonged slow growth and significant government spending cuts are expected to reduce consumer confidence and expenditure on non-essential items. Moreover, difficulties in the Eurozone economies undermine prospects of short-term recovery and raise the risks of a more severe downturn.

Commodity prices continue to experience upward pressure, albeit at a lesser rate than during the previous financial period. While many of our input prices have remained stable for some time, the price of Arabica coffee continues to rise.

Apostrophe has a popular product range, a large and loyal customer base, and attractive stores in prime London locations. London has seen a healthier level of economic activity and consumer confidence than the rest of the country and the city remains a greater pull than ever for businesses and tourists. The 2012 Olympics are likely to have a positive impact on footfall and economic activity.

As a joint force, Apostrophe and CH&Co offer a unique proposition in the market place, combining a leading high street presence with industry leading contract-catering expertise. The joint venture gives Apostrophe the ability to grow into new markets, which were previously inaccessible, as well as provide the Company with additional capital to expand its presence on the high street.

FUTURE DEVELOPMENTS

The first quarter of our 2012 financial year showed a healthy growth in Turnover, with strong like-for-like growth across most stores.

In October 2011 we launched our 10th anniversary campaign, introducing a new loyalty card, new staff uniforms and a celebratory breakfast offer.

In November 2011 we started the implementation of a state-of-the-art EPOS system, due to be completed in February 2012. This important investment will allow us to improve speed of service and enhance our management information systems.

In October 2011, leading catering group CH&Co, opened an Apostrophe unit outside The Tower of London under a franchise agreement. This was the first Apostrophe operated in a stand-alone kiosk format.

In January 2012 Apostrophe and CH&Co entered into a joint venture by CH&Co buying a 50% stake in the Company. CH&Co also acquired a master franchise agreement from Apostrophe, which will allow CH&Co to deliver the Apostrophe brand at its catering venues, including popular visitor attractions and office environments.

APOSTROPHE RESTAURANTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2011

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

PROVISION OF INFORMATION TO AUDITORS


The director at the time when this Director's Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

Under section 487(2) of the Companies Act 2006, Sopher + Co will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 5 January 2012 and signed on its behalf



A Chen
Director

APOSTROPHE RESTAURANTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF APOSTROPHE RESTAURANTS LIMITED

We have audited the financial statements of Apostrophe restaurants Limited for the year ended 31 August 2011, set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters 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 DIRECTOR AND AUDITORS

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

APOSTROPHE RESTAURANTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF APOSTROPHE RESTAURANTS LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Martyn Atkinson (Senior statutory auditor)

for and on behalf of

Sopher + Co

Chartered Accountants
Statutory Auditors

5 Elstree Gate
Elstree Way
Borehamwood
Hertfordshire
WD6 1JD

5 January 2012

APOSTROPHE RESTAURANTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2011**

	Note	2011 £	2010 £
TURNOVER	1,2	6,158,622	6,000,705
Cost of sales		<u>(3,496,497)</u>	<u>(3,398,277)</u>
GROSS PROFIT		2,662,125	2,602,428
Distribution costs		<u>(2,195,685)</u>	<u>(2,166,776)</u>
Administrative expenses		<u>(672,119)</u>	<u>(518,561)</u>
OPERATING LOSS	3	(205,679)	(82,909)
EXCEPTIONAL ITEMS			
Net profit/(loss) on sale of tangible fixed assets	8	<u>-</u>	<u>(119,536)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(205,679)	(202,445)
Interest receivable and similar income		287	837
Interest payable and similar charges	7	<u>(19,681)</u>	<u>(19,966)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(225,073)	(221,574)
Tax on loss on ordinary activities	9	<u>(19,729)</u>	<u>(74,667)</u>
LOSS FOR THE FINANCIAL YEAR	17	<u>(244,802)</u>	<u>(296,241)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and Loss Account

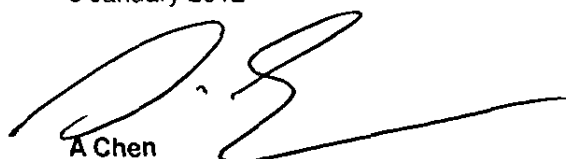
The notes on pages 9 to 19 form part of these financial statements

