



Individual Restaurant Company Plc

Financial statements

For the year ended 31 December 2010



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Company information

Company number	4026693
Directors	R R A Breare S J Walker V J Lord R B Simpson I J Donald
Secretary	A Green
Nominated advisor and broker	Altium Capital Limited 6th Floor Belvedere Booth Street Manchester M2 4AW
Auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Royal Liver Building Liverpool L3 1PS
Bankers	Lloyds TSB Bank Plc 8th Floor 40 Spring Gardens Manchester M2 1EN
Solicitors	DLA Piper UK LLP 101 Barbirolli Square Manchester M2 3DL
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registered Office	4th Floor Ridgefield House 14 John Dalton Street Manchester M2 6JR

Highlights

Audited results for the 12 months ended 31 December 2010

Individual Restaurant Company Plc (“IRC” or “the Group”), a leading operator of 33 restaurants throughout the UK which trade under the Piccolino (22) and Restaurant Bar & Grill (11) formats, today announces its final results for the year ended 31 December 2010.

Trading performance

- Revenue was £51.3m (2009: £53.3m)
- Group EBITDA of £4.3m (2009: £5.0m)
- Restaurant EBITDA was £7.7m (2009: £8.8m)

Operations

- Both brands continue to trade robustly on a national basis

Financially strong

- Net debt reduced to £11.7m (2009: £12.4m)
- Banking headroom of £6.8m available at the year end
- Successful refinancing of the Group’s £18.5m loan facility; agreement to extend the term of the loan to January 2013 with no amortisation

Current trading and outlook

- Sales got off to an encouraging start in Q1 2011 with positive like for like sales although the rate of growth has slowed in March

Steven Walker, Chief Executive said:

“Taking into account some adverse one-off factors, trading performance in 2010 was pleasing. We experienced strong like for like sales towards the end of December 2010 and a number of sales initiatives have continued this momentum into the early part of 2011.

However we remain cautious as to the future trading environment. Like for like sales growth, whilst positive, has slowed in March and in common with most of the industry, we are also experiencing cost pressures. Nevertheless I remain confident in the robustness and trading potential of both brands.”

4 April 2011

Chairman's statement

Introduction

Individual Restaurant Company plc, a leading restaurant operator with 33 premium casual dining restaurants throughout the UK which trade under the Piccolino (22) and Restaurant Bar & Grill (11) brands, announces its audited results for the 12 months ended 31 December 2010.

As previously highlighted, trading conditions in 2010 were challenging due to a number of well publicised one-off factors. Despite this the Group is pleased to announce that EBITDA before non trading costs was £4.25m, a satisfactory performance given the market conditions.

In addition, net debt was reduced in the year by £0.7m, down to £11.7m (2009: £12.4m). As a multiple of EBITDA (before non trading costs), the year end net debt was 2.8 times (2009: 2.5 times).

Financial Performance

Revenues across the Group decreased by £2.0m (3.9%) to £51.3m (2009: £53.3m) and restaurant EBITDA* decreased by £1.1m to £7.7m (2009: £8.8m) as a result. Central costs were reduced by £0.4m for the second successive year and Group EBITDA for the year was therefore down £0.7m to £4.3m (2009: £5.0m).

The gross margin for the period remained in line with 2009. As previously reported, the Group has taken a strategic decision to refrain from entering the mass discounting market which has continued to be widely practised across the restaurant sector. Both brands continue to offer guests excellent value for money as verified by regular competitor pricing surveys undertaken by the Group.

Central costs in 2010 were £3.4m (2009: £3.8m) representing 6.7% of revenue (2009: 7.1%). Savings were generated primarily from reduced wage costs.

Finance costs in the year increased to £0.9m (2009: £0.7m). This uplift was the result of the mark to market valuation of hedging costs coupled with the annualised impact of reverting to a LIBOR related loan facility mid way through 2009.

Profit before tax, non trading items and hedging costs was £0.2m (2009: £1.3m).

In the year non trading costs totalled £1.9m (2009: £2.2m), arising predominately from two areas: onerous lease provisions totalling £0.5m and impairment of non-current assets totalling £1.3m. Of the onerous lease provisions £0.3m related to the release of provision in respect of the properties at Wandsworth and Birmingham, the leases of which are both expected to be assigned to new tenants before June 2011. A further provision totalling £0.8m has also been made in respect of the property pipeline, which remains undeveloped and is currently being marketed. In the current property market it has proven difficult to find suitable buyers for these units and as a result the Group has provided for expected ongoing property costs.

There was a tax credit in the year of £0.1m (2009: £0.1m) which resulted from a movement in the deferred tax balance.

After non trading items and tax the Group incurred a loss for the year of £1.7m (2009: loss of £0.8m).

(* Restaurant EBITDA is defined as EBITDA generated before non-trading and central costs

Chairman's statement (continued)

Cash flow and Balance Sheet

The Group generated strong cash flows from operations of £2.7m in the year (£3.4m: 2009). Net debt reduced by £0.7m down to £11.7m (2009: £12.4m). In addition the Group successfully refinanced the loan facility which resulted in the £18.5 million facility becoming non-amortising and the term being extended until January 2013.

Capital expenditure in the year was £1.4m and largely related to enhancing the estate by expanding the number of covers and providing outside dining areas. Unopened/closed site lease costs amounted to £1.0m. As noted above, two of these sites (Wandsworth and the former Zinc in Birmingham) are expected to be disposed of by June 2011 and future cash outflows in respect of such sites are expected to decline accordingly.

Gearing remained comparable at 28% (2009: 29%). Interest costs (excluding the mark to market hedge valuation) of £0.8m were covered by EBITDA five times (2009: eight times). As a multiple of EBITDA before non trading costs the year end net debt was just below 2.8 times compared with 2.5 times in 2009. The available headroom on the banking facility was £6.8m compared with £6.1m in 2009.

Operations

The Board have always believed the success of the Group is determined by the quality of its people, food, guest service and cleanliness. The focus in these areas, which is both monitored and incentivised, has resulted in this becoming a culture within the business and is continuously improving.

Our number one goal remains outstanding guest service. We have invested in a computerised central database and we now have a greater understanding of the guests who dine throughout the estate each week.

Across both brands we continue to develop our food and beverage offer. Despite the competitive environment and upward cost pressure we do not compromise on the quality of our ingredients. In addition we continue to invest heavily in chef training to ensure consistency throughout the estate; likewise our front of house team has been strengthened.

Future Outlook and Current Trading

The last two weeks of 2010 saw strong like for like sales growth. A number of sales initiatives have been introduced in 2011 and have helped continue this momentum. January like for like trading was strong, albeit against a period last year affected by extreme weather and volume growth has continued in both February and March.

However the Group is also mindful that 2011 will be another challenging year. The rate of sales growth in March was lower than January and February and we are experiencing an increased level of cost inflation; in particular the uplifts in alcohol duty and the national minimum wage, the change in Employers National Insurance contributions and food cost inflation. We expect to absorb all or most of these cost pressures by a combination of increased revenues and operating efficiencies.

The Board has great confidence in the trading strength of the two brands and their ability to meet the challenges ahead.

Robert Breare
Chairman
4 April 2011

Director's report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

Results and dividends

The results for the year ended 31 December 2010 are presented under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The report and accounts are drawn up on a 12 month reporting basis (ending on 31 December 2010). The results for the period are set out in the Group consolidated income statement on page 20, this shows a Group loss after taxation of £1,680,000 (2009: loss of £806,000).

No interim dividend was paid (2009: £nil). The Directors do not propose a final dividend (2009: £nil), leaving £1,680,000 to be deducted from reserves (2009: £806,000 deducted from reserves).

Principal activity

The principal activity of the Group is the operation of restaurants, and that of the Company is a holding company.

Business review

Details of the Group's performance and expected future developments are contained in the Chairman's statement (pages 3 to 4).

Directors

The Directors who held office during the year ended 31 December 2010 were as follows:

R R A Breare	I J Donald
S J Walker	R B Simpson
V J Lord	

During the year the Audit Committee comprised the following non-executive directors:

R B Simpson (Chairman of the Audit Committee)
R R A Breare

During the year the Remuneration Committee comprised the following non-executive directors:

R B Simpson (Chairman of the Remuneration Committee)
R R A Breare

The Directors' remuneration report, which includes details of Directors' remuneration and interests in the Company's shares and options, together with information on service contracts, is set out on pages 14 to 17.

Directors' report (continued)

Directors' shareholding

The interests of the Directors in the shares of the Company, all being beneficially owned, were as follows:

	2010	2009
	No shares	No shares
Executive Directors		
V J Lord	515,925	515,925
S J Walker	8,811,981	8,811,981
I J Donald	1,273,613	1,273,613
Non Executive Directors		
R R A Breare	–	–
R B Simpson	–	–

The interests of the Directors in the shares of the Company represented 17.8% (2009: 17.8%) of the total issued share capital of the Company as at 31 December 2010.

