

**IMAGE RESTAURANTS LIMITED
(FORMERLY IMAGE RESTAURANTS PLC)**

FINANCIAL STATEMENTS

30 JUNE 2006



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COMPANIES HOUSE

IMAGE RESTAURANTS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

| CONTENTS | PAGE |
|--|-------------|
| Officers and professional advisers | 1 |
| The directors' report | 2 |
| Independent auditor's report to the shareholders | 5 |
| Profit and loss account | 7 |
| Group balance sheet | 8 |
| Balance sheet | 9 |
| Group cash flow statement | 10 |
| Notes to the financial statements | 11 |

IMAGE RESTAURANTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

C C Bodker
R H Brooks
S A R Rose
M A Spencer

Company secretary

J Jones

Registered office

Hedges House
153-155 Regent Street
London
W1B 4JE

Auditor

MacIntyre Hudson LLP
Chartered Accountants
& Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Bankers

Allied Irish Bank (GB)
361 King Street
Hammersmith
London
W6 9NA

IMAGE RESTAURANTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2006

The directors present their report and the financial statements of the group for the year ended 30 June 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year continued to be that of a holding company. The activity of the company's subsidiaries continued to be the running of restaurants.

The year ended 30 June 2006 began poorly because of the London bombings in July 2005. The impact of these bombings continued until December that year. While the impact of these bombings was mitigated by our West London restaurants, Kensington Place and Launceston Place, they made the task of achieving like for like sales growth over the prior year very difficult indeed.

It is important to note that Group turnover for the year ended 30 June 2005, £9,057,734, included the last six months of trading of our restaurant West Street. Further, the loss on disposal of £768,247 helps to explain a reduction in turnover to £7,616,848 for the year ended 30 June 2006.

The Directors are confident about the future and they feel they have the right mix of product and staff to grow the business in the future.

RESULTS AND DIVIDENDS

The loss for the year amounted to £486,394. The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

C C Bodker
R H Brooks
S A R Rose
M A Spencer
U E Schwarzenbach (Resigned 11 July 2005)

POLICY ON THE PAYMENT OF CREDITORS

The group's current policy concerning the payment of trade creditors is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts and pay in accordance with the company's contractual and other legal obligations. As at 30 June 2006 the creditor days for the group was 78.

IMAGE RESTAURANTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2006

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and estimates that are reasonable and prudent,

state whether applicable UK 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 group 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 group 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 group 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 group's auditor is 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 auditor is aware of that information.

DONATIONS

During the year the company made the following contributions

| | 2006 | 2005 |
|------------|-----------|------------|
| | £ | £ |
| Charitable | <u>82</u> | <u>912</u> |

IMAGE RESTAURANTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2006

Signed on behalf of the directors

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

C C Bodker
Director

Approved by the directors on 21/6/07

IMAGE RESTAURANTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMAGE RESTAURANTS LIMITED

YEAR ENDED 30 JUNE 2006

We have audited the group and parent company financial statements ("the financial statements") of Image Restaurants Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, Group Balance Sheet and Company Balance Sheet, Group Cash Flow Statement and the related notes. These financial statements have been prepared on the basis of 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 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 AUDITOR

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 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.

IMAGE RESTAURANTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMAGE RESTAURANTS LIMITED *(continued)*

YEAR ENDED 30 JUNE 2006

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 the parent company's affairs as at 30 June 2006 and of the group's loss 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



MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

21 June 2007

IMAGE RESTAURANTS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2006

| | | 2006 £ | 2005 £ |
|---|---------------|-------------------------|-------------------------|
| GROUP TURNOVER | Note 2 | 7,616,848 | 9,057,734 |
| Cost of sales | | <u>2,493,423</u> | <u>2,827,806</u> |
| GROSS PROFIT | | 5,123,425 | 6,229,928 |
| Administrative expenses | | <u>5,386,503</u> | <u>6,162,258</u> |
| Other operating income | 3 | <u>—</u> | <u>(40,977)</u> |
| OPERATING (LOSS)/PROFIT | 4 | (263,078) | 108,647 |
| Loss on disposal of fixed assets | 7 | <u>—</u> | <u>(768,247)</u> |
| | | (263,078) | (659,600) |
| Interest payable and similar charges | 8 | <u>223,316</u> | <u>280,965</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (486,394) | (940,565) |
| Tax on loss on ordinary activities | 9 | <u>—</u> | <u>—</u> |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | (486,394) | (940,565) |
| Minority interests | | <u>10,452</u> | <u>15,067</u> |
| LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY | 10 | (496,846) | (955,632) |
| LOSS FOR THE FINANCIAL YEAR | | <u>(496,846)</u> | <u>(955,632)</u> |

All of the activities of the group are classed as continuing

The group has no recognised gains or losses other than the results for the year as set out above

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account

The notes on pages 11 to 20 form part of these financial statements.

IMAGE RESTAURANTS LIMITED

GROUP BALANCE SHEET

30 JUNE 2006

| | Note | 2006 | | 2005 | |
|--|------|------------------|--------------------|------------------|--------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible assets | 11 | | 2,483,455 | | 2,633,311 |
| Tangible assets | 12 | | 1,352,690 | | 1,430,122 |
| | | | <u>3,836,145</u> | | <u>4,063,433</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 14 | 120,859 | | 137,679 | |
| Debtors | 15 | 444,934 | | 413,637 | |
| Cash at bank and in hand | | <u>46,017</u> | | <u>10,554</u> | |
| | | 611,810 | | 561,870 | |
| CREDITORS: Amounts falling due within one year | 16 | <u>2,987,383</u> | | <u>2,398,007</u> | |
| NET CURRENT LIABILITIES | | | <u>(2,375,573)</u> | | <u>(1,836,137)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 1,460,572 | | 2,227,296 |
| CREDITORS: Amounts falling due after more than one year | 17 | | <u>2,007,977</u> | | <u>2,288,307</u> |
| | | | <u>(547,405)</u> | | <u>(61,011)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called-up equity share capital | 22 | | 64,667 | | 64,667 |
| Share premium account | 23 | | 1,176,056 | | 1,176,056 |
| Profit and loss account | 23 | | <u>(1,923,324)</u> | | <u>(1,426,478)</u> |
| DEFICIT | 24 | | <u>(682,601)</u> | | <u>(185,755)</u> |
| MINORITY INTERESTS | | | 135,196 | | 124,744 |
| | | | <u>(547,405)</u> | | <u>(61,011)</u> |

These financial statements were approved by the directors on the 21/6/07 and are signed on their behalf by



C C Bodker

The notes on pages 11 to 20 form part of these financial statements

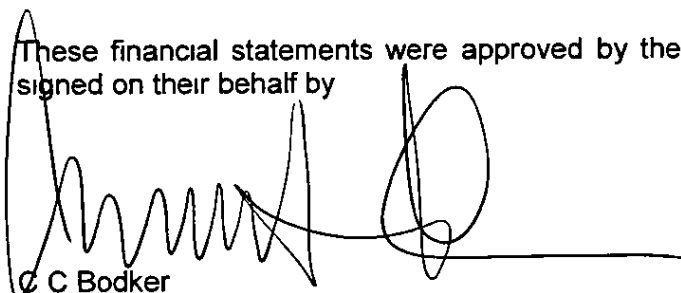
IMAGE RESTAURANTS LIMITED

BALANCE SHEET

30 JUNE 2006

| | Note | 2006 £ | £ | 2005 £ | £ |
|---|------|------------------|------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Investments | 13 | | 69,540 | | 69,540 |
| CURRENT ASSETS | | | | | |
| Debtors | 15 | 1,359,492 | | 1,360,492 | |
| Cash at bank | | — | | 11 | |
| | | <u>1,359,492</u> | | <u>1,360,503</u> | |
| CREDITORS: Amounts falling due within one year | 16 | <u>199,877</u> | | <u>199,826</u> | |
| NET CURRENT ASSETS | | | <u>1,159,615</u> | | <u>1,160,677</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,229,155</u> | | <u>1,230,217</u> |
| CAPITAL AND RESERVES | | | | | |
| Called-up equity share capital | 22 | | 64,667 | | 64,667 |
| Share premium account | 23 | | 1,176,056 | | 1,176,056 |
| Profit and loss account | 23 | | (11,568) | | (10,506) |
| SHAREHOLDERS' FUNDS | | | <u>1,229,155</u> | | <u>1,230,217</u> |

These financial statements were approved by the directors on the 21/6/07 and are signed on their behalf by



C C Bodker

The notes on pages 11 to 20 form part of these financial statements.

