

COMPANY REGISTRATION NUMBER 04766293

Image Restaurants PLC  
Financial Statements for the year ended 30 June 2005

**IMAGE RESTAURANTS PLC**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2005**



**MacIntyre Hudson**

THE FUTURE IS WHAT YOU MAKE IT<sup>®</sup>

# **IMAGE RESTAURANTS PLC**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2005**

---

<b>CONTENTS</b>	<b>PAGE</b>
Officers and professional advisers	1
Chairman's statement	2
Chief Executive's statement	3
The directors' report	5
Independent auditors' report to the shareholders	7
Profit and loss account	9
Group balance sheet	10
Company balance sheet	11
Group cash flow statement	12
Notes to the financial statements	13

---

# **IMAGE RESTAURANTS PLC**

## **OFFICERS AND PROFESSIONAL ADVISERS**

---

<b>The board of directors</b>	C C Bodker R H Brooks S A R Rose M A Spencer
<b>Company secretary</b>	J Jones
<b>Registered office</b>	153-155 Regent Street London W1B 4JE
<b>Auditors</b>	MacIntyre Hudson LLP Chartered Accountants & Registered Auditors Greenwood House 4-7 Salisbury Court London EC4Y 8BT
<b>Bankers</b>	Allied Irish Bank (GB) 361 King Street Hammersmith London W6 9NA

# IMAGE RESTAURANTS PLC

## CHAIRMAN'S STATEMENT

YEAR ENDED 30 JUNE 2005

---

I am pleased to introduce the results of the Company for its first full year of trading. Shareholders will recall that Image Restaurants was formed by combining the businesses of Moving Image Restaurants and Mirror Image Restaurants in August 2003.

The shape of the Company changed somewhat during the year with the sale of East@West in January. The sale proceeds helped the net debt position fall from £3.8 million to a little over £2.6 million today. The Company now comprises five profitable operations and should be well positioned to move forward.

That said, while management continues to extract economies of scale and works hard to keep costs under control generally, it is difficult to make any sensible predictions for the current year, particularly in the context of the bombings and attempted bombings in London over the summer. This caused a drop off in trade, particularly in the West End, from which we are only now seeing some recovery. We are aware anecdotally that other restaurant groups have suffered equally, if not more acutely, and we are fortunate that our broad base geographically means that we have perhaps been less affected than most.

One of the frustrations of the restaurant industry is the relative lack of available first-class management. We are fortunate in that we have been able to identify, attract and retain some of the very best and I would like to thank them for their continued splendid efforts.

I would also like to thank the Directors and Shareholders for their support over the last 12 months. Urs Schwarzenbach has decided to step down from the Board since his many activities outside the U.K. mean that he spends very little time here. I thank him particularly for his energetic commitment to our business.



Rory Brooks  
Chairman

# IMAGE RESTAURANTS PLC

## CHIEF EXECUTIVE'S STATEMENT

YEAR ENDED 30 JUNE 2005

---

Sales from continuing operations rose from £7.24 million to £8.35 million. Sales from all operations improved from £8.52 million to £9.06 million, net of Service Charge and VAT. You will be aware that early this year we sold East@West. Despite winning Tatler Magazine's award for Best New Restaurant of the Year and Caterer and Hotelkeeper's award for Best New Menu of the Year, it was the view of the Directors that it was unlikely to make a satisfactory return on funds invested. Accordingly, the Board took the decision in the autumn of 2004 to sell East@West and a transaction was concluded in January this year. The price achieved was £1.05 million, substantially more than our agents were predicting and a pleasing result in a difficult market. It is the sales of East@West that are classified as discontinued in the comparisons above.

Operating profits from continuing operations increased from £259,265 for the 307 days to 30th June 2004 to £320,864 for the year to 30th June 2005. Operating profit is stated after charging £353,818 in respect of amortisation and depreciation. The effect of East@West's trading in the year to June 2005 was to reduce this to £108,647. The disposal of East@West causes a write-off to fixed assets of £768,247, which is of course non-recurring. Accordingly however, the accounts show a loss on ordinary activities before tax of £940,565.