The following held a substantial shareholding of more than 3% in the company at 31 December 2010.

	31 December 2010	
	No shares	Percentage
Registered shareholder		
Malcolm Conrad Walker	12,970,649	21.7
Steven John Walker	8,811,981	14.8
Paul Richard Dawes	5,437,243	9.1
CGL Restaurant Holdings Limited	2,741,541	4.6
Andrew Pritchard	1,975,108	3.3
Tarsem Dhaliwal	1,975,108	3.3
Commerzbank as Market Maker	1,942,501	3.3

Based on legal advice, we wish to disclose that Malcolm Conrad Walker, Andrew Pritchard and Tarsem Dhaliwal own 28.3% of the total shareholding of Individual Restaurant Company Plc and therefore could act in concert.

Corporate governance

The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company is therefore subject to the AIM Admission Rules of the London Stock Exchange and is consequently not required to comply with best practice corporate governance provisions contained within the Combined Code appended to the Listing Rules of the Financial Services Authority. However, the Directors recognise the importance of sound corporate governance and intend that the Group, where practicable for a group of its size, will comply with the Combined Code.

The Board

The Board currently comprises three executive Directors and two non-executive Directors. The Board meets on a regular basis. The Board is responsible for overall strategy, major finance matters and internal financial control. It also monitors executive management in the business through its review of financial, strategic and operational matters. All Directors are subject to retirement by rotation.

The Board has a formal schedule of matters specifically reserved to it for decision. All Directors have access to advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the Board as a whole.

Audit committee

The Group has established an Audit Committee which consists of the non-executive Directors, Richard Simpson and Robert Breare. The Audit Committee invites the executive Directors to attend as necessary to conduct its business. The Group's auditor attends Audit Committee meetings as required and has direct access to its Chairman. The Audit Committee meets with the external auditor at least twice a year, following a review of the interim results and on completion of the audit process, but prior to the Directors of the Group approving the financial statements of the Group. It also considers the Group's financial and accounting policies together with management reports on accounting and internal controls and reviews reports presented by the auditor of the Group and consider any other matters raised by the auditor.

Remuneration committee

The Group has established a Remuneration Committee which consists of the non-executive Directors, Richard Simpson and Robert Breare. The Remuneration Committee implements the policy for the remuneration of the executive Directors, reviews the remuneration of the senior management of the Group and nominates potential members of the Board. The remuneration of non-executive Directors is considered by the Board as a whole.

Nominations committee

Due to the size of the Group, the Board consider that a separate Nominations Committee is not necessary or justified. The Board reviews this position annually.

Internal audit

The Board has considered the requirement for an internal audit function. The Board considers that the current size of the Group does not warrant a separate internal audit function, but will continue to keep this position under review.

Directors' report (continued)

Attendance

During the year the Directors attended the following number of meetings of the Board and its Committees (the number of meetings held is shown in brackets):

	Board	Audit committee	Remuneration Committee
S J Walker	9 (9)	N/A	N/A
I J Donald	8 (9)	N/A	N/A
V J Lord	9 (9)	2 (2)	N/A
R R A Breare	9 (9)	2 (2)	0 (0)
R B Simpson	9 (9)	2 (2)	0 (0)

Independence and non-executive Directors

All the non-executive Directors who served during the year are considered to be independent. The share options held by non-executive Directors are considered to be immaterial and therefore do not affect their independence.

Model code

The Group has adopted a model code for Directors' dealings in securities of the Group which is appropriate for a company quoted on AIM. The Directors will comply with Rule 21 of the AIM rules relating to restrictions on dealings by Directors and applicable employees in AIM securities, or the sale of any AIM securities held as treasury shares, and on the purchase or early redemption of AIM securities, or sale of AIM securities held as treasury shares by an AIM company. The Directors will ensure that the Group takes all reasonable steps to ensure compliance by the Group's "applicable employees" (as defined in the AIM rules).

Internal control

The Directors are responsible for ensuring the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group, in administering its business, has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. This control system includes clear lines of accountability and covers all areas of the organisation. The Board operates procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels, the identification of the major business risks and a budgeting and reporting system with results compared with budget and variance analysis and re-forecasting of projected results.

Individual Restaurant Company Plc – risk factors

The Board of Directors continually identify, monitor and manage potential risks and uncertainties to the Group. The list below sets out what the Directors consider to be the current principal business risks and uncertainties. This list is not presumed to be exhaustive, and by its very nature is subject to change.

- Adverse economic conditions may occur as a result of the VAT uplift from January 2011 and the as yet unknown impact of the Government expenditure cutbacks announced by the Chancellor could lead to a decline in consumer confidence in the UK. This will impact the entire restaurant industry and result in a fall in sales. The Directors continually review cost saving initiatives which could be implemented quickly to mitigate a significant downturn in sales.
- Increase in prices of key raw materials e.g. the duty uplift on alcohol and the protein price uplifts resulting from the increase in animal food costs and increases in wages (national minimum wage uplift) would impact the level of costs. Wherever possible, long term, fixed rate contracts are entered into with major suppliers to mitigate the risk of price rises.
- Breakdown in internal control due to fraud and error. Financial controls are designed and implemented to minimise the risk of material fraud and error.

Financial risk management objectives and policies

The Group uses various financial instruments including loans, cash, equity investments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk, the Group enters into derivative transactions including, but not limited to, variable to fixed rate interest rate swaps.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

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

Market risk

Market risk encompasses fair value interest rate risk and price risk. In this instance, price risk has been ignored as it is not considered a significant risk to the business. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Directors' report (continued)

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 rolling credit facilities.

The maturity of borrowings is set out in note 13 to the financial statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities, along with an interest rate swap as detailed in note 19.

The interest rate exposure of the financial assets and liabilities of the Group as 31 December 2010 is shown in note 19.

Credit risk

The Group's principal financial assets are cash and trade receivables. The Group is exposed to credit risk in respect of its cash balances as it uses a limited number of financial institutions. The credit risk associated with trade receivables is minimal as the level of trade receivables within the Group is insignificant.

Individual Restaurant Company Plc – key performance indicators

The Board of Directors and executive management receive a wide range of management information delivered in a timely manner. Listed below are the principal measures of progress that are reviewed on a regular basis to monitor the development of the Group.

Financial key performance indicators

The Board focuses on the following as its key financial performance indicators.

	2010	2009
Gross margin	74.7%	74.4%
Wage cost	£20,847,000	£20,383,000
Wages/sales	40.7%	38.2%
Overheads/sales	72.6%	70.8%

Gross margins are reconciled at least monthly between standard and actual and all significant variances are investigated. Wages are reviewed weekly and corrective action taken real time as soon as adverse variances become apparent.

The Board also review like for like sales, and monitor performance against budget on a site by site basis.

Non-financial key performance indicators

The Board believes the success of a restaurant is determined by the quality of its people, food, customer service and cleanliness. Sites are ranked on a monthly basis depending on their relative performance against other sites in each area of non-financial performance. The results of mystery diner visits, internal food audits, cleanliness audits and the people grading system form the basis of these rankings. The sites with the most consistent good performance in each area are rewarded and likewise sites that are consistently poor performers are critically reviewed and corrective action taken.

Statement of Directors' responsibilities in relation to the financial statements

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. The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange, the rules of which are that the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group 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 accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company'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.

Directors' report (continued)

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.

Going concern

The Group has a credit facility of £18.5m repayable in January 2013. Based on heavily sensitised forecasts to 31 March 2012, the Group will remain compliant with the covenants.

When preparing the forecasts, reasonable enquiries have been made and assumptions taken with regard to cashflow and prudent sensitivities. The Board is satisfied that should the lower of these estimates be achieved, the Group will generate sufficient working capital to meet all of its liabilities through implementing a number of cost saving initiatives which could be easily implemented should the need arise.

It is the opinion of the Directors that forecasted result will be achieved and that the Group will continue to attract customers to its restaurants. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Employees

Individual Restaurant Company Plc is committed to the fair treatment and development of all employees. Wherever possible, the Directors aim to promote talent from within by reviewing succession plans and offering development opportunities. The Directors also ensure regular communication happens throughout the business through written material, team briefings and one to one reviews.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue.

It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Environment

Individual Restaurant Company Plc acknowledges the importance of environmental matters within its role in the community. The Group has established initiatives to reduce the impact on the environment from the operations of the Group (such as separating glass waste from food waste to allow recycling and the use of biodegradable oils which can be recycled) and is working with several key suppliers, partners and external agencies to ensure environmental concerns are considered in conjunction with economic factors. In particular, the Group looks to reduce the production of waste in its operations and to maximise efficiency of water consumption.

Donations

No donations for political or charitable purposes have been made directly by the Group during the year.