IMAGE RESTAURANTS LIMITED

GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2006

| | Note | 2006 £ | £ | 2005 £ | £ |
|---|------|-----------|-----------|-----------|-----------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 25 | | 534,537 | | 486,834 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | | |
| Interest paid | | (236,912) | | (318,418) | |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | (236,912) | | (318,418) |
| CAPITAL EXPENDITURE | | | | | |
| Payments to acquire tangible fixed assets | | (147,586) | | (112,292) | |
| Receipts from sale of fixed assets | | — | | 979,986 | |
| NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE | | | (147,586) | | 867,694 |
| CASH INFLOW BEFORE FINANCING | | | 150,039 | | 1,036,110 |
| FINANCING | | | | | |
| Repayment of bank loans | | (257,030) | | (750,879) | |
| NET CASH OUTFLOW FROM FINANCING | | | (257,030) | | (750,879) |
| (DECREASE)/INCREASE IN CASH | 25 | | (106,991) | | 285,231 |

The notes on pages 11 to 20 form part of these financial statements

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

1. ACCOUNTING POLICIES

Basis of accounting

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

The group is dependent upon the continued financial support of its directors and has, subsequent to the balance sheet date, entered into an agreement to sell the lease of a restaurant. On the basis of this information, the directors consider it appropriate to prepare the financial statements on a going concern basis

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over 20 years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax and service charges

Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 25 years. This rebuts the FRS 10 presumption that goodwill will not be written off over a period exceeding 20 years on the basis that the durability of the acquired business justifies estimation of the useful economic life to exceed 20 years, and that it is capable of continued measurement

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

| | |
|----------------------------------|------------------------------|
| Leasehold Property | - over the life of the lease |
| Fixtures, fittings and equipment | - 4/5 years straight line |
| Motor vehicles | - 5 years straight line |

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

1. ACCOUNTING POLICIES *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less receive more, tax, with the following exceptions. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

| | 2006 £ | 2005 £ |
|----------------|------------------|------------------|
| United Kingdom | <u>7,616,848</u> | <u>9,057,734</u> |

3. OTHER OPERATING INCOME

| | 2006 £ | 2005 £ |
|---------------|-----------|---------------|
| Lease premium | <u>-</u> | <u>40,977</u> |

IMAGE RESTAURANTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2006

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

| | 2006 £ | 2005 £ |
|------------------------------------|----------------|----------------|
| Amortisation | 149,856 | 149,856 |
| Depreciation of owned fixed assets | 225,019 | 203,962 |
| Auditor's remuneration | | |
| - as auditor | 32,918 | 22,000 |
| - for other services | 8,168 | 1,183 |
| Operating lease costs | | |
| Other | <u>674,484</u> | <u>807,198</u> |

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to

| | 2006 No | 2005 No |
|-------------------------|------------|------------|
| Office and management | 9 | 11 |
| Restaurant and catering | 172 | 193 |
| | <u>181</u> | <u>204</u> |

The aggregate payroll costs of the above were

| | 2006 £ | 2005 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,886,266 | 3,307,300 |
| Social security costs | 250,015 | 159,147 |
| | <u>3,136,281</u> | <u>3,466,447</u> |

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

| | 2006 £ | 2005 £ |
|-----------------------|----------------|----------------|
| Emoluments receivable | <u>143,750</u> | <u>125,000</u> |

