

Financial Statements
Patisserie Holdings Limited
(formerly Pimco 2597 Limited)
and its subsidiary undertakings

For the period from incorporation to 30 September 2007

TUESDAY



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Company No 06070007

Company information

Company registration number	06070007
Registered office	32 Bedford Row London WC1R 4EH
Directors	L Johnson P May C Marsh
Secretary	C Marsh
Bankers	HSBC 69 Pall Mall London SW1Y 5EY
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House Kettering Parkway KETTERING Northamptonshire NN15 6XR

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Report of the directors

The directors present their report and the financial statements of the group for the period ended 30 September 2007

Principal activities

The principal activity of the group during the period was that of restaurateurs

Business review and future developments

The company was incorporated on 26 January 2007. On 14 February 2007 the company changed its name to Patisserie Holdings Limited from Pimco 2597 Limited

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

The directors do not recommend payment of a dividend

The group since the year end has commenced an opening program to grow the Patisserie Valerie brand. Since the year end two more sites have opened and leases have been signed at other sites and it is the management intention to have six new sites in the 12 months since the year end. Also overseas franchise opportunities are being investigated

Financial risk management objectives and policies

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

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below

The main risks arising from the group's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities but currently the company is not using these

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities

Credit risk

The group's principal financial assets are mainly cash with very limited trade debtors. The credit risk associated with cash is limited, the principal credit risk arises therefore from its trade debtors. However, very few customers are given accounts and these are reviewed regularly and collections are kept up to date

Financial risk management objectives and policies (continued)

Economic environment

In common with other restaurant businesses, the company relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover

Competition

The group operates in a highly competitive market putting pressure on margin and turnover growth

Legislation

The licensed venue market is regulated and the company continues to monitor legislation to ensure it complies to the current rules and regulations

Key performance indicators

The group is monitored in line with a number of key performance indicators. These are formulated at weekly and monthly Board meetings and are reviewed at both operating and Board level

Turnover growth

The group is measured against like for like sales growth

Margin

The group is measured against gross profit less staff and fixed costs with a target of 40%

Budget

The group is measured against EBITDA

Internal control

The Board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

The key elements of the group's control system are as follows

- a comprehensive budgeting system with an annual budget approved by the Board
- actual results are compared monthly with budgets and past results, as appropriate
- all significant capital expenditure and organisational changes are reviewed and approved by the Board
- the integrity and competence of personnel is ensured through high recruitment standards and subsequent training
- a clearly defined organisation structure

Going concern

The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements "

Post balance sheet events

It is the directors' intention to continue the group's opening programme

Disabled employees

The group's policy of employment of disabled persons is to give full consideration to applications for employment having regard to their particular aptitudes and abilities and to encourage training and career developments for all employees, including disabled employees

Employee involvement

The group has put in place mechanisms to provide information to employees with particular emphasis on operational and health and safety matters. Regular meetings are held between site General Managers and Head Office Operational Management

Payment policy and practice

It is the group's policy to establish payment terms with suppliers and to adhere to those terms, provided that the goods and services are in accordance with the agreed terms and conditions

Directors of the company

The present membership of the Board is set out below

L Johnson
P May
C Marsh

L Johnson, M Farrer-Brown and P May were appointed to the Board on 29 March 2007 whilst C Marsh was appointed to the Board on 9 July 2007

M Farrer-Brown retired from the Board on 5 December 2007

Pinsent Masons Director Limited was appointed to the Board on 26 January 2007 and resigned on 29 March 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable 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 company will continue in business

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

Statement of directors' responsibilities (continued)

In so far as the directors are aware

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP were appointed as auditors on 1 October 2007 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



C Marsh
Secretary

24 June 2008



Report of the independent auditor to the members of Patisserie Holdings Limited (formerly Pimco 2597 Limited)

We have audited the group and parent company financial statements (the "financial statements") of Patisserie Holdings Limited for the period ended 30 September 2007 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

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



Report of the independent auditor to the members of Patisserie Holdings Limited (formerly Pimco 2597 Limited)

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 September 2007 and of the group's loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements for the period ended 30 September 2007

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Kettering

24 June 2008

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice)

The group's accounting policies are shown below

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings. The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method.

A separate profit and loss account for the parent company is not presented with the group financial statements as permitted by section 230 of the Companies Act 1985.