Suppliers' payment terms

The Group's policy is to agree the terms of payment with its suppliers as and when a trading relationship is established. The Group ensures that the terms of payment are clear and its policy is to abide by the agreed terms, provided the supplier meets its obligations. The Group had an average 58 days (2009: 50 days) payables outstanding in trade creditors. The Company trade payables at the year end amount to nil days (2009: nil days) of average supplies for the year.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue as auditor, and a resolution will be proposed at the Annual General Meeting for their reappointment, in accordance with Section 489 of the Companies Act 2006.

Cautionary statement on forward looking statements and related information

This document contains a number of forward looking statements relating to the Group with respect to, amongst others, the following: financial conditions; results of operations; economic conditions in which the Group operates; the business of the Group; and management plans and objectives. The Group considers any statements that are not historical facts are "forward looking statements". They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented in the relevant forward looking statement. When used in this document, the words "estimate", "project", "intend", "aim", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Group or the management of it, are intended to identify such forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as at the date of this document. Neither the Group nor any member of the Group's management undertake any obligation publicly to update or revise any of the forward looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the "AIM" Rules, and other regulations.

BY ORDER OF THE BOARD

A Green
Secretary
4 April 2011

Directors' remuneration report

Introduction

This report describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration.

Remuneration committee

The Company has established a Remuneration Committee ("the Committee") which is constituted in accordance with the recommendations of the Combined Code. The members of the committee during the year were:

R B Simpson
R R A Breare

who were all independent non-executive Directors. The Committee is chaired by R B Simpson.

None of the Committee has any personal financial interest in the Company (other than as holders of share options). The Committee makes recommendations to the Board. No Director plays a part in any discussion about his own remuneration.

Remuneration policy

Executive remuneration packages are designed to attract, motivate and retain Directors of the high calibre needed to progress and develop the Group and to reward them for enhancing value to shareholders. The performance measurement of the executive Directors and the determination of their annual remuneration package are undertaken by the Committee. In addition, the Committee determines the remuneration for the Chairman, and makes a recommendation for approval by the Board as a whole. The remuneration of the other non-executive Director is determined by the Board.

Basic salary

An executive Director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and by reference to remuneration levels at other companies in the leisure and hospitality sectors.

In addition to basic salary, the executive Directors receive pension contributions and certain benefits in kind, principally a car (or car allowance), and health and life insurance.

Bonus payments

No bonus scheme is currently in place for directors given the financial performance of the Group to date. The need for and rules for a bonus scheme will be considered as appropriate should the performance of the Group improve.

Directors' contracts

It is the Group's policy that executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. However, it may be necessary occasionally to offer longer initial notice periods to new Directors. All executive Directors have contracts which are subject to one year's notice by either party. In the event of early termination, the Directors' contracts provide for compensation in line with their contractual notice period.

Details of the executive Directors' contracts are summarised in the table below:

	Date of contract	Notice period
S J Walker	22 December 2006	12 months
I J Donald	22 December 2006	12 months
V J Lord	22 December 2006	12 months

Non-executive Directors

The service contracts of the non-executive Directors are set out below:

	Date of appointment as non executive Director	Notice period
R R A Breare	22 December 2006	6 months
R B Simpson	22 December 2006	6 months

All non-executive Directors have specific terms of engagement and their remuneration is determined by the Board based on a review of fees paid to non-executive Directors of similar companies and reflects the time commitment and responsibilities of each role. The basic fees paid to the non-executive Directors in the period to 31 December 2010 was £79,672 (2009: £80,900).

It should be noted that whilst R R A Breare was appointed as a non-executive Director on 22 December 2006, he had previously acted as an executive Director and was first appointed to the board on 16 May 2005.

Aggregated Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Executive	Non- executive	Total 2010	Total 2009
	£'000	£'000	£'000	£'000
Emoluments	447	80	527	608
Money purchase pension contributions	19	–	19	25
	<u>466</u>	<u>80</u>	<u>546</u>	<u>633</u>

Directors' remuneration report (continued)

(a) Emoluments

(i) Executive

	Basic salary £'000	Benefits in kind £'000	Pension costs £'000	2010 £'000	2009 £'000
S J Walker	161	68	–	229	261
I J Donald	76	19	4	99	122
V J Lord	118	5	15	138	169
	<u>355</u>	<u>92</u>	<u>19</u>	<u>466</u>	<u>552</u>

(ii) Non-executive

	Fees £'000	2010 £'000	2009 £'000
R R A Breare	50	50	50
R B Simpson	30	30	31
	<u>80</u>	<u>80</u>	<u>81</u>

R R A Breare's fees were paid to Talisman Management and Investment Limited, a company where he is a shareholder and director. R R A Breare is responsible for his social security, life insurance and pension contributions.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. The Company operates a number of share option schemes which Directors may participate in.

Options are forfeited if the employee leaves the Company before the options vest. The vesting period is five years.

Name	At 31 December 2009	Lapsed	At 31 December 2010
R R A Breare	314,284	–	314,284
V J Lord	415,000	–	415,000
S J Walker	830,000	–	830,000
I J Donald	415,000	–	415,000
R B Simpson	100,000	–	100,000
	<u>2,074,284</u>	<u>–</u>	<u>2,074,284</u>

The options outstanding at 31 December 2010 had a weighted average exercise price of 1.19 pence. No options were granted during the year.

The conditions associated with the above options are as follows:

	Scheme	No of options	Exercise price £	Date of grant	Date from which exercisable	Expiry date
R R A Breare	Unapproved	71,428	1.75	12 December 2005	13 December 2007	12 December 2014
	Unapproved	71,428	2.45	12 December 2005	13 December 2008	12 December 2015
	Unapproved	71,428	3.15	12 December 2005	13 December 2008	12 December 2015
	Unapproved	100,000	1.05	30 April 2007	30 April 2012	30 April 2017
		314,284				
V J Lord	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	350,000	1.05	30 April 2007	30 April 2012	30 April 2017
		415,000				
S J Walker	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	765,000	1.05	30 April 2007	30 April 2012	30 April 2017
		830,000				
I J Donald	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	350,000	1.05	30 April 2007	30 April 2012	30 April 2017
		415,000				
R B Simpson	Unapproved	100,000	1.05	30 April 2007	30 April 2012	30 April 2017

Following the year end date of 31 December 2010, no share options have been granted.

No share options have been exercised during the year.

The Group recognised total expenses of £108,000 (2009: £108,000) related to equity-settled share based payment transactions in the period (see note 17).

Report of the independent auditor to the members of Individual Restaurant Company Plc

We have audited the financial statements of Individual Restaurant Company Plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and parent company balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Kevin Engel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

4 April 2011

Consolidated income statement

	Note	2010 £'000	2009 £'000
Revenue	1	51,256	53,349
Cost of sales		(12,981)	(13,630)
Gross profit		38,275	39,719
Other operating expenses	1	(37,255)	(37,772)
Operating result before non-trading costs	2	1,020	1,947
Business restructuring costs		–	(859)
Impairment of non-current assets	8	(1,289)	–
Share option charge		(108)	(108)
Increase in provision for onerous leases		(515)	(1,200)
Operating loss		(892)	(220)
Finance cost	4	(880)	(652)
Loss before taxation		(1,772)	(872)
Income tax	5	92	66
Loss from continuing operations		(1,680)	(806)
Loss for the period attributable to equity holders of parent		(1,680)	(806)
Earnings per share from continuing operations:			
Basic	6	(2.82p)	(1.64p)
Diluted	6	(2.82p)	(1.64p)

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

Consolidated statement of comprehensive income

	2010	2009
	£'000	£'000
Loss for the period	<u>(1,680)</u>	<u>(806)</u>
Total comprehensive income for the period	<u>(1,680)</u>	<u>(806)</u>
Attributable to equity holders of the parent	<u>(1,680)</u>	<u>(806)</u>

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

Consolidated statement of financial position

	Note	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	32,728	35,857
Intangible assets	7	38,050	38,647
Total non-current assets		70,778	74,504
Current assets			
Inventories	9	943	987
Trade and other receivables	10	2,952	3,105
Cash and cash equivalents	11	6,763	6,121
Total current assets		10,658	10,213
Total assets		81,436	84,717
LIABILITIES			
Current liabilities			
Trade and other payables	12	(11,691)	(11,970)
Derivative financial instrument	19(a)	(71)	–
Short term borrowings	13	–	(2,000)
Provisions	14	(588)	(430)
Total current liabilities		(12,350)	(14,400)
Non-current liabilities			
Long term borrowings	13	(18,500)	(16,500)
Provisions	14	(236)	(1,206)
Deferred taxation	15	(8,952)	(9,641)
Total non-current liabilities		(27,688)	(27,347)
Total liabilities		(40,038)	(41,747)
Net assets		41,398	42,970