7. LOSS ON DISPOSAL OF FIXED ASSETS

| | 2006 £ | 2005 £ |
|----------------------------------|-----------|------------------|
| Loss on disposal of fixed assets | <u>-</u> | <u>(768,247)</u> |

In the year ended 30 June 2005 the group sold its East@West restaurant for a gross consideration of £1,050,000 inclusive of fixtures and fittings

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2006 £ | 2005 £ |
|------------------------------------|----------------|----------------|
| Interest payable on bank borrowing | <u>223,316</u> | <u>280,965</u> |

9. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19%

| | 2006 £ | 2005 £ |
|--|------------------|------------------|
| Loss on ordinary activities before taxation | <u>(486,394)</u> | <u>(940,565)</u> |
| Loss on ordinary activities by rate of tax | (92,415) | (178,706) |
| Excess of depreciation over capital allowances | 29,560 | 169,762 |
| Expenses not deductible for tax purposes | 3,022 | 9,988 |
| Losses brought forward | 38,387 | (569) |
| Tax losses not utilised | 21,446 | - |
| Adjustment to prior years | - | (475) |
| Total current tax | <u>-</u> | <u>-</u> |

10. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £(1,062) (2005 - £(6,892))

11. INTANGIBLE FIXED ASSETS

| Group | Goodwill £ |
|---------------------------------|------------------|
| COST | |
| At 1 July 2005 and 30 June 2006 | <u>3,028,276</u> |
| AMORTISATION | |
| At 1 July 2005 | 394,965 |
| Charge for the year | 149,856 |
| At 30 June 2006 | <u>544,821</u> |
| NET BOOK VALUE | |
| At 30 June 2006 | <u>2,483,455</u> |
| At 30 June 2005 | <u>2,633,311</u> |

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

12. TANGIBLE FIXED ASSETS

| Group | Leasehold Property £ | Fixtures, fittings and equipment £ | Motor Vehicles £ | Total £ |
|------------------------|----------------------------|---|------------------------|------------------|
| COST | | | | |
| At 1 July 2005 | 2,897,271 | 1,543,786 | 17,431 | 4,458,488 |
| Additions | 3,200 | 144,386 | — | 147,586 |
| At 30 June 2006 | 2,900,471 | 1,688,172 | 17,431 | 4,606,074 |
| DEPRECIATION | | | | |
| At 1 July 2005 | 1,575,678 | 1,437,222 | 15,465 | 3,028,365 |
| Charge for the year | 154,382 | 68,672 | 1,965 | 225,019 |
| At 30 June 2006 | 1,730,060 | 1,505,894 | 17,430 | 3,253,384 |
| NET BOOK VALUE | | | | |
| At 30 June 2006 | 1,170,411 | 182,278 | 1 | 1,352,690 |
| At 30 June 2005 | 1,321,593 | 106,564 | 1,966 | 1,430,123 |

13. INVESTMENTS

| Company | Subsidiary companies £ |
|---------------------------------|------------------------------|
| COST | |
| At 1 July 2005 and 30 June 2006 | 69,540 |
| NET BOOK VALUE | |
| At 30 June 2006 | 69,540 |
| At 30 June 2005 | 69,540 |

The company had the following subsidiary undertakings at 30 June 2006, all incorporated in England & Wales

Moving Image Restaurants Limited (100% owned)
Mirror Image Restaurants Limited (100% owned)
Place Restaurants Limited (90 51% owned by Moving Image Restaurants Limited)

The trading activity of all subsidiary undertakings is the running of restaurants

14. STOCKS

| | Group | | Company | |
|---------------|----------------|----------------|-----------|-----------|
| | 2006 £ | 2005 £ | 2006 £ | 2005 £ |
| Liquor stocks | 120,859 | 137,679 | — | — |

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

15. DEBTORS

| | Group | | Company | |
|------------------------------------|----------------|----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Trade debtors | 97,467 | 90,809 | – | – |
| Amounts owed by group undertakings | – | – | 1,359,492 | 1,360,492 |
| Other debtors | 105,750 | 105,750 | – | – |
| Prepayments and accrued income | 241,717 | 217,078 | – | – |
| | <u>444,934</u> | <u>413,637</u> | <u>1,359,492</u> | <u>1,360,492</u> |