APOSTROPHE RESTAURANTS LIMITED
REGISTERED NUMBER 04054395

BALANCE SHEET
AS AT 31 AUGUST 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	10		2,237,906		2,673,086
CURRENT ASSETS					
Stocks	11	64,515		71,054	
Debtors	12	649,387		613,313	
Cash at bank and in hand		470,408		367,801	
		<u>1,184,310</u>		<u>1,052,168</u>	
CREDITORS: amounts falling due within one year	13	<u>(1,113,173)</u>		<u>(1,046,833)</u>	
NET CURRENT ASSETS			71,137		5,335
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,309,043</u>		<u>2,678,421</u>
CREDITORS: amounts falling due after more than one year	14		<u>(533,928)</u>		<u>(658,504)</u>
NET ASSETS			<u>1,775,115</u>		<u>2,019,917</u>
CAPITAL AND RESERVES					
Called up share capital	16		268,241		268,241
Share premium account	17		947,633		947,633
Capital redemption reserve	17		1,942,877		1,942,877
Profit and loss account	17		<u>(1,383,636)</u>		<u>(1,138,834)</u>
SHAREHOLDERS' FUNDS	18		<u>1,775,115</u>		<u>2,019,917</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 January 2012


A Chen
 Director

The notes on pages 9 to 19 form part of these financial statements

APOSTROPHE RESTAURANTS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	19	292,536	415,657
Returns on investments and servicing of finance	20	(19,394)	(19,129)
Taxation		(176)	-
Capital expenditure and financial investment	20	(50,359)	(349,377)
CASH INFLOW BEFORE FINANCING		222,607	47,151
Financing	20	(120,000)	189,999
INCREASE IN CASH IN THE YEAR		102,607	237,150

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 AUGUST 2011**

	2011 £	2010 £
Increase in cash in the year	102,607	237,150
Cash outflow from decrease in debt and lease financing	120,000	110,000
MOVEMENT IN NET DEBT IN THE YEAR	222,607	347,150
Net debt at 1 September 2010	(206,001)	(553,151)
NET FUNDS/(DEBT) AT 31 AUGUST 2011	16,606	(206,001)

The notes on pages 9 to 19 form part of these financial statements

APOSTROPHE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Cash sales

Revenue is recognised once the goods have been paid for, which are then received by the customer at the counter for consumption on site or take away

Credit sales

Revenue is recognised when the goods are delivered and accepted by the customer and the amount is payable by the customer per the credit terms agreed

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

S/Term Leasehold Property	-	over the period of the lease
Plant & machinery	-	10% straight line
Motor vehicles	-	10% straight line
Fixtures & fittings	-	15% straight line

1.4 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value

APOSTROPHE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

1. ACCOUNTING POLICIES (continued)

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and Loss Account

1.8 Share-based payments

When share options are granted to directors and employees a charge is made to the profit and loss account and a reserve created in capital and reserves to record the fair value of the awards in accordance with FRS 20 "Share-based payment" No charge has been made to date as the director considers the fair value of the awards to be immaterial

2 TURNOVER

The whole of the turnover for the year has been derived from its principal activity

All turnover arose within the United Kingdom

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

3. OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the company	485,539	473,866
Auditors' remuneration	22,000	21,000
Operating lease rentals		
- other operating leases	997,346	936,178
Difference on foreign exchange	(1,491)	-
	<u>997,346</u>	<u>936,178</u>

4. STAFF COSTS

Staff costs, including director's remuneration, were as follows

	2011 £	2010 £
Wages and salaries	2,101,547	1,939,361
Social security costs	157,532	157,813
	<u>2,259,079</u>	<u>2,097,174</u>

The average monthly number of employees, including the director, during the year was as follows

	2011 No.	2010 No.
Management and administration	7	6
Restaurant staff	133	133
	<u>140</u>	<u>139</u>

5. DIRECTOR'S REMUNERATION

	2011 £	2010 £
Emoluments	115,000	111,667

6. SHARE BASED PAYMENTS

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 1 (2010 - 1)

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

7. INTEREST PAYABLE

	2011 £	2010 £
On bank loans and overdrafts	68	121
On other loans	19,613	19,845
	<u>19,681</u>	<u>19,966</u>