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition. Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

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:

Goodwill - 20 years after year of acquisition

Turnover

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

Revenue arising from the sale of goods is recognised when significant risks and benefits of ownership of the product have been transferred to the buyer.

Tangible fixed assets and depreciation

All fixed assets are stated at cost, net of depreciation. Depreciation is calculated so as to write down the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	-	50 years straight line
Leasehold improvements	-	Over the life of the lease
Plant and equipment	-	15-25% straight line
Fixtures and fittings	-	10% straight line
Motor vehicle	-	20% straight line

Stocks

Stocks are stated at the lower of cost and net realisable value after provisions are made in respect of obsolete and slow moving items

Leased assets

Hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the year of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

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 or to receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is 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 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.

Investments

Investments are stated at cost less provision for diminution in value.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Group profit and loss account

	Note	£	Period from incorporation to 30 September 2007 £
Group turnover			
- acquisitions	1		5,306,833
Cost of sales			<u>(1,385,955)</u>
Gross profit			3,920,878
Administrative expenses			(4,150,470)
Other operating income			<u>3,000</u>
Operating loss	1		(226,592)
Net interest			
- continuing		247,239	
- acquisitions		<u>46,449</u>	
	4		<u>293,688</u>
Loss on ordinary activities before taxation			(520,280)
Tax on loss on ordinary activities	5		<u>143,061</u>
Loss for the financial period	18		<u><u>(663,341)</u></u>

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

The accompanying accounting policies and notes form part of these financial statements.

Group balance sheet

	Note	£	2007 £
Fixed assets			
Intangible assets	7		15,360,343
Tangible assets	8		<u>8,564,946</u>
			23,925,289
Current assets			
Investments		1,410	
Stocks	10	507,950	
Debtors	11	2,229,288	
Cash at bank		<u>3,533,284</u>	
		6,271,932	
Creditors: amounts falling due within one year	12	<u>(7,552,892)</u>	
Net current liabilities			<u>(1,280,960)</u>
Total assets less current liabilities			22,644,329
Creditors: amounts falling due after more than one year	13		(22,572,766)
Provisions for liabilities and charges	15		<u>(234,654)</u>
			<u>(163,091)</u>
Capital and reserves			
Called up share capital	17		1,451
Share premium account	18		498,799
Profit and loss account	18		<u>(663,341)</u>
Shareholders' deficit	19		<u>(163,091)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 24 June 2008
 They are signed on their behalf by

P May
 Director



24 June 2008

The accompanying accounting policies and notes form part of these financial statements.

Company balance sheet

	Note	2007 £
Fixed assets		
Investments	9	12,937,213
Current assets		
Debtors	11	4,506,037
Creditors: amounts falling due within one year	12	<u>(387,423)</u>
Net current assets		<u>4,118,614</u>
Total assets less current liabilities		17,055,827
Creditors: amounts falling due after more than one year	13	<u>(16,802,816)</u>
		<u>253,011</u>
Capital and reserves		
Called up share capital	17	1,451
Share premium account	18	498,799
Profit and loss account	18	<u>(247,239)</u>
Shareholders' funds	19	<u>253,011</u>

These financial statements were approved by the Board of Directors and authorised for issue on 24 June 2008
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P May
Director



Group cash flow statement

		Period from incorporation to 30 September 2007 £
	Note	
Net cash inflow from operating activities	20	281,221
Returns on investments and servicing of finance		
Interest paid		(48,737)
Interest received		1,151
Finance lease interest paid		(6,102)
Net cash outflow from returns on investments and servicing of finance		(53,688)
Taxation		159,804
Capital expenditure		
Purchase of tangible fixed assets		(508,079)
Sale of tangible fixed assets		3,999
Net cash outflow from capital expenditure		(504,080)
Acquisitions and disposals		
Purchase of subsidiary undertaking	21	(12,437,213)
Net overdraft on purchase of subsidiary undertakings		(2,565,823)
Net cash outflow from acquisitions and disposals		(15,003,036)
Financing		
Receipts from borrowings		16,432,439
Capital elements of finance leases		(37,566)
Net cash inflow from financing		16,394,873
Increase in cash	20	1,275,094

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover and loss on ordinary activities before taxation

The turnover and loss before tax are attributable to the one principal activity of the group which was acquired during the period