During the course of the year Launceston Place was refurbished and it has been given a fresher more contemporary look without losing the feel of a drawing room in an English country house; one that has attracted and kept so many loyal customers over the 19 1/2 years since it opened its doors. The kitchen at The Avenue has also been substantially re-fitted. After almost 10 years of wear and tear, the old kitchen was on its last legs.

A number of issues affected the restaurant industry generally during the year and are worthy of comment. You may be aware that the Government has been pushing through new licensing legislation which required us to convert our old licenses to the new format of premises and personal licenses. This was done in good time and all the rights under our old licenses grandfathered. What is more, contrary to Westminster Council's general policies, we were successful in extending the Music and Dance License at Circus to include the ground floor. This means that Circus could open and sell alcohol, without at the same time serving food, on both floors until 3 am. While at present it is only the basement bar that remains open until 3 am, the ability to open the ground floor late into the night as well will have substantially increased the value of Circus' lease.

Shareholders may also be aware of the ongoing disagreement between the industry and the Inland Revenue on the treatment of Tronc schemes for the purpose of National Insurance contributions. It has long been the understanding of the industry that Tronc schemes (the generic term for pooled tips), did not attract National Insurance (either employee or employer) provided these schemes were handled in a certain way. The Revenue's position has changed repeatedly on this issue and it continues to view this area as a potential source of quite considerable income, not only in the future but also retrospectively. I am pleased to be able to say that the Revenue has confirmed that we have no liability in this regard either historically or going forward.

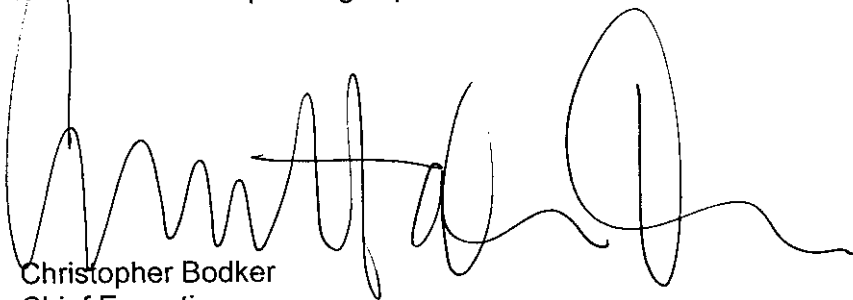
## IMAGE RESTAURANTS PLC

### CHIEF EXECUTIVE'S STATEMENT

YEAR ENDED 30 JUNE 2005

---

The current year began with the bomb attacks in London and this has had a negative impact on business levels. After a year of consolidation last year and an expectation that we would build from there this year, the bomb attacks were unwelcome to say the least. We continue as ever to focus hard on margins, whether in relation to the cost of food and wine, staffing levels and other operating expenses.

A handwritten signature in black ink, appearing to read 'Christopher Bodker', written over a horizontal line.

Christopher Bodker  
Chief Executive

# IMAGE RESTAURANTS PLC

## THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2005

---

The directors present their report and the financial statements of the group for the year ended 30 June 2005.

### 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.

A review of the development of the group during the year, together with its financial position and future prospects, are detailed in the chairman's and chief executive's statements.

### RESULTS AND DIVIDENDS

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 June 2005	At 1 July 2004
C C Bodker	15,962	15,962
R H Brooks	2,879	2,879
S A R Rose	2,819	2,819
U E Schwarzenbach	—	—
M A Spencer	<u>4,134</u>	<u>4,134</u>

U E Schwarzenbach resigned as a director on 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 2005 the creditor days for the group was 132.