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

	Note	2010 £'000	2009 £'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	16	2,982	2,982
Share premium account		13,275	13,275
Capital redemption reserve		11,851	11,851
Merger reserve		22,034	22,034
Shares to be issued		432	324
Retained earnings		(9,176)	(7,496)
Total equity		<u>41,398</u>	<u>42,970</u>

These financial statements were approved by the Board of Directors and authorised for issue on 4 April 2011 and signed on their behalf by:

V J Lord
Director

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

Consolidated statement of changes in shareholders' equity

	Share capital £'000	Other reserves £'000	Shares to be issued £'000	Profit and loss account £'000	Total £'000
At 1 January 2009	13,826	33,697	216	(6,690)	41,049
Shares issued	1,007	1,612	–	–	2,619
Deferred shares purchased	(11,851)	11,851	–	–	–
Share based payments	–	–	108	–	108
Transactions with owners	<u>2,982</u>	<u>47,160</u>	<u>324</u>	<u>(6,690)</u>	<u>43,776</u>
Loss and total comprehensive income for the period	–	–	–	(806)	(806)
At 31 December 2009	<u>2,982</u>	<u>47,160</u>	<u>324</u>	<u>(7,496)</u>	<u>42,970</u>
At 1 January 2010	2,982	47,160	324	(7,496)	42,970
Share based payments	–	–	108	–	108
Transactions with owners	<u>2,982</u>	<u>47,160</u>	<u>432</u>	<u>(7,496)</u>	<u>43,078</u>
Loss and total comprehensive income for the period	–	–	–	(1,680)	(1,680)
At 31 December 2010	<u>2,982</u>	<u>47,160</u>	<u>432</u>	<u>(9,176)</u>	<u>41,398</u>

Other reserves represent the share premium account, the merger reserve and the capital redemption reserve.

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

Consolidated cash flow statement

	2010	2009
	£'000	£'000
Cash flows from operating activities		
Loss after taxation	(1,680)	(806)
Adjustments for:		
Depreciation and charges	4,521	3,062
Share based administrative expense	108	108
Interest expense	880	652
Movement in deferred tax provision	(92)	(66)
Movement in provisions	(812)	959
Decrease/(increase) in trade and other receivables	153	(665)
Decrease in inventories	44	72
(Decrease)/increase in trade payables	(415)	65
Cash flow from operations	2,707	3,381
Interest paid	(673)	(655)
Net cash from operating activities	2,034	2,726
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,392)	(1,910)
Net cash used in investing activities	(1,392)	(1,910)
Cash flows from financing activities		
Proceeds from issue of share capital	–	2,619
Net cash from financing activities	–	2,619
Net increase in cash and cash equivalents	642	3,435
Cash and cash equivalents at beginning of year	6,121	2,686
Cash and cash equivalents at end of the year	6,763	6,121

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

Principal accounting policies

Nature of operations

Individual Restaurant Company Plc and subsidiaries' ('the Group') principal activity is that of restaurateurs. Individual Restaurant Company Plc is the Group's ultimate parent Company. It is incorporated and domiciled in Great Britain. The address of the registered office is 4th Floor, Ridgefield House, 14 John Dalton Street, Manchester, M2 6JR. Individual Restaurant Company Plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

Individual Restaurant Company Plc's consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent Company.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Practice is continuing to evolve on the application and interpretations of IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by IFRIC.

IFRS, as adopted by the EU, differs in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the period presented would be no different had the Group applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

Going concern

The Group has a credit facility of £18.5m repayable in January 2013. Based on heavily sensitised forecasts to 31 March 2012, the Group will remain compliant with the covenants.

When preparing forecasts, reasonable enquiries have been made and assumptions taken with regard to cashflow and prudent sensitivities. The Board is satisfied that should the lower of these estimates be achieved, the Group will generate sufficient working capital to meet all of its liabilities through implementing a number of cost saving initiatives which could be easily implemented should the need arise.

It is the opinion of the Directors that forecasted result will be achieved and that the Group will continue to attract customers to its restaurants. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Preparation of financial statements under IFRS

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the detailed accounting policies below.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. Details of key accounting estimates are detailed under "Critical accounting judgements and key sources of estimation uncertainty."

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2010. Control is achieved where the Company has the power, through voting rights, to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised gains on transactions between the Group are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless the transaction provides evidence of an impairment of the asset transferred.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Presentation of financial statements

The consolidated financial statements are presented in accordance with IAS 1 Presentation of financial statements (revised 2007).

The Group has elected to present the "Statement of comprehensive income" in two statements: The "Income statement" and a "Statement of comprehensive income".

Principal accounting policies (continued)

Two comparative periods are presented for the Statement of financial position when the Group:

- i) applies an accounting policy retrospectively;
- ii) makes a retrospective restatement of items in its financial statements, or;
- iii) reclassifies items in the financial statements.

Two comparative periods have not been presented for the Statement of Financial Position as there have been no changes to the information disclosed in the previously published financial statements.

Segment reporting

Operating segments are reported in a manner, consistent with the internal reporting provided to the chief operation decision-maker. Management currently identifies the Group's two brands, Restaurant Bar & Grill and Piccolino, as the operating segments.

These operating segments are monitored and strategic decisions are made based on the operating segments results.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Other intangible assets

Other intangible assets comprise brands acquired through business combinations that are controlled through custody or legal rights or that could be sold separately from the rest of the business, and are capitalised, where fair value can be reliably measured.

In arriving at the conclusion that a brand has an indefinite life, management considers the Group is a brands business and expects to acquire, hold and support brands for an indefinite period. Brands are supported through refurbishment of restaurants, spending on marketing and promotional support. Existing brands are at a

relatively early stage of development. Factors such as the ability to continue to protect the legal rights that arise from these brand names indefinitely or the absence of any regulatory, economic or competitive factors that could truncate the life of a brand name are also considered. Where these criteria are not met a definite life is assigned and the value is amortised over the assessed economic life.

A strategic decision to withdraw marketing support from a particular brand or the weakening in a brand's appeal through changes in customer preferences might result in management concluding that the brand's life has become finite. Where intangible assets to be assigned a definite life, a charge would be recorded that would reduce reported profit from operations and reduce the value of the assets reported in the statement of financial position.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue which relates to income received from customers who eat and drink in the Group's restaurants, is recognised on the day the event occurs.

Revenue received in advance is held as a liability on the statement of financial position until the customer eats or drinks in the Group restaurant.

Leasing

In accordance with IAS17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased assets.

All other leases are regarded as operating leases, rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment or specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Principal accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The assets of the scheme are held separately from those of the Group.

Taxation

The tax credit/(expense) represents the sum of the tax currently payable and deferred tax movements.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that the reversal will not occur in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be achievable to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised provided this is substantively enacted. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Leasehold improvements are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy on

borrowing costs (see above). Depreciation of these assets commence when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets to their residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	Over the shorter of the lease and 25 years
Fixtures, equipment and vehicles	Over 3 to 15 years

Residual values and useful economic lives of property, plant and equipment are reassessed by the Directors on an annual basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other income or other expense.

Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged *pro-rata* to the other assets in the cash-generating unit.

With the exception of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Principal accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents the average cost. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Financial assets

Financial assets are divided into the following categories: loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised initially at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be reclassified subsequently.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken at least at each reporting date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Cash and liquid resources

Short-term cash deposits which can be called on without any material penalty are included within cash balances in the statement of financial position and cash flow statement.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. Items within this category relate to derivative financial instruments. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share based payments*. IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006, in accordance with the exemptions of IFRS 1.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

Non-trading costs

Non-trading costs relating to non-recurring costs are written off to the income statement as incurred.

Principal accounting policies (continued)

Dividends

Dividends are recognised when the shareholders right to receive payment is established.

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Provisions

The Group recognises provisions in respect of onerous property leases and other obligations which exist at the statement of financial position date. These provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. Management reassesses the amounts of these provisions at each statement of financial position date in order to ensure that they are measured at the current best estimate of the expenditure required to settle the obligation at the statement of financial position date. Any difference between the amounts previously recognised and the current estimates is recognised immediately in the income statement.

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Merger reserve” represents the premium on the issue of equity shares which qualifies for relief from transfer to the share premium account.
- “Shares to be issued” represents equity – settled share-based employee remuneration and deferred consideration until such share options and consideration are exercised or settled respectively.
- “Retained earnings” represents retained profits/losses.

Critical accounting judgements and key sources of estimation uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

- Identification of cash-generating units (CGUs)
For the purposes of impairment reviews, the Directors are required to identify the smallest group of assets which generate an independent revenue source. The Directors have determined that the individual restaurants are the smallest group of assets which generate an independent revenue source. Impairment reviews are therefore performed on this basis. Details of the impairment reviews are discussed in note 7 to the financial statements.