Operating loss is stated after charging

	Period from incorporation to 30 September 2007 £
Amortisation	517,729
Depreciation of owned fixed assets	388,342
Depreciation of assets held under finance leases and hire purchase agreements	7,992
Auditors' remuneration	
Statutory audit of the financial statements	11,500
Audit of the company's subsidiaries	42,500
Operating lease rentals	
Hire of plant and equipment	48,500
Land and buildings	828,586

2 Particulars of employees

Staff costs during the period were as follows

	Period from incorporation to 30 September 2007 £
Wages and salaries	2,249,374
Social security costs	159,865
Pension costs	4,000
	<u>2,413,239</u>

The average number of employees of the group during the period was as follows

	Period from incorporation to 30 September 2007 No
Management	34
Production	90
Sales	768
	<u>892</u>

3 Directors

Remuneration in respect of directors was as follows

	Period from incorporation to 30 September 2007 £
Emoluments receivable	<u>348,450</u>

During the period no directors participated in money purchase pension schemes

Emoluments of highest paid director

	Period from incorporation to 30 September 2007 £
Emoluments receivable	<u>81,250</u>

4 Net interest

	Period from incorporation to 30 September 2007 £
On bank loans and overdrafts	266,725
Other interest payable and similar charges	14,773
Finance charges in respect of finance leases	6,102
Finance costs	7,239
Bank interest receivable	(1,151)
	<u>293,688</u>

5 Taxation on ordinary activities

(a) Analysis of charge in the period

	Period from incorporation to 30 September 2007 £
Current tax	
UK corporation tax based on the results for the period at 30% and total current tax	(91,593)
Deferred tax	
Origination and reversal of timing differences	<u>234,654</u>
Tax on loss on ordinary activities	<u>143,061</u>

Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 30%. The differences are explained below

	Period from incorporation to 30 September 2007 £
Loss on ordinary activities before taxation	<u>(520,280)</u>
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax	<u>(156,084)</u>
Differences between capital allowances and depreciation	<u>11,850</u>
Other timing differences	<u>52,641</u>
Total current tax (note 5(a))	<u><u>(91,593)</u></u>

6 Loss attributable to members of the parent company

The parent company has taken advantage of section 230 of the Companies Act 1985 and not included its own profit and loss account in these financial statements. The loss dealt with in the accounts of the parent company was £247,239

7 Intangible fixed assets

The group	Goodwill £
Cost	
Additions and at 30 September 2007	<u>15,878,072</u>
Amortisation	
Charge for the period and at 30 September 2007	<u>517,729</u>
Net book value	
At 30 September 2007	<u><u>15,360,343</u></u>

The company

The company had no intangible fixed assets

8 Tangible fixed assets

The Group

	Freehold land and buildings £	Leasehold property improve- ments £	Plant & equipment £	Fixtures & fittings £	Motor vehicles £	Total £
Cost						
Acquisition of subsidiary undertakings	1,791,333	1,446,970	2,637,076	9,834,841	60,000	15,770,220
Additions	-	182,062	275,452	50,565	-	508,079
Disposals	-	-	-	(146,834)	(26,000)	(172,834)
At 30 September 2007	<u>1,791,333</u>	<u>1,629,032</u>	<u>2,912,528</u>	<u>9,738,572</u>	<u>34,000</u>	<u>16,105,465</u>
Depreciation						
Acquisition of subsidiary undertakings	133,821	704,611	1,161,814	5,265,774	47,000	7,313,020
Charge for the period	179	44,822	90,844	259,489	1,000	396,334
Disposals	-	-	-	(142,835)	(26,000)	(168,835)
At 30 September 2007	<u>134,000</u>	<u>749,433</u>	<u>1,252,658</u>	<u>5,382,428</u>	<u>22,000</u>	<u>7,540,519</u>
Net book value						
At 30 September 2007	<u>1,657,333</u>	<u>879,599</u>	<u>1,659,870</u>	<u>4,356,144</u>	<u>12,000</u>	<u>8,564,946</u>

Included within the net book value is £316,967 relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £24,215.

The company had no tangible fixed assets.