### DIRECTORS' RESPONSIBILITIES

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 group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

# IMAGE RESTAURANTS PLC

## THE DIRECTORS' REPORT *(continued)*

### YEAR ENDED 30 JUNE 2005

---

select suitable accounting policies, as described on pages 13 to 14, and then apply them consistently;

make judgements 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

### DONATIONS

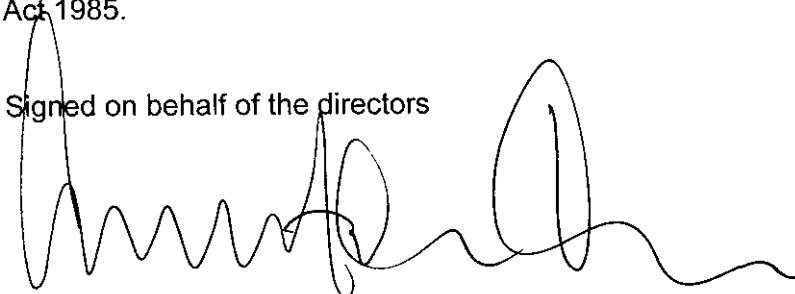
During the year the company made the following contributions:

	Year to 30 June 2005	Period from 15 May 2003 to 30 June 2004
	£	£
Charitable	<u>912</u>	<u>463</u>

### AUDITORS

MacIntyre Hudson became a limited liability partnership ("LLP") on 1 October 2005. A resolution to appoint MacIntyre Hudson LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



C C Bodker  
Director

Approved by the directors on 24/11/05



# **IMAGE RESTAURANTS PLC**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGE RESTAURANTS PLC**

**YEAR ENDED 30 JUNE 2005**

---

We have audited the financial statements of Image Restaurants plc for the year ended 30 June 2005 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 under the historical cost convention and on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Chairman's statement and Chief Executive's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

# IMAGE RESTAURANTS PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGE RESTAURANTS PLC *(continued)*

YEAR ENDED 30 JUNE 2005

---

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 of the state of the company's affairs and of the group as at 30 June 2005 and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Greenwood House  
4-7 Salisbury Court  
London  
EC4Y 8BT

29 November 2005  
.....

  
MACINTYRE HUDSON LLP  
Chartered Accountants  
& Registered Auditors

# IMAGE RESTAURANTS PLC

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2005

		Continuing Operations	Discontinued Operations	Total Year to 30 Jun 05 £	Continuing Operations £	Discontinued Operations £	Total Period to 30 Jun 04 £
	Note	£	£				
<b>GROUP TURNOVER</b>	2	8,354,124	703,610	9,057,734	7,242,837	1,274,054	8,516,891
Cost of Sales		(2,638,062)	(189,744)	(2,827,806)	(2,280,460)	(406,214)	(2,686,674)
<b>GROSS PROFIT</b>		5,716,062	513,866	6,229,928	4,962,377	867,840	5,830,217
Administrative expenses		(5,436,175)	(726,083)	(6,162,258)	(4,703,112)	(1,758,097)	(6,461,209)
Other operating income		40,977	-	40,977	-	-	-
<b>OPERATING PROFIT/(LOSS)</b>	4	320,864	(212,217)	108,647	259,265	(890,257)	(630,992)
Term Assurance policy claim		-	-	-	422,396	-	422,396
Loss on disposal of fixed assets	7	-	(768,247)	(768,247)	-	-	-
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		320,864	(980,464)	(659,600)	681,661	(890,257)	(208,596)
Interest receivable				-			3,831
Interest payable	8			(280,965)			(226,181)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(940,565)			(430,946)
Tax on loss on ordinary activities	9			-			(16,512)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>				(940,565)			(447,458)
Minority interests				(15,067)			(23,388)
<b>LOSS FOR THE FINANCIAL YEAR</b>				<u>(955,632)</u>			<u>(470,846)</u>

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 13 to 25 form part of these financial statements.