- Allocation of brand names and goodwill to CGUs
The Directors consider that brand names and goodwill meet the definition of a corporate asset under IAS 36. The Directors have concluded that the brand names and goodwill cannot be allocated to individual restaurants on a reasonable and consistent basis, hence the Directors consider the smallest group of CGUs to which the brand names and goodwill can be allocated is the aggregate of individual restaurants trading under the brand names, being "Restaurant Bar and Grill" and "Piccolino." Impairment reviews have therefore been performed by comparing the recoverable amount to the carrying value of the brand names and goodwill and the CGUs trading under the brand. Further details are set out in note 7.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- Impairment of goodwill, intangible assets and property, plant and equipment.
The Group performs an impairment review if there are incidents which may indicate that a cash generating unit has suffered impairment. The Group also tests annually whether goodwill and other indefinite life intangible assets have suffered impairment.

Determining whether cash-generating units have been impaired requires an estimation of the value in use of the cash generating units. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. See note 7 for details of key assumptions used in the calculations.

- Onerous lease obligations
Determining the provision required in respect of onerous leases requires the Directors to estimate both the period for which the Group will be liable to fulfil the rental obligations and the annual rental cost following rent reviews. The Directors have assessed the provision based on the interest received in respect of sub-letting the properties and knowledge of current economic conditions. The Directors have taken a prudent view and assumed that the properties will not be sub-let for approximately one – two years after the reporting date. If either of the properties was not sub-let beyond this period, the estimated increase in the provision for every year in which the properties are not sub-let would be £600,000.

Notes to the financial statements

- Vesting assumptions relating to share options
The judgements, estimates and underlying assumptions in relation to share options are reviewed on an on-going basis. Assumptions are made in relation to the expected life of share options, volatility of shares, risk free yield to maturity and expected dividend yield. Details of these assumptions are included in note 17.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Adoption of new and revised standards

Standards and interpretations in issue not yet adopted

At the date of the authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The Directors anticipate the adoption of these standards and interpretations will have no material impact on the Group's financial statements.

- IFRS 9 Financial instruments (effective 1 January 2013).
- IAS 24 (revised 2009) Related Party Disclosures (effective 1 January 2011).
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010).
- IFRC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010).
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011).
- Disclosures – Transfers of financial assets – amendments to IFRS 7 (effective 1 July 2011).
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012).

1 Segmental reporting

Management currently identifies the Group's two brands as operating segments. The brands are considered to be the smallest group of CGUs that are separately identifiable. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. All of the Group's activities relate to restaurants, and all of these restaurants and revenues are within the United Kingdom.

Segmental information as presented to the Chief Operating Decision Maker is analysed as follows for the reporting periods under review:

12 months ending 31 December 2010	Restaurant			Total
	Bar and Grill	Piccolino	Other	
	£'000	£'000	£'000	£'000
Revenue	20,910	30,346	–	51,256
Cost of sales	(5,524)	(7,457)	–	(12,981)
Other operating expenses	(13,781)	(19,826)	(3,648)	(37,255)
Movement in onerous lease provision	80	(595)	–	(515)
Impairment of non current assets	(1,289)	–	–	(1,289)
Share option charge	–	–	(108)	(108)
Segment operating profit/(loss)	<u>396</u>	<u>2,468</u>	<u>(3,756)</u>	<u>(892)</u>
	Restaurant			
	Bar and Grill			
12 months ending 31 December 2009	£'000	Piccolino	Other	Total
		£'000	£'000	£'000
Revenue	21,977	31,372	–	53,349
Cost of sales	(5,809)	(7,821)	–	(13,630)
Other operating expenses	(13,701)	(20,106)	(3,965)	(37,772)
Increase in onerous lease provision	(400)	(800)	–	(1,200)
Business restructuring costs	–	(114)	(745)	(859)
Share option charge	–	–	(108)	(108)
Segment operating profit/(loss)	<u>2,067</u>	<u>2,531</u>	<u>(4,818)</u>	<u>(220)</u>

Notes to the financial statements (continued)

2 Operating result

The loss on ordinary activities before taxation is stated after charging:

	2010	2009
	£'000	£'000
Depreciation of owned assets	3,232	3,062
Operating lease rentals in respect of:		
Land and buildings	4,170	4,122
Motor vehicles	81	77
Auditor remuneration		
Audit services – parent and consolidated financial statements	40	40
Fees payable for other services:		
Subsidiary audit fees	12	12
Audit related regulatory reporting	15	15
Tax compliance services	6	6
Share based payment charge – equity settled	108	108
	<u>108</u>	<u>108</u>

3 Staff costs and numbers

	2010	2009
	£'000	£'000
(a) Staff costs (including Directors) comprise:		
Wages and salaries	19,203	18,871
Social security costs	1,509	1,457
Pension costs	135	55
	<u>20,847</u>	<u>20,383</u>
	No	No
(b) Staff numbers		
Operational	1,382	1,311
Administration	33	122
	<u>1,415</u>	<u>1,433</u>
	£'000	£'000
(c) Directors' remuneration		
Emoluments	527	608
Money purchase (and other) pension contributions	19	25
	<u>546</u>	<u>633</u>

Further details of the Directors' emoluments and the executive pension schemes, including details of highest paid Director, are given in the unaudited Directors' Remuneration report on pages 14 to 17.

Key management compensation disclosures are included in note 21.

4 Finance charges

	2010	2009
	£'000	£'000
Revaluation to fair value of interest rate swap	(89)	(7)
Bank interest payable	(791)	(645)
Finance charge	(880)	(652)

5 Taxation

(a) The taxation charge comprises:

	2010	2009
	£'000	£'000
Current taxation		
UK corporation tax at 26% (2009: 28%)	-	-
Deferred taxation		
Deferred tax on accelerated capital allowances	(92)	(71)
Deferred tax on provisions	-	5
Deferred tax on the utilisation of unused tax losses	-	-
	(92)	(66)
Taxation credit on ordinary activities	(92)	(66)

(b) Factors affecting the tax credit for the year

The tax assessment for the year is higher than the standard UK corporate tax rate of 26% (2009: 28%) due to the following factors:

	2010	2009
	£'000	£'000
Profit on ordinary activities before taxation	(1,772)	(872)
Profit on ordinary activities before taxation multiplied by the standard UK corporation tax rate of 26% (2009: 28%)	(461)	(242)
Effects of:		
Expenses not deductible for tax purposes	627	225
Adjustment in respect of previous years on deferred tax	(131)	(49)
Adjustment in respect of tax rate differences	(127)	-
	(92)	(66)

Notes to the financial statements (continued)

6 Earnings per share

The calculation of earnings per share (basic and diluted) is based on loss after taxation, and the weighted average number of ordinary shares.

	Year ended 31 December 2010		
	Earnings	Weighted average number of shares	Per share
	£'000	'000	p
Basic and diluted earnings per share	(1,680)	59,648	(2.82)

The outstanding options at 31 December 2010 do not have a dilutive effect on the weighted average number of shares as the exercise price of options during the year exceeded the average market price of ordinary shares.

	12 months ended 31 December 2009		
	Earnings	Weighted average number of shares	Per share
	£'000	'000	p
Basic and diluted earnings per share	(806)	49,161	(1.64)

7 Intangible assets

	Goodwill	Brand names	Total
	£'000	£'000	£'000
Piccolino			
Cost and net book value			
At 31 December 2008 and 2009	5,502	18,970	24,472
Change in tax rate	(380)	–	(380)
At 31 December 2010	5,122	18,970	24,092
Restaurant Bar & Grill			
Cost and net book value			
At 31 December 2008 and 2009	3,292	10,883	14,175
Change in tax rate	(217)	–	(217)
At 31 December 2010	3,075	10,883	13,958
Total	8,197	29,853	38,050

Goodwill includes deferred tax attributed to brand names on acquisition of £7,762,000 (2009: £8,359,000). The deferred tax is calculated based on the tax rates that are expected to apply in the period when the asset is realised. The deferred tax has been recalculated at a rate of 26% (2009: 28%).

7 Intangible assets (continued)

Impairment tests for goodwill, intangible assets and property, plant and equipment

The Directors consider that goodwill and brand names have an indefinite useful life and as such all of these are tested annually for impairment or more frequently if there are incidents which may indicate impairment. Property, plant and equipment are also tested if there are incidents which may indicate impairment.

The Directors consider that the brand names meet the definition of corporate assets under IAS 36. The standard prescribes an approach to allocation of corporate assets that is similar to that for goodwill and includes the same two stage approach where corporate assets cannot be allocated on a reasonable and consistent basis to a CGU. It requires that:

- if the carrying amount of the corporate asset can be allocated to the CGU on a reasonable and consistent basis the entity should compare the recoverable amount of the CGU with the carrying amount of the CGU including the allocated portion of corporate assets. An impairment loss arising is then recognised.
- If corporate assets cannot be allocated on a reasonable and consistent basis to the CGU, the entity should apply a two stage test:
 - (a) first compare the recoverable amount of the CGU with the carrying value of its net assets (excluding any allocation of corporate assets) and recognise any impairment loss resulting from this comparison; and
 - (b) identify the next smallest group of CGUs that contains the CGU under review and to which corporate assets can be allocated on a reasonable and consistent basis, compares the recoverable amount of that larger group of CGUs with the carrying amount of their net assets (including the allocation of corporate assets) and recognise any further impairment loss resulting from that comparison.