9 Fixed asset investments

The Company

	Investment in group undertakings £
Cost and net book amount	
Additions and at 30 September 2007	<u>12,937,213</u>

Fixed asset investments (continued)

The group owns more than 20% of the allotted share capital of the following companies

Company	Country of incorporation	Class of share capital held	Holding	
			Direct %	Indirect %
Subsidiary undertakings				
La Boheme Limited	England and Wales	Ordinary	100	-
Patisserie Valerie Holdings Limited	England and Wales	Ordinary	100	-
Hewmark Limited	England and Wales	Ordinary	-	100
Stonebeach Limited	England and Wales	Ordinary	-	100
Patisserie Valerie Express Limited	England and Wales	Ordinary	-	100
Leonardo Limited	England and Wales	Ordinary	-	100
Patisserie Valerie Limited	England and Wales	Ordinary	-	100

All subsidiaries' principal activity is that of restaurateur

La Boheme Limited and Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) were acquired on 14 July 2007 and 10 July 2007 respectively (see note 21)

10 Stocks

	The group 2007 £	The company 2007 £
Raw materials and consumables	208,000	-
Work in progress	30,000	-
Finished goods	269,950	-
	<u>507,950</u>	<u>-</u>

11 Debtors

	The group 2007 £	The company 2007 £
Trade debtors	16,512	-
Amounts owed by group undertakings	-	4,506,037
Other debtors	87,127	-
Prepayments and accrued income	2,125,649	-
	<u>2,229,288</u>	<u>4,506,037</u>

12 Creditors: amounts falling due within one year

	The group 2007 £	The company 2007 £
Bank loans and overdrafts	2,405,613	147,423
Trade creditors	2,761,581	-
Amounts owed to group undertakings	217,412	-
Social security and other taxes	816,908	-
Amounts due under finance leases and hire purchase agreements	114,000	-
Accruals and deferred income	1,237,378	240,000
	<u>7,552,892</u>	<u>387,423</u>

Bank loans and overdrafts are secured by an all asset debenture in favour of HSBC Bank plc

Amounts due under finance leases and hire purchase contracts are secured upon the asset to which they relate

13 Creditors: amounts falling due after more than one year

	The group 2007 £	The company 2007 £
Bank loan	16,802,816	16,802,876
Other loans	5,619,950	-
Amounts due under finance leases and hire purchase agreements	150,000	-
	<u>22,572,766</u>	<u>16,802,876</u>

Bank loans are secured by an all asset debenture in favour of HSBC Bank plc

Other loans are secured by an all asset debenture in favour of the loan note holders

Amounts due under finance leases and hire purchase contracts are secured upon the asset to which they relate

14 Borrowings

	The group 2007 £	The company 2007 £
Within one year or on demand		
Bank overdrafts	2,258,190	-
Bank loans	147,423	147,423
Finance leases and hire purchase agreements	114,000	-
After one and within two years		
Bank loans	406,563	406,563
Finance leases and hire purchase agreements	120,000	-
After two and within five years		
Bank loans	3,249,690	3,249,690
Finance leases and hire purchase agreements	30,000	-
After more than five years		
Bank loans	13,146,563	13,146,563
Other loans	5,619,950	-
	25,092,379	16,950,239

Bank loans represent 3 facilities. Facility A is repayable in quarterly instalments over the term of the loan and attracts interest generally at 2% above LIBOR, Facilities B and C are repayable in full at the termination date and attract interest generally at 2.5% and 2.75% respectively, above LIBOR.

Other loans are repayable in full at the termination date and do not attract any interest.

15 Provisions for liabilities and charges

The group

The movement in the deferred taxation provision during the period was

	Deferred tax 2007 £
Profit and loss account movement arising during the period and provision carried forward	234,654

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

	2007 £
Accelerated capital allowances	234,654

The company

The company had no deferred taxation provision at 30 September 2007.

16 Leasing commitments

At 30 September 2007 the group had annual commitments under non-cancellable operating leases as set out below

	Land & buildings 2007 £	Other items 2007 £
The group		
Operating leases which expire		
Within 1 year	79,000	31,000
Within 2 to 5 years	539,600	22,000
After more than 5 years	2,724,999	-
	<u>3,343,599</u>	<u>53,000</u>

The company had no such commitments

17 Share capital

Authorised:

	2007 £
Equity shares	
72,572 'A' Ordinary shares of £0.001 each	73
1,427,428 Ordinary shares of £0.001 each	1,427
	<u>1,500</u>

Allotted, called up and fully paid:

	2007 £
Equity shares	
72,572 'A' Ordinary shares of £0.001 each	73
1,378,428 Ordinary shares of £0.001 each	1,378
	<u>1,451</u>