The debtors above include the following amounts falling due after more than one year

| | Group | | Company | |
|---------------|----------------|----------------|----------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Other debtors | <u>105,750</u> | <u>105,750</u> | <u>–</u> | <u>–</u> |

16. CREDITORS: Amounts falling due within one year

| | Group | | Company | |
|------------------------------------|------------------|------------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | 687,553 | 521,798 | – | – |
| Trade creditors | 1,100,219 | 1,089,556 | – | – |
| Amounts owed to group undertakings | – | – | 199,877 | 199,826 |
| Directors' loan accounts | 373,782 | 50,000 | – | – |
| Other taxation and social security | 567,284 | 510,799 | – | – |
| Other creditors | 107,686 | 34,564 | – | – |
| Accruals and deferred income | 150,859 | 191,290 | – | – |
| | <u>2,987,383</u> | <u>2,398,007</u> | <u>199,877</u> | <u>199,826</u> |

The following liabilities disclosed under creditors falling due within one year are secured by the company

| | Group | | Company | |
|---------------------------|----------------|----------------|----------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | <u>687,553</u> | <u>521,798</u> | <u>–</u> | <u>–</u> |

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

17. CREDITORS: Amounts falling due after more than one year

| | Group | | Company | |
|---------------------------|------------------|------------------|----------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | <u>2,007,977</u> | <u>2,288,307</u> | <u>-</u> | <u>-</u> |

Bank loans and overdrafts are secured by a mortgage debenture over all the assets of the group, a legal mortgage over the lease of its properties, and an assignment of a life assurance policy on the life of C C Bodker, together with any other securities held by the lender at any time

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

| | Group | | Company | |
|---------------------------|------------------|------------------|----------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | <u>2,007,977</u> | <u>2,288,307</u> | <u>-</u> | <u>-</u> |

18. CREDITORS - BANK LOANS AND OVERDRAFTS

Creditors include finance capital which is due for repayment as follows

| | Group | | Company | |
|---|------------------|------------------|----------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ |
| Amounts repayable | | | | |
| In one year or less or on demand | 505,000 | 481,700 | - | - |
| In more than one year but not more than two years | 545,600 | 516,500 | - | - |
| In more than two years but not more than five years | <u>1,462,377</u> | <u>1,771,807</u> | <u>-</u> | <u>-</u> |
| | <u>2,512,977</u> | <u>2,770,007</u> | <u>-</u> | <u>-</u> |

19. DEFERRED TAXATION

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of

| Group | 2006 | | 2005 | |
|---|---------------|-----------------|---------------|-----------------|
| | Provided £ | Unprovided £ | Provided £ | Unprovided £ |
| Excess of taxation allowances over depreciation on fixed assets | - | 69,984 | - | 51,063 |
| Tax losses available | - | <u>423,061</u> | - | <u>377,948</u> |
| | <u>-</u> | <u>493,045</u> | <u>-</u> | <u>429,011</u> |

No deferred tax asset has been provided in the financial statements as there is insufficient evidence that the asset will be recoverable in the following period

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

20. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2006 the group had annual commitments under non-cancellable operating leases as set out below

| Group | 2006 | | 2005 | |
|-------------------------------|----------------------------|---------------------|----------------------------|------------------|
| | Land and buildings £ | Other items £ | Land and Buildings £ | Other items £ |
| Operating leases which expire | | | | |
| Within 1 year | - | - | - | 2,600 |
| Within 2 to 5 years | 180,000 | 3,380 | - | 1,300 |
| After more than 5 years | 436,500 | - | 611,500 | - |
| | <u>616,500</u> | <u>3,380</u> | <u>611,500</u> | <u>3,900</u> |

21. RELATED PARTY TRANSACTIONS

There is no ultimate controlling party

At the year end the following amounts were owed to directors of the company, £128,912 (2005 £50,000) to C C Bodker, £81,432 (2005 £nil) to M A Spencer, £81,739 (2005 £nil) to S A R Rose and £81,698 (2005 £nil) to R H Brooks. These represent loans made available to the company on which interest is charged at 10% on the principal sum. Interest of £30,266 (2005 £nil) has been charged for the year.