Property, plant and equipment

The Directors consider the smallest group of assets that generate an independent revenue stream is each individual restaurant. Therefore, for the purpose of impairment testing each individual restaurant has been treated as a cash generating unit (CGU). The carrying value of the CGU is the net book value of the property, plant and equipment of the individual restaurant.

The recoverable amounts of the CGUs are determined from value in use calculations. The Directors have used the Group's financial budgets for 2011, which assumes zero growth, other than adjusting for the assumed non-reoccurrence of snow and the World Cup and 2012 which assumes growth ranging from 2% to 18% as the base for value in use calculations. Thereafter cash flows have been projected for a period of 10 years, which is considered to be the minimum useful life of a restaurant. The Directors have taken a prudent view from year three and assumed a growth rate of 2.5% per year in income, based on current reports on expected growth in the restaurant industry.

Notes to the financial statements (continued)

7 Intangible assets (continued)

Property, plant and equipment (continued)

During the year, the Board carried out an impairment review and determined the assets of Restaurant Bar and Grill, Glasgow were impaired. The site has historically been loss making and given the current economic uncertainty the Board are of the opinion it would continue to be so, the Group have reflected an impairment of £1,289,000 in respect of this site in the result for the year.

The key assumptions to the value in use calculations are those regarding growth rates, discount rates and future cash flows. The impact on the impairment review of the CGUs of reasonably possible changes to each of the key assumptions is as follows:

- **Growth rates**
The calculations are based on a 2.5% growth rate and a consistent relationship between income and costs. Whilst growth of new restaurants is expected, the Directors believe that it is appropriate to take a prudent view in the current economic climate and so have not included any potential for growth from new restaurants in the calculations. Introducing a growth rate would result in an increase to the value in use of the CGUs which would not result in an additional impairment charge.
- **Discount rates**
Weighted average cost of capital calculations have been performed, using external data where relevant, to determine an appropriate discount factor, being 11% (2009: 8%). The Directors consider that a reasonably possible change in the discount factor would be an increase/decrease of 1% based on past experience and external sources of information. There would be no impact on the impairment review if the discount rate were to change by this amount as the recoverable amount of the CGUs would remain greater than their carrying value and so there would be no additional impairment charge.
- **Future cash flows**
The Directors have determined future cash flows based on past performance and their expectations of market developments. The Directors consider the maximum reasonably possible change to future cash flows to be a reduction of 5% due to the current economic downturn. There would be no impact on the impairment review if the future cash flows were reduced by 5% as the recoverable amount of the CGUs would remain greater than their carrying value and so there would be no additional impairment charge.

Brand names

The Directors consider that the brand names meet the definition of a corporate asset under IAS 36. The Directors have concluded that the brand names cannot be allocated to the CGUs on a reasonable and consistent basis. In accordance with IAS 36, the Directors are therefore required to identify the smallest group of CGUs to which the brand names can be allocated (see details of two stage approach above). The Directors have concluded that the smallest group of CGUs to which the brand names can be allocated is the aggregate restaurants (CGUs) trading under the brand names of "Restaurant Bar and Grill" and "Piccolino" respectively. Impairment reviews have therefore been performed by comparing the recoverable amount to the carrying value of the brand names to the discounted cashflows of the restaurants trading under the brand.

7 Intangible assets (continued)

Brand names (continued)

The recoverable amounts of the CGUs are determined from value in use calculations. With the exception of future cash flows, the Directors have used the same method and assumptions for performing the impairment review as with property, plant and equipment, details of which are above. Future cash flows have been projected for an indefinite period in determining the value in use of the brand names, as the Directors consider the brand names to have an indefinite useful life.

The impairment testing has not resulted in an impairment of the brand names and CGUs, as their recoverable amount exceeds their carrying value.

There would be no impact if the reasonably possible changes (detailed above) were to occur as the recoverable amount of the brand names and CGUs would remain greater than their carrying value.

Goodwill

Intangible assets were acquired as part of the acquisition in 2008. This resulted in the recognition of a deferred tax liability and an increase in goodwill of £7,762,000. IAS 36 states that tax should be excluded from value in use calculations. However, when a CGUs recoverable amount cannot be determined without consideration of a liability, then the carrying amount is determined on a post-tax basis, net of deferred tax liabilities. Impairment testing of goodwill is therefore performed by allocating the goodwill and the deferred tax liability to the CGUs. The goodwill and deferred tax liability are equal and therefore the overall impact on the carrying value of the CGUs is £nil. As such, there is no impairment of goodwill relating to deferred tax attributed to brand names on acquisition.

Goodwill includes £435,000 which relates to two individual restaurants. The carrying value of the goodwill is added to the carrying value of the CGUs to which the goodwill relates. Impairment reviews are performed in accordance with property, plant and equipment above.

The impairment testing has not resulted in an impairment of the goodwill, as the recoverable amount of the CGUs (including goodwill) exceeds their carrying value.

There would be no impact if the reasonably possible changes (detailed above) were to occur as the recoverable amount of the CGUs (including goodwill) would remain greater than their carrying value.

Notes to the financial statements (continued)

8 Property, plant and equipment

	Leasehold improvements £'000	Fixtures, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2009	26,687	15,617	42,304
Additions	1,059	951	2,010
At 31 December 2009	27,746	16,568	44,314
Additions	509	883	1,392
Impairment	(1,392)	(394)	(1,786)
At 31 December 2010	26,863	17,057	43,920
Depreciation			
At 1 January 2009	1,300	4,095	5,395
Charge for the year	1,125	1,937	3,062
At 31 December 2009	2,425	6,032	8,457
Charge for the year	1,133	2,099	3,232
Impairment	(349)	(148)	(497)
At 31 December 2010	3,209	7,983	11,192
Net book value as at 31 December 2010	23,654	9,074	32,728
Net book value as at 31 December 2009	25,321	10,536	35,857

Impairment and reversal of impairment

Details of the impairment are disclosed in note 7.

Assets pledged as security

Leasehold improvements with a carrying value of £23,654,000 (2009: £25,321,000) and fixtures and equipment with a carrying value of £9,074,000 (2009: £10,536,000) have been pledged to secure the bank loan of the Group (see note 13). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

9 Inventories

	2010	2009
	£'000	£'000
Restaurant and bar stocks	943	987

Inventories have been valued at the lower of cost and estimated net realisable value. The replacement cost at 31 December 2010 is considered by the Directors not to be materially different from the statement of financial position value. The Group recognised £12,937,000 of purchases as an expense in 2010, included within cost of sales (2009: £13,558,000).

No inventories were written down in the period to 31 December 2010 (2009: £nil).

10 Trade and other receivables

	2010	2009
	£'000	£'000
Current:		
Trade receivables	352	209
Other receivables	2,600	2,896
	2,952	3,105

11 Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash in hand and at bank	6,763	6,121

The effective interest rate of short term deposits for the period ended 31 December 2010 is 0.0% (2009: 0.0%).

12 Trade and other payables

	2010	2009
	£'000	£'000
Trade payables	6,532	7,200
Other taxation and social security	2,721	1,954
Accruals	2,438	2,816
	11,691	11,970

Notes to the financial statements (continued)

13 Borrowings

	Current		Non-current	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Secured bank loan	–	2,000	18,500	16,500
	–	2,000	18,500	16,500

Summary of borrowing arrangements

The bank loan is secured on all assets held in the Group.

On 12 June 2009 the Group renegotiated the loan facility. The bank loan was a term loan of £18,500,000, repayable in January 2012, subject to annual review. The loan facility was subject to amortisation prior to maturity as follows:

	2009 £'000
Due within one year	2,000
Due 1 – 2 years	2,500
Due 2 – 5 years	14,000
	18,500

In April 2010 the group renegotiated its loan facility. The bank loan is a term loan of £18,500,000 repayable in full in January 2013. The loan is not subject to amortisation.

Interest is payable at 3.5% above LIBOR. The effective interest rate at 31 December 2010 was 3.76% (2009: 4.11%).

14 Provisions

	Onerous lease		Total £'000
	Current £'000	Non-current £'000	
At 1 January 2010	430	1,206	1,636
Utilised in year	(527)	–	(527)
Increase/(decrease) in provisions	685	(970)	(285)
At 31 December 2010	588	236	824

The provision for onerous leases is in respect of leasehold properties which carry out no trade but which the group is liable to fulfil rent and other property commitments up to the lease expiry date. If a property is sub-let below the head rent, or for a period shorter than the remaining lease term, a provision is made for the onerous element of the lease and building costs which will be incurred by the Group. Obligations are payable for up to 17 years. Amounts have been provided on current rentals, which, following a rent review, could require additional provision. Obligations have been discounted using a discount factor of 11%. The Directors consider the amount provided for to be the best estimate of the amount required to settle the obligation.