# IMAGE RESTAURANTS PLC

## GROUP BALANCE SHEET

30 JUNE 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Intangible assets	11	2,633,311	2,783,167
Tangible assets	12	1,430,122	3,270,024
		<u>4,063,433</u>	<u>6,053,191</u>
<b>CURRENT ASSETS</b>			
Stocks	14	137,679	123,967
Debtors	15	413,637	489,639
Cash at bank and in hand		10,554	5,191
		<u>561,870</u>	<u>618,797</u>
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>2,398,007</u>	<u>2,537,548</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,836,137)</u>	<u>(1,918,751)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,227,296</u>	<u>4,134,440</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	17	<u>2,288,307</u>	<u>3,254,886</u>
		<u>(61,011)</u>	<u>879,554</u>
<b>CAPITAL AND RESERVES</b>			
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>(1,426,478)</u>	<u>(470,846)</u>
<b>(DEFICIENCY)/SHAREHOLDERS' FUNDS</b>	24	<u>(185,755)</u>	<u>769,877</u>
<b>MINORITY INTERESTS</b>		<u>124,744</u>	<u>109,677</u>
		<u>(61,011)</u>	<u>879,554</u>

These financial statements were approved by the directors on the 24/11/05 and are signed on their behalf by:

C C Bodker

The notes on pages 13 to 25 form part of these financial statements.

# IMAGE RESTAURANTS PLC

## COMPANY BALANCE SHEET

30 JUNE 2005

	Note	2005 £	£	2004 £	£
<b>FIXED ASSETS</b>					
Investments	13		69,540		69,540
<b>CURRENT ASSETS</b>					
Debtors	15	1,360,492		1,228,938	
Cash at bank		11		—	
		<u>1,360,503</u>		<u>1,228,938</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>199,827</u>		<u>61,369</u>	
<b>NET CURRENT ASSETS</b>			<u>1,160,676</u>		<u>1,167,569</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,230,216</u>		<u>1,237,109</u>
<b>CAPITAL AND RESERVES</b>					
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		(10,507)		(3,614)
<b>SHAREHOLDERS' FUNDS</b>			<u>1,230,216</u>		<u>1,237,109</u>

These financial statements were approved by the directors on the ...24/11/05... and are signed on their behalf by:

.....  
C C Bodker

The notes on pages 13 to 25 form part of these financial statements.

**IMAGE RESTAURANTS PLC**  
**GROUP CASH FLOW STATEMENT**  
**YEAR ENDED 30 JUNE 2005**

	Note	Year to 30 Jun 05 £	£	Period to 30 Jun 04 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	25		449,380		1,730,399
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25		(280,965)		(222,350)
TAXATION	25		—		(16,512)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25		867,694		(3,056,380)
ACQUISITION OF SUBSIDIARY UNDERTAKINGS			—		(3,511,540)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING			1,036,109		(5,076,383)
FINANCING	25		(750,879)		1,240,723
INCREASE IN CASH	25		<u>285,230</u>		<u>(3,835,660)</u>

The notes on pages 13 to 25 form part of these financial statements.

# IMAGE RESTAURANTS PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

---

### 1. ACCOUNTING POLICIES

#### Basis of accounting

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

#### 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 PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

---

### 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:

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
United Kingdom	<u>9,057,734</u>	<u>8,516,891</u>



# IMAGE RESTAURANTS PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 3. OTHER OPERATING INCOME

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Lease premium	40,977	—
Term Assurance policy claim	—	422,396
	<u>40,977</u>	<u>422,396</u>

### 4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Amortisation	149,856	148,818
Depreciation of owned fixed assets	203,962	452,200
Auditors' remuneration		
- as auditors	22,000	17,500
- for other services	1,183	—
Operating lease costs:		
Land and buildings	<u>807,198</u>	<u>784,455</u>