8 EXCEPTIONAL ITEMS

	2011 £	2010 £
Closure of leasehold shop	-	119,536
	<u>-</u>	<u>119,536</u>

9 TAXATION

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	59	-
Adjustments in respect of prior periods	176	-
Total current tax	<u>235</u>	<u>-</u>
Deferred tax (see note 15)		
Origination and reversal of timing differences	19,494	74,667
Tax on loss on ordinary activities	<u>19,729</u>	<u>74,667</u>

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

9 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 20% (2010 - 21%). The differences are explained below

	2011 £	2010 £
Loss on ordinary activities before tax	<u>(225,073)</u>	<u>(221,574)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2010 - 21%)	(45,015)	(46,531)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,862	3,872
Capital allowances for year in excess of depreciation	56,602	59,162
Utilisation of tax losses	(13,390)	(16,327)
Adjustments to tax charge in respect of prior periods	176	-
Other timing differences leading to an increase (decrease) in taxation	-	(176)
Current tax charge for the year (see note above)	<u>235</u>	<u>-</u>

Factors that may affect future tax charges

The company has estimated losses of £662,918 (2010 £727,945) available for carry forward against future trading profits

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

10. TANGIBLE FIXED ASSETS

	Land and buildings leasehold £	Plant & machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost					
At 1 September 2010	2,275,452	655,386	8,060	2,196,386	5,135,284
Additions	-	25,412	-	24,947	50,359
At 31 August 2011	<u>2,275,452</u>	<u>680,798</u>	<u>8,060</u>	<u>2,221,333</u>	<u>5,185,643</u>
Depreciation					
At 1 September 2010	922,071	351,666	5,877	1,182,584	2,462,198
Charge for the year	178,788	42,831	2,015	261,905	485,539
At 31 August 2011	<u>1,100,859</u>	<u>394,497</u>	<u>7,892</u>	<u>1,444,489</u>	<u>2,947,737</u>
Net book value					
At 31 August 2011	<u>1,174,593</u>	<u>286,301</u>	<u>168</u>	<u>776,844</u>	<u>2,237,906</u>
At 31 August 2010	<u>1,353,381</u>	<u>303,720</u>	<u>2,183</u>	<u>1,013,802</u>	<u>2,673,086</u>

11. STOCKS

	2011 £	2010 £
Finished goods and goods for resale	<u>64,515</u>	<u>71,054</u>

12. DEBTORS

	2011 £	2010 £
Due after more than one year		
Other debtors	79,275	79,275
Due within one year		
Trade debtors	88,334	81,700
Other debtors	12,817	13,999
Prepayments and accrued income	425,835	375,719
Deferred tax asset (see note 15)	43,126	62,620
	<u>649,387</u>	<u>613,313</u>

Debtors include amounts of £79,275 (2010 £79,275) for rent deposits falling due after more than one year

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

**13 CREDITORS:
Amounts falling due within one year**

	2011 £	2010 £
Bank loans and overdrafts	120,000	120,000
Trade creditors	504,127	459,486
Corporation tax	59	-
Social security and other taxes	233,420	224,062
Other creditors	107,877	99,780
Accruals and deferred income	147,690	143,505
	<u>1,113,173</u>	<u>1,046,833</u>

Interest is payable on the bank loan at 2.5% above base rate. The bank loan and overdraft are secured by way of a fixed and floating charge over the assets of the company.

**14. CREDITORS:
Amounts falling due after more than one year**

	2011 £	2010 £
Bank loans	329,573	449,573
Other loans	4,229	4,229
Other creditors	200,126	204,702
	<u>533,928</u>	<u>658,504</u>

Included within the above are amounts falling due as follows

	2011 £	2010 £
Between one and two years		
Bank loans	120,000	120,000
Other loans	4,229	4,229
Between two and five years		
Bank loans	<u>209,573</u>	<u>329,573</u>

Interest is payable on the bank loan at 2.5% above base rate. The bank loan is secured by a debenture over the assets of the company.