15 Deferred taxation

	2010	2009
	£'000	£'000
Balance at 1 January	9,641	9,707
Deferred tax taken directly to the income statement	(92)	(66)
Difference in tax rates	(597)	–
Balance at 31 December	8,952	9,641

Deferred tax consists of:

	2010	2009
	£'000	£'000
Brand names	7,762	8,359
Temporary differences in respect of property, plant and equipment	1,206	1,302
Temporary differences in respect of provisions	(16)	(20)
	8,952	9,641

16 Share capital

During the period to 31 December 2010, nil (2009: nil) shares were issued to satisfy share options previously granted under the employee share option scheme. Shares issued and authorised for the period to 31 December 2010 may be summarised as follows:

Authorised share capital	Denomination	Number	Value
	£	'000	£'000
Ordinary shares			
As at 1 January 2009	0.05	76,273	26,696
Share sub-division (6: 1)	0.05	457,641	–
Conversion to deferred shares	0.05	(237,013)	(11,851)
As at 31 December 2009 and 31 December 2010	0.05	296,901	14,845
Deferred shares			
As at 1 January 2009	–	–	–
Conversion of ordinary shares	0.05	237,013	11,851
Share cancellation	0.05	(237,013)	(11,851)
As at 31 December 2009 and 31 December 2010	–	–	–

Notes to the financial statements (continued)

16 Share capital (continued)

Allotted and fully paid up share capital	Denomination £	Number '000	Value £'000
Ordinary shares			
As at 1 January 2009	0.35	39,502	13,826
Share sub-division (6: 1)	0.05	237,013	-
Conversion to deferred shares	0.05	(237,013)	(11,851)
New shares issued	0.05	20,146	1,007
As at 31 December 2009 and 31 December 2010	0.05	59,648	2,982
Deferred shares			
As at 1 January 2009	-	-	-
Conversion of ordinary shares	0.05	237,013	237,013
Share cancellation	0.05	(237,013)	(237,013)
As at 31 December 2009 and 31 December 2010	-	-	-

At the AGM held on 21 May 2009:

- each of the 36,771,300 authorised but as yet unissued ordinary shares of 35 pence each in the capital of the company were sub-divided into 257,399,100 ordinary shares of 5 pence each
- each of the 39,502,160 issued ordinary shares of 35 pence each were sub-divided into 39,502,160 ordinary shares of 5 pence each and 237,012,960 deferred shares of 5 pence each.

On 19 June 2009 the company acquired all of the 237,012,960 deferred shares of 5 pence each for £nil consideration. These shares were subsequently cancelled.

The resulting reduction in share capital of £11,851,000 was transferred to a share capital redemption reserve on cancellation.

On 9 July 2009 16,195,885 ordinary shares of 5 pence each were allotted following the open offer of shares announced to shareholders on 22 June 2009. This represented 100% of the open offer shares available. On the same date a further 3,950,216 shares were placed with Blackstar (Isle of Man) Limited (in its capacity as trustee of the Tarsem Singh Dhaliwal EFRBS and as trustee of the Andrew Simon Pritchard EFRBS).

17 Share based payment schemes

The Group has taken advantage of the exemption under IFRS 2 “Share based payments” not to account for share options granted before 7 November 2002. The charge recorded in the financial statements of the Group is:

	2010	2009
	£'000	£'000
Equity settled share based payment schemes	108	108

The mid-market price of the Company’s shares on 31 December 2010 was 10.75 pence. The highest and lowest mid-market prices during the period were 15.50 pence and 10.75 pence respectively.

Share options

Options are forfeited if the employee leaves the Company before the options vest. The vesting period is five years.

	At 31 December 2009	Lapsed	At 31 December 2010
Name			
R R A Breare	314,284	–	314,284
C C Delteil	71,427	(21,428)	49,999
C G G Smith	142,856	–	142,856
V J Lord	415,000	–	415,000
S J Walker	830,000	–	830,000
I J Donald	415,000	–	415,000
R B Simpson	100,000	–	100,000
Employees EMI approved	229,537	(32,384)	197,153
	2,518,104	(53,812)	2,464,292
Weighted average exercise price	£1.28	£3.42	£1.23

The number of options exercisable at 31 December 2010 was 604,292 (2009: 428,567). The options had a weighted average exercise price of £1.80 (2009: £2.15).

Notes to the financial statements (continued)

17 Share based payment schemes (continued)

Share options (continued)

The conditions associated with the above options are as follows:

	Scheme	No of options	Exercise price £	Date of grant	Date from which exercisable	Expiry date
R R A Breare	Unapproved	71,428	1.75	12 December 2005	13 December 2007	12 December 2014
	Unapproved	71,428	2.45	12 December 2005	13 December 2008	12 December 2015
	Unapproved	71,428	3.15	12 December 2005	13 December 2008	12 December 2015
	Unapproved	100,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>314,284</u>				
C C Delteil	EMI approved	14,285	1.40	19 April 2001	19 April 2004	18 April 2011
	Unapproved	35,714	1.05	12 December 2005	13 December 2008	12 December 2015
		<u>49,999</u>				
C G G Smith	Unapproved	35,714	1.05	12 December 2005	13 December 2008	12 December 2015
	Unapproved	35,714	1.75	12 December 2005	13 December 2008	12 December 2015
	Unapproved	35,714	2.45	12 December 2005	13 December 2008	12 December 2015
	Unapproved	35,714	3.15	12 December 2005	13 December 2008	12 December 2015
		<u>142,856</u>				
V J Lord	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	350,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>415,000</u>				
S J Walker	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	765,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>830,000</u>				
I J Donald	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	350,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>415,000</u>				
R B Simpson	Unapproved	<u>100,000</u>	1.05	30 April 2007	30 April 2012	30 April 2017
Employees	EMI approved	<u>197,153</u>	1.05	30 April 2007	30 April 2010	30 April 2015

The fair value of the employees services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period of five years is determined by reference to the fair value of the share options granted. Fair value is determined by reference to the Black Scholes model.

17 Share based payment schemes (continued)

Share options (continued)

The inputs into Black Scholes model are as follows:

Share price at grant date	–	£1.58
Expected volatility	–	25%
Expected life	–	5.5 to 7.5 years
Risk free rate	–	5%
Expected dividends	–	0% to 2009, 1% pa afterwards

The volatility of the Group's share price on each date of grant was calculated as the average of volatilities of share prices of companies in the peer group on the corresponding dates.

The Group recognised total expenses of £108,000 (2009: £108,000) related to equity-settled share based payment transactions in the period.

18 Operating lease arrangements

	2010	2009
	£'000	£'000
Operating lease payments recognised as an expense in the period	4,251	4,199

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Within one year	4,280	4,027	49	72
In the second to fifth years inclusive	16,663	15,806	24	52
After five years	50,233	51,524	–	–
	71,176	71,357	73	124

Leases of land and buildings are typically subject to rent reviews at specific intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Notes to the financial statements (continued)

19 Financial instruments and derivatives

The Directors' report on pages 5 to 13 provides an explanation of the Group's treasury objectives and policies with regard to financial instruments and the management of risk. The disclosures given in the Directors' Report form part of these financial statements.

- (a) The carrying amount of financial assets and liabilities recognised at the statement of financial position date of the reporting periods under review may also be categorised as follows:

	Fair value through profit or loss 2010 £'000	Loans and receivables 2010 £'000	Total for statement of financial position heading 2010 £'000
Statement of financial position headings – assets			
Cash at bank	–	6,763	6,763
Trade receivables – current	–	352	352
Other receivables – current	–	2,600	2,600
Total	–	9,715	9,715
	Fair value through profit or loss 2009 £'000	Loans and receivables 2009 £'000	Total for statement of financial position heading 2009 £'000
Statement of financial position headings – assets			
Cash at bank	–	6,121	6,121
Trade receivables – current	–	209	209
Other receivables – current	–	2,896	2,896
Total	–	9,226	9,226

19 Financial instruments and derivatives (continued)

	Fair value through profit or loss 2010 £'000	Other financial liabilities 2010 £'000	Total for statement of financial position heading 2010 £'000
Statement of financial position headings – liabilities			
Trade payables	–	6,532	6,532
Derivative financial instrument	71	–	71
Loans payable – non-current	–	18,500	18,500
Accruals	–	2,438	2,438
Total	71	27,470	27,541
Total for statement of financial position heading 2009 £'000			
Statement of financial position headings – liabilities			
Trade payables		7,200	7,200
Loans payable – current		2,000	2,000
Loans payable – non-current		16,500	16,500
Accruals		2,816	2,816
Total		28,516	28,516

(b) Trade and other receivables

All amounts included within trade and other receivables of £2,952,000 (2009: £3,105,000) are short term. The carrying value of trade receivables is considered a reasonable approximation to fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

The Group had trade receivables which are past due at the reporting date of £nil (2009: £nil).