### 5. PARTICULARS OF EMPLOYEES

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

	Year to 30 Jun 05 No	Period to 30 Jun 04 No
Office and management	11	11
Restaurant and catering	193	233
	<u>204</u>	<u>244</u>

The aggregate payroll costs of the above were:

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Wages and salaries	3,307,300	3,320,293
Social security costs	159,147	320,342
	<u>3,466,447</u>	<u>3,640,635</u>

# **IMAGE RESTAURANTS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2005**

### **6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Emoluments receivable	<u>125,000</u>	<u>136,104</u>

### **7. LOSS ON DISPOSAL OF FIXED ASSETS**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Loss on disposal of fixed assets	<u>(768,247)</u>	<u>-</u>

During the year the group sold its East@West restaurant for a gross consideration of £1,050,000 inclusive of fixtures and fittings.

### **8. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Interest payable on bank borrowing	280,965	214,320
Other similar charges payable	-	11,861
	<u>280,965</u>	<u>226,181</u>

# IMAGE RESTAURANTS PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 9. TAXATION ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Current tax:		
Corporation tax	—	—
Under provision in prior year	—	56,188
Total current tax	—	56,188
Deferred tax:		
Origination and reversal of timing differences	—	(39,676)
Tax on loss on ordinary activities	—	16,512

#### (b) 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% (2004 - 19%).

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Loss on ordinary activities before taxation	(940,565)	(430,946)
Loss on ordinary activities by rate of tax	(178,706)	(118,108)
Excess of depreciation over capital allowances	169,762	27,794
Expenses not deductible for tax purposes	9,988	17,504
Losses brought forward	(569)	—
Tax losses not utilised	—	61,460
Capital gain	—	11,350
Adjustment to prior years	(475)	56,188
Total current tax (note 9(a))	—	56,188

### 10. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £6,893 (2004 - loss £3,614).

# **IMAGE RESTAURANTS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2005**

### **11. INTANGIBLE FIXED ASSETS**

Group	Goodwill £
<b>COST</b>	
At 1 July 2004 and 30 June 2005	<u>3,028,276</u>
<b>AMORTISATION</b>	
At 1 July 2004	245,109
Charge for the year	<u>149,856</u>
At 30 June 2005	<u>394,965</u>
<b>NET BOOK VALUE</b>	
At 30 June 2005	<u>2,633,311</u>
At 30 June 2004	<u>2,783,167</u>

### **12. TANGIBLE FIXED ASSETS**

Group	Leasehold Property £	Fixtures, fittings and equipment £	Motor Vehicles £	Total £
<b>COST</b>				
At 1 July 2004	4,689,304	2,203,170	17,431	6,909,905
Additions	19,468	92,824	—	112,292
Disposals	(1,811,502)	(752,207)	—	(2,563,709)
At 30 June 2005	<u>2,897,270</u>	<u>1,543,787</u>	<u>17,431</u>	<u>4,458,488</u>
<b>DEPRECIATION</b>				
At 1 July 2004	1,756,815	1,869,537	13,528	3,639,880
Charge for the year	159,508	42,517	1,937	203,962
On disposals	(340,645)	(474,831)	—	(815,476)
At 30 June 2005	<u>1,575,678</u>	<u>1,437,223</u>	<u>15,465</u>	<u>3,028,366</u>
<b>NET BOOK VALUE</b>				
At 30 June 2005	<u>1,321,592</u>	<u>106,564</u>	<u>1,966</u>	<u>1,430,122</u>
At 30 June 2004	<u>2,932,489</u>	<u>333,633</u>	<u>3,903</u>	<u>3,270,025</u>

**IMAGE RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2005**

---

**13. INVESTMENTS**

Company	Subsidiary companies
	£
<b>COST</b>	
At 1 July 2004 and 30 June 2005	<u>69,540</u>
<b>NET BOOK VALUE</b>	
At 30 June 2005	<u>69,540</u>
At 30 June 2004	<u>69,540</u>

The company had the following subsidiary undertakings at 30 June 2005, all incorporated in England & Wales.