22. SHARE CAPITAL

Authorised share capital:

| | 2006 £ | 2005 £ |
|------------------------------------|----------------|----------------|
| 100,000 Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |

Allotted, called up and fully paid:

| | 2006 | | 2005 | |
|----------------------------|---------------|---------------|---------------|---------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>64,667</u> | <u>64,667</u> | <u>64,667</u> | <u>64,667</u> |

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

22. SHARE CAPITAL *(continued)*

Share options

Certain senior management hold options to subscribe for 11,412 Ordinary Shares in the company granted under the executive share option scheme

The exercise price of these options will be £81 19 per share and the vesting of these options is dependent on the achievement of specific performance targets based on the level of aggregate dividends paid to shareholders

Up to one third of the options will become exercisable, dependent on these targets, within two years

Options to acquire the remaining shares will become exercisable upon the occurrence of a liquidity event

23. RESERVES

| Group | Share premium account £ | Profit and loss account £ |
|-------------------------|----------------------------------|---------------------------------|
| Balance brought forward | 1,176,056 | (1,426,478) |
| Loss for the year | — | (496,846) |
| Balance carried forward | <u>1,176,056</u> | <u>(1,923,324)</u> |
| Company | Share premium account £ | Profit and loss account £ |
| Balance brought forward | 1,176,056 | (10,506) |
| Loss for the year | — | (1,062) |
| Balance carried forward | <u>1,176,056</u> | <u>(11,568)</u> |

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2006 £ | 2005 £ |
|---------------------------------------|------------------|------------------|
| Loss for the financial year | (496,846) | (955,632) |
| Opening shareholders' (deficit)/funds | <u>(185,755)</u> | <u>769,877</u> |
| Closing shareholders' deficit | <u>(682,601)</u> | <u>(185,755)</u> |

IMAGE RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

25. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2006 £ | 2005 £ |
|---|----------------|----------------|
| Operating (loss)/profit | (263,078) | 108,647 |
| Interest payable | 13,596 | 37,453 |
| Amortisation | 149,856 | 149,856 |
| Depreciation | 225,019 | 203,962 |
| Decrease/(increase) in stocks | 16,820 | (13,712) |
| (Increase)/decrease in debtors | (31,297) | 76,002 |
| Increase/(decrease) in creditors | 423,621 | (75,374) |
| Net cash inflow from operating activities | <u>534,537</u> | <u>486,834</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2006 £ | 2005 £ |
|---|--------------------|--------------------|
| (Decrease)/increase in cash in the period | (106,991) | 285,231 |
| Net cash outflow from bank loans | <u>257,030</u> | <u>750,879</u> |
| | 150,039 | 1,036,110 |
| Change in net debt | 150,039 | 1,036,110 |
| Net debt at 1 July 2005 | (2,799,551) | (3,835,660) |
| Net debt at 30 June 2006 | <u>(2,649,513)</u> | <u>(2,799,551)</u> |

ANALYSIS OF CHANGES IN NET DEBT

| | At 1 Jul 2005 £ | Cash flows £ | At 30 Jun 2006 £ |
|--------------------------|-----------------------|------------------|---------------------------|
| Net cash | | | |
| Cash in hand and at bank | 10,554 | 35,463 | 46,017 |
| Overdrafts | (40,098) | (142,455) | (182,553) |
| | <u>(29,544)</u> | <u>(106,992)</u> | <u>(136,536)</u> |
| Debt | | | |
| Debt due within 1 year | (481,700) | (23,300) | (505,000) |
| Debt due after 1 year | (2,288,307) | 280,330 | (2,007,977) |
| | <u>(2,770,007)</u> | <u>257,030</u> | <u>(2,512,977)</u> |
| Net debt | <u>(2,799,551)</u> | <u>150,038</u> | <u>(2,649,513)</u> |