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

15. DEFERRED TAX ASSET

	2011 £	2010 £
At beginning of year	62,620	137,287
Charged for year	(19,494)	(74,667)
At end of year	<u>43,126</u>	<u>62,620</u>

The deferred tax asset is made up as follows

	2011 £	2010 £
Accelerated capital allowances	(89,457)	(102,444)
Tax losses carried forward	132,583	165,064
	<u>43,126</u>	<u>62,620</u>

16 SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
26,824,100 Ordinary shares of £0.01 each	<u>268,241</u>	<u>268,241</u>

17 RESERVES

	Share premium account £	Capital redempt'n reserve £	Profit and loss account £
At 1 September 2010	947,633	1,942,877	(1,138,834)
Loss for the year			(244,802)
At 31 August 2011	<u>947,633</u>	<u>1,942,877</u>	<u>(1,383,636)</u>

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds	2,019,917	2,016,159
Loss for the year	(244,802)	(296,241)
Shares issued during the year	-	17,647
Share premium on shares issued (net of expenses)	-	282,352
	<u>1,775,115</u>	<u>2,019,917</u>
Closing shareholders' funds	<u>1,775,115</u>	<u>2,019,917</u>

19 NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating loss	(205,679)	(82,909)
Depreciation of tangible fixed assets	485,539	473,866
Decrease in stocks	6,540	23,787
Increase in debtors	(55,567)	(60,999)
Increase in creditors	61,703	61,912
	<u>292,536</u>	<u>415,657</u>
Net cash inflow from operating activities	<u>292,536</u>	<u>415,657</u>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	287	837
Interest paid	(19,681)	(19,966)
	<u>(19,394)</u>	<u>(19,129)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(19,394)</u>	<u>(19,129)</u>
	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(50,359)	(397,877)
Sale of tangible fixed assets	-	48,500
	<u>(50,359)</u>	<u>(349,377)</u>
Net cash outflow from capital expenditure	<u>(50,359)</u>	<u>(349,377)</u>

APOSTROPHE RESTAURANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2011**

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2011 £	2010 £
Financing		
Issue of ordinary shares	-	299,999
Repayment of loans	(120,000)	(110,000)
Net cash (outflow)/inflow from financing	<u>(120,000)</u>	<u>189,999</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	1 September 2010 £	Cash flow £	Other non-cash changes £	31 August 2011 £
Cash at bank and in hand	367,801	102,607	-	470,408
Debt				
Debts due within one year	(120,000)	120,000	(120,000)	(120,000)
Debts falling due after more than one year	(453,802)	-	120,000	(333,802)
Net debt	<u>(206,001)</u>	<u>222,607</u>	<u>-</u>	<u>16,606</u>

22. CONTINGENT LIABILITIES

There is a VAT enquiry into the company's treatment of output VAT on sales, which is still ongoing. In the director's opinion it is unlikely any liability will be payable. The director is unable to assess the amount of any liability that may be due following the conclusion of this enquiry and therefore no provision has been made in these accounts.

23. OPERATING LEASE COMMITMENTS

At 31 August 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2011 £	2010 £	2011 £	Other 2010 £
Expiry date:				
Within 1 year	-	-	1,711	3,757
Between 2 and 5 years	157,852	124,000	1,240	1,711
After more than 5 years	735,000	712,500	-	-

APOSTROPHE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2011

24 POST BALANCE SHEET EVENTS

In January 2012 the company entered into a joint venture arrangement with C H & Co Catering Limited. As part of that arrangement C H & Co Catering Limited have purchased 50% of the share capital of the company and entered into a master franchise agreement.

25. SHARE BASED PAYMENTS

The company has granted share options to employees under its Enterprise Management Incentive Scheme. The number of ordinary shares granted under the scheme as at the year end was 6,741,141. 5,397,000 share options were granted on 21/06/06, 544,141 share options were granted on 09/03/07 and 800,000 share options were granted on 19/03/09. The contractual life of these share options is 10 years. The director estimates that the fair value of these share options is immaterial for the purposes of these accounts.

	Number
Shares options outstanding at 1 September 2010	6,741,141
Granted	-
Forfeited	-
Exercised	-
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Share options outstanding at 31 August 2011	6,741,141
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The share options outstanding at the year end were granted to the director Mr A Chen. 5,397,000 have an exercise price of £0.015, 544,141 have an exercise price of £0.035 and 800,000 have an exercise price of £0.025.