Moving Image Restaurants Plc (100% owned)  
 Mirror Image Restaurants Plc (100% owned)  
 Place Restaurants Limited (90.51% owned by Moving Image Restaurants Plc)

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

**14. STOCKS**

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Liquor stocks	<u>137,679</u>	<u>123,967</u>	<u>—</u>	<u>—</u>

**15. DEBTORS**

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	90,809	100,718	—	—
Amounts owed by group undertakings	—	—	1,360,492	1,228,938
Other debtors	105,750	109,581	—	—
Prepayments and accrued income	217,078	279,340	—	—
	<u>413,637</u>	<u>489,639</u>	<u>1,360,492</u>	<u>1,228,938</u>

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Other debtors	<u>105,750</u>	<u>105,750</u>	<u>—</u>	<u>—</u>

# **IMAGE RESTAURANTS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2005**

### **16. CREDITORS: Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>521,798</b>	585,965	—	1,368
Trade creditors	<b>1,089,556</b>	1,152,251	—	—
Amounts owed to group undertakings	—	—	<b>199,827</b>	60,001
Directors' loan accounts	<b>50,000</b>	52,158	—	—
Other taxation and social security	<b>510,799</b>	347,646	—	—
Other creditors	<b>34,564</b>	36,819	—	—
Accruals and deferred income	<b>191,290</b>	362,709	—	—
	<b><u>2,398,007</u></b>	<b><u>2,537,548</u></b>	<b><u>199,827</u></b>	<b><u>61,369</u></b>

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

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b><u>521,798</u></b>	<u>585,965</u>	<u>—</u>	<u>—</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b><u>2,288,307</u></b>	<u>3,254,886</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:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b><u>2,288,307</u></b>	<u>3,254,886</u>	<u>—</u>	<u>—</u>

# **IMAGE RESTAURANTS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2005**

### **18. CREDITORS - BANK LOANS AND OVERDRAFTS**

Creditors include finance capital which is due for repayment as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts repayable:				
In one year or less or on demand	<b>481,700</b>	266,000	-	-
In more than one year but not more than two years	<b>516,500</b>	483,800	-	-
In more than two years but not more than five years	<b>1,771,807</b>	2,771,087	-	-
	<b><u>2,770,007</u></b>	<b><u>3,520,887</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

### **19. DEFERRED TAXATION**

No provision has been made in the group's accounts and the amounts unprovided at the end of the year are as follows:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Excess of taxation allowances over depreciation on fixed assets	<b>51,063</b>	(87,205)
Tax losses available	<b>377,948</b>	349,336
	<b><u>429,011</u></b>	<b><u>262,131</u></b>

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.

### **20. COMMITMENTS UNDER OPERATING LEASES**

At 30 June 2005 the group had annual commitments under non-cancellable operating leases as set out below.

<b>Group</b>	<b>2005</b>		<b>2004</b>	
	<b>Land and buildings</b>	<b>Other items</b>	<b>Land and Buildings</b>	<b>Other items</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within 1 year	-	<b>2,600</b>	-	-
Within 2 to 5 years	-	<b>1,300</b>	-	2,600
After more than 5 years	<b>611,500</b>	-	846,500	-
	<b><u>611,500</u></b>	<b><u>3,900</u></b>	<b><u>846,500</u></b>	<b><u>2,600</u></b>

# IMAGE RESTAURANTS PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

---

### 21. RELATED PARTY TRANSACTIONS

There is no ultimate controlling party.

At the year end C C Bodker, a director, was owed £50,000 (2004:£52,158) in respect of an interest bearing loan made available, which is included within creditors.