Allotments during the period

The company made an allotment of 72,572 'A' Ordinary shares and 1,378,428 Ordinary shares at £1 per share by way of a share for share exchange with Patisserie Valerie Holdings Limited. The difference between the total consideration of £500,250 and the total nominal value of £1,451 has been credited to the share premium account (£498,799) (see note 18)

18 Reserves

	Share premium account £	Profit and loss account £
The group		
Loss for the financial period	-	(663,341)
Premium on allotment during the period	498,799	-
At 30 September 2007	<u>498,799</u>	<u>(663,341)</u>
	Share premium account £	Profit and loss account £
The company		
Loss for the financial period	-	(247,239)
Premium on allotment during the period	498,799	-
At 30 September 2007	<u>498,799</u>	<u>(247,239)</u>

19 Reconciliation of movements in shareholders' funds

	2007 £
The group	
Loss for the financial period	(663,341)
New equity share capital issued	500,250
Closing shareholders' funds	<u>(163,091)</u>
	2007 £
The company	
Loss for the financial period	(247,239)
New equity share capital issued	500,250
Closing shareholders' funds	<u>253,011</u>

20 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2007 £
Operating loss	(226,592)
Amortisation	517,729
Depreciation	396,334
Increase in investments	(1,410)
Increase in stocks	(69,673)
Increase in debtors	(66,180)
Decrease in creditors	(268,987)
Net cash inflow from operating activities	<u>281,221</u>

Reconciliation of net cash flow to movement in net debt

	2007 £
Increase in cash in the period	1,275,094
Net cash outflow from financing	(16,432,439)
Net cash inflow from finance leases	37,566
Change in net debt resulting from cash flows	(15,119,779)
Loans and finance leases acquired with subsidiary	(6,439,316)
Movement in net debt in the period and net debt at 30 September 2007	<u>(21,559,095)</u>

Analysis of changes in net debt

	Cash flow £	Acquisition £	At 30 Sept 07 £
Cash at bank and in hand	3,533,284	-	3,533,284
Overdraft	(2,258,190)	-	(2,258,190)
	1,275,094	-	1,275,094
Debt	(16,432,439)	(6,137,750)	(22,570,189)
Finance leases	37,566	(301,566)	(264,000)
	<u>(15,119,779)</u>	<u>(6,439,316)</u>	<u>(21,559,095)</u>

21 Acquisitions

(a) La Boheme Limited

On 14 July 2007 the company acquired the entire ordinary share capital of La Boheme Limited for a consideration of £11,640,000 in cash. Goodwill arising on the acquisition of La Boheme Limited has been capitalised.

The purchase of La Boheme Limited has been accounted for by the acquisition method of accounting.

The consolidated profit before and after taxation of La Boheme Limited for the period from 1 October 2006, the beginning of the subsidiary's financial year to the date of acquisition was £235,055. During this period, turnover amounted to £13,124,656 and operating profit amounted to £313,802.

The assets and liabilities of La Boheme Limited acquired were as follows:

	Book value £	Revaluation £	Fair value £
Fixed assets			
Tangible	5,095,334	1,270,333	6,365,667
Current assets			
Stocks	353,577	-	353,577
Debtors	1,824,562	-	1,824,562
Bank and cash	121,153	-	121,153
Total assets	<u>7,394,626</u>	<u>1,270,333</u>	<u>8,664,959</u>
Creditors			
Bank loans and overdrafts	(952,566)	-	(952,566)
Other loans	(1,000,000)	-	(1,000,000)
Trade creditors	(1,544,241)	-	(1,544,241)
Corporation tax	(535)	-	(535)
Social security and other taxes	(436,122)	-	(436,122)
Accruals and deferred income	(1,046,541)	-	(1,046,541)
Net obligations under finance leases and hire purchase agreements	(301,566)	-	(301,566)
Deferred taxation	(79,000)	-	(79,000)
	<u>(5,360,571)</u>	<u>-</u>	<u>(5,360,571)</u>
Net assets	<u>2,034,055</u>	<u>1,270,333</u>	<u>3,304,388</u>
Goodwill capitalised			<u>9,132,825</u>
			<u>12,437,213</u>
Satisfied by			
Cash			11,640,000
Directly attributable costs			797,213
			<u>12,437,213</u>

Fair value adjustments were made for freehold buildings to market value, based on a valuation made during the period.