### 22. SHARE CAPITAL

#### Authorised share capital:

	2005 £	2004 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

#### Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £1 each	<u>64,667</u>	<u>64,667</u>	<u>64,667</u>	<u>64,667</u>

#### 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	(470,846)
Loss for the year	—	(955,632)
Balance carried forward	<u>1,176,056</u>	<u>(1,426,478)</u>



# **IMAGE RESTAURANTS PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2005**

### **23. RESERVES (continued)**

Company	Share premium account £	Profit and loss account £
Balance brought forward	1,176,056	(3,614)
Loss for the year	—	(6,893)
Balance carried forward	<u>1,176,056</u>	<u>(10,507)</u>

### **24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2005 £	2004 £
Loss for the financial year	(955,632)	(470,846)
New equity share capital subscribed	—	64,667
Premium on new share capital subscribed	—	1,176,056
	<u>—</u>	<u>1,240,723</u>
Net (reduction)/addition to shareholders' equity funds	(955,632)	769,877
Opening shareholders' equity funds	<u>769,877</u>	<u>—</u>
Closing shareholders' equity (deficit)/funds	<u>(185,755)</u>	<u>769,877</u>

### **25. NOTES TO THE STATEMENT OF CASH FLOWS**

#### **RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Operating profit/(loss)	108,647	(208,596)
Amortisation	149,856	148,818
Depreciation	203,962	452,200
Increase in stocks	(13,712)	(123,967)
Decrease/(increase) in debtors	76,002	(489,639)
(Decrease)/increase in creditors	<u>(75,375)</u>	<u>1,951,583</u>
Net cash inflow from operating activities	<u>449,380</u>	<u>1,730,399</u>

**IMAGE RESTAURANTS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2005**

---

**25. NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)*

**RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Interest received	–	3,831
Interest paid	<u>(280,965)</u>	<u>(226,181)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(280,965)</u>	<u>(222,350)</u>

**TAXATION**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Taxation	<u>–</u>	<u>(16,512)</u>

**CAPITAL EXPENDITURE**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Payments to acquire intangible fixed assets	–	(2,872,571)
Payments to acquire tangible fixed assets	<u>(112,292)</u>	<u>(183,809)</u>
Receipts from sale of fixed assets	<u>979,986</u>	<u>–</u>
Net cash inflow/(outflow) from capital expenditure	<u>867,694</u>	<u>(3,056,380)</u>

**FINANCING**

	Year to 30 Jun 05 £	Period to 30 Jun 04 £
Issue of equity share capital	–	64,667
Share premium on issue of equity share capital	–	1,176,056
Repayment of bank loans	<u>(750,879)</u>	<u>–</u>
Net cash (outflow)/inflow from financing	<u>(750,879)</u>	<u>1,240,723</u>

# IMAGE RESTAURANTS PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 25. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

#### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005		2004	
	£	£	£	£
Increase/(decrease) in cash in the period	285,230		(314,774)	
Net cash outflow from/(inflow) from bank loans	<u>750,879</u>		<u>(3,520,886)</u>	
	1,036,109		(3,835,660)	
Change in net debt	1,036,109		(3,835,660)	
Net debt at 1 July 2004	(3,835,660)		—	
Net debt at 30 June 2005	<u>(2,799,551)</u>		<u>(3,835,660)</u>	

#### ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jul 2004	Cash flows	At 30 Jun 2005
	£	£	£
Net cash:			
Cash in hand and at bank	5,191	5,363	10,554
Overdrafts	<u>(319,965)</u>	<u>279,867</u>	<u>(40,098)</u>
	<u>(314,774)</u>	<u>285,230</u>	<u>(29,544)</u>
Debt:			
Debt due within 1 year	(266,000)	(215,700)	(481,700)
Debt due after 1 year	<u>(3,254,886)</u>	<u>966,579</u>	<u>(2,288,307)</u>
	<u>(3,520,886)</u>	<u>750,879</u>	<u>(2,770,007)</u>
Net debt	<u>(3,835,660)</u>	<u>1,036,109</u>	<u>(2,799,551)</u>