Acquisitions (continued)

La Boheme Limited, acquired during the period, made the following contributions to, and utilisations of, group cash flow

	2007 £
Net cash inflow from operating activities	1,365,671
Returns on investment and servicing of finance	(37,253)
Taxation	(54,535)
Capital expenditure and financial investment	(65,904)
Financing	(557,566)
Increase in cash	<u>650,413</u>

Analysis of net outflow of cash in respect of the purchase of La Boheme Limited

	2007 £
Cash at bank and in hand acquired	121,153
Bank loans and overdrafts	(952,566)
	<u>(831,413)</u>
Cash consideration	(11,640,000)
	<u>(12,471,413)</u>

(b) Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings

On 10 July 2007 the company acquired the entire ordinary share capital of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings for a consideration of £500,000 by way of a share for share exchange. Goodwill arising on the acquisition of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings has been capitalised.

The purchase of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings has been accounted for by the acquisition method of accounting.

The consolidated profit after taxation of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings for the period from 23 August 2006, the beginning of the subsidiary's financial period to the date of acquisition was £145,248. During this period, turnover amounted to £6,358,539, operating profit amounted to £406,613 and profit before taxation amounted to £291,709.

Acquisitions (continued)

The assets and liabilities of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings acquired were as follows

	Book value £	Other adjustments £	Fair value £
Fixed assets			
Tangible	2,091,533	-	2,091,533
Intangible	6,890,745	(6,890,745)	-
Current assets			
Stocks	84,700	-	84,700
Debtors	338,546	-	338,546
Bank and cash	36,442	-	36,442
Total assets	<u>9,441,966</u>	<u>(6,890,745)</u>	<u>2,551,221</u>
Creditors			
Bank overdrafts	(2,290,852)	-	(2,290,852)
Other loans	(5,617,750)	-	(5,617,750)
Trade creditors	(242,190)	-	(242,190)
Corporation tax	(295,117)	-	(295,117)
Social security and other taxes	(198,744)	-	(198,744)
Accruals and deferred income	(117,185)	-	(117,185)
Other creditors	(2,117)	-	(2,117)
Deferred taxation	(32,513)	-	(32,513)
	<u>(8,796,468)</u>	<u>-</u>	<u>(8,796,468)</u>
Net assets	<u>645,498</u>	<u>(6,890,745)</u>	<u>(6,245,247)</u>
Goodwill capitalised			<u>6,745,247</u>
			<u>500,000</u>
Satisfied by			
Share for share exchange			<u>500,000</u>

The other adjustment relates to the original goodwill arising on the consolidation of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings. The goodwill has now been subsumed within the goodwill arising on the consolidation of the group headed by Patisserie Holdings Limited (formerly Pimco 2597 Limited).

Acquisitions (continued)

Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings, as acquired during the period, made the following contributions to, and utilisations of, group cash flow

	2007 £
Net cash inflow from operating activities	3,536,839
Returns on investment and servicing of finance	(9,196)
Taxation	102,836
Capital expenditure and financial investment	(442,175)
Financing	2,200
Increase in cash	<u>3,190,504</u>

Analysis of net outflow of cash in respect of the purchase of Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited) and its subsidiary undertakings

	2007 £
Cash at bank and in hand acquired	36,442
Bank overdrafts	(2,290,852)
Other loans	(5,617,750)
	<u>(7,872,160)</u>

22 Controlling party

L. Johnson is considered the company's controlling and ultimate controlling party by virtue of his shareholding

23 Contingent liabilities

The group is party to a guarantee in favour of the Governor and company of the Bank of Scotland for £325,000

During the period the company entered into a cross company guarantee with the other group companies, namely Stonebeach Limited, Hewmark Limited, Leonardo Limited, Patisserie Valerie Limited, Patisserie Valerie Holdings Limited (formerly Pimco 2531 Limited), La Boheme Limited, and Patisserie Valerie Express Limited. This guaranteed the Patisserie Holdings Limited (formerly Pimco 2597 Limited) bank loan of £17 million. If Patisserie Holdings Limited (formerly Pimco 2597 Limited) defaults on that loan the company will be required to make good. The directors believe the financial condition of Patisserie Holdings Limited (formerly Pimco 2597 Limited) is such that this guarantee will not be called upon.

24 Capital commitments

The group and the company had no capital commitments at 30 September 2007

25 Related party transactions

Included within other loans in creditors are the following loans made to the group from shareholders during the period

	Loan balance at 30 September 2007
	£
V Scalzo	561,975
L Johnson	5,057,775
	<u>5,619,950</u>