(c) Cash and cash equivalents

All amounts included within cash and cash equivalents of £6,763,000 (2009: £6,121,000) are short term. The carrying value of cash and cash equivalents is considered a reasonable approximation to fair value.

Notes to the financial statements (continued)

19 Financial instruments and derivatives (continued)

(d) Borrowings

	Book value 2010 £'000	Fair value 2010 £'000	Book value 2009 £'000	Fair value 2009 £'000
Bank loans	<u>18,500</u>	<u>18,500</u>	<u>18,500</u>	<u>18,500</u>
Comprising:				
– current borrowings	–	–	2,000	2,000
– long-term borrowings	<u>18,500</u>	<u>18,500</u>	<u>16,500</u>	<u>16,500</u>

The bank loan is secured against all assets held in the Group.

The carrying value of the Group's borrowings is considered to be a fair approximation of their fair value.

Individual Restaurant Company Plc had no defaults during the period in respect of their borrowings.

In April 2010 the group renegotiated its loan facility. The bank loan is a term loan of £18,500,000 payable in full in January 2013. The loan is not subject to amortisation.

(e) Trade and other payables

All amounts included within trade and other payables of £11,691,000 (2009: £11,970,000) are short term. The carrying values are considered to be a reasonable approximation of fair value.

(f) Financial risk management

(i) Market risk analysis

Individual Restaurant Company Plc was exposed to market risk through its use of financial instruments during the year and specifically to interest rate risk. The Group has no exposure to currency risk as it does not operate in overseas markets.

Interest rate sensitivity

Individual Restaurant Company Plc's policy is to minimise interest rate cash flow risk through the use of interest rate swaps. The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. As in the previous year, all other financial assets and liabilities have fixed rates.

19 Financial instruments and derivatives (continued)

(f) Financial risk management (continued)

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +2% and -½% (2009: +2% and -½%), with effect from the beginning of the year. The effect of the derivative fund instrument (interest rate swap) is immaterial. These changes are considered to be reasonably possible based on the observation of the current market conditions. The calculations are based on Individual Restaurant Company Plc's financial instruments held at each statement of financial position date. All other variables are held constant.

	2010	2010	2009	2009
	£	£	£	£
	+2%	-½%	+2%	-½%
Net movement in result for the year	(370)	+92	(370)	+92

(ii) *Credit risk analysis*

Individual Restaurant Company Plc's exposure to credit risk is limited to the carrying amount of financial assets recognised at the statement of financial position date, as summarised below:

	2010	2009
	£'000	£'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	6,763	6,121
Trade and other receivables	2,952	3,105
	9,715	9,226

Individual Restaurant Company Plc's management considers that all the above financial assets are not impaired for each of the reporting dates under review and are of good credit quality, no amounts are past due (2009: £nil).

Individual Restaurant Company Plc's financial assets are not secured by collateral or other credit enhancements.

In respect of trade and other receivables Individual Restaurant Company Plc is not exposed to any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. However, the Group holds bank deposits with a limited number of financial institutions.

Individual Restaurant Company Plc's credit risk is not considered to be significant given trade and other receivables are made up of a large number of small balances.

Notes to the financial statements (continued)

19 Financial instruments and derivatives (continued)

(f) Financial risk management (continued)

(iii) Liquidity risk analysis

Individual Restaurant Company Plc manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-flows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and a 360 day lookout period are identified monthly.

Individual Restaurant Company Plc maintains cash to meet its liquidity requirements for up to 30 day periods. Funding in regards to long term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

Individual Restaurant Company Plc holds bank deposits with a limited number of financial institutions, and funding is sourced from a small number of counterparties.

At 31 December 2010, Individual Restaurant Company Plc's liabilities have contractual maturities which are summarised below:

As at 31 December 2010	Current Within 12 months £'000	Non-current 1 to 5 years £'000
Bank loans	–	18,500
Bank loan interest	700	760
Derivative financial instrument	–	71
Trade payables	6,532	–
Other payables	2,721	–
Accrued expenses	2,438	–
	12,391	19,331
 As at 31 December 2009	 Current Within 12 months £'000	 Non-current 1 to 5 years £'000
Bank loans	2,000	16,500
Bank loan interest	815	709
Trade payables	7,200	–
Other payables	1,954	–
Accrued expenses	2,816	–
	14,785	17,209

The above contractual maturities reflect the gross undiscounted cash flows, which may differ to the carrying values of the liabilities at the statement of financial position date.

19 Financial instruments and derivatives (continued)

(g) Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of the inputs used in measuring the fair value of the financial asset and liability. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identifiable assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

31 December 2010	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Liabilities				
Derivative financial instrument	–	71	–	71
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Derivative financial instruments: financial liabilities carried at fair value through profit or loss. This is an instrument that was taken out in the year to reduce the level of interest payments in relation to the bank loan. The amount above represents the carrying value after changes in fair value which is wholly attributable to variations in interest rates. The fair value change recognised has not been affected by changes in credit risk.

The above financial liabilities have not suffered any impairment.

Derivative financial instruments have been valued by an external valuer.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

Notes to the financial statements (continued)

20 Capital management policies and procedures

The Group currently has two distinct forms of capital, shareholder capital and working capital.

Shareholder capital

The Group has stated previously its policy to enhance shareholder value by continuing its strategy of rolling out restaurants under the two brands operated by the Group (Piccolino and Restaurant Bar and Grill) and to that end has stated the Group will not declare dividends for the foreseeable future. Despite not opening any new sites in 2010, the board remain of the view; this strategy will increase shareholder value in the middle to long term and do not envisage changing this strategy in the short term.

Working capital (including term loan borrowings)

The Group manages working capital on a daily basis and strives to ensure liabilities are met as they fall due and amounts receivable are likewise received within agreed credit terms. The Group currently has no working capital facility with their bankers (Lloyds TSB Bank plc) and as such produces cash flow forecasts which enable the management team to ensure cash balances remain positive at all times.

The Group is party to a term loan facility of £18.5 million which was fully drawn as at 31 December 2010. The terms of the loan require the Group to meet certain financial covenants, which are tested at the half and full year end. All covenants were passed in the year to December 2010.

There have been no changes in capital management during the period to 31 December 2010.

21 Related parties

Key management compensation

The remuneration of Directors, who are the key management personnel of the Group, is set out below, in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further details of Directors' remuneration are disclosed in the unaudited Directors' Remuneration report on pages 14 to 17.

	2010	2009
	£'000	£'000
Short term employee benefits	92	128
Charge to income in respect of share based payments	94	94

Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Included within trade receivables is £58,000 due from Playworks Limited (2009: £13,000), a Company related by common directorship. S Walker is a Director of Playworks Limited. During the previous year equipment was transferred from Playworks Limited to Restaurant Bar and Grill Limited at a cost of £59,000. This was deducted from the balance due from Playworks Limited.

21 Related parties (continued)

Related party transactions (continued)

S Walker is also a Director of Dream Capital Properties Limited. During the period, the Group has been charged rent at arms' length of £227,500 (2009: £252,900) from Dream Capital Properties Limited. The amount outstanding at 31 December 2010 was £63,000 (2009: £62,000).

S Walker is a Director of Loxton Foods Limited, a supplier to Restaurant Bar and Grill Limited. During the year purchases of £308,100 (2009: £Nil) were made. The amount outstanding at 31 December 2010 was £120,000 (2009: £Nil).

22 Capital commitments

The Group had no capital commitments at 31 December 2010 or 31 December 2009.

23 Contingent liabilities

The Group is party to an unlimited inter-company composite guarantee dated December 2006 to Lloyds TSB Bank Plc as security for a Group revolving credit facility. As at the statement of financial position date, the net indebtedness under the guarantee was £11,740,000 (2009: £12,379,000).

Company balance sheet

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	2	32,527	32,527
		<u>32,527</u>	<u>32,527</u>
Current assets			
Debtors due after more than one year	3	13,093	13,093
		<u>13,093</u>	<u>13,093</u>
Net current assets		<u>13,093</u>	<u>13,093</u>
Total assets less current liabilities		<u>45,620</u>	<u>45,620</u>
Creditors: amounts falling due after more than one year	4	(1,953)	(1,953)
		<u>43,667</u>	<u>43,667</u>
Capital and reserves			
Called up equity share capital	5	2,982	2,982
Share premium account	9	25,126	25,126
Merger reserve	9	22,034	22,034
Shares to be issued	9	432	324
Profit and loss account	6	(6,907)	(6,799)
Shareholders' funds	7	<u>43,667</u>	<u>43,667</u>

The financial statements were approved by the Board of Directors and authorised for is on 4 April 2011 and signed on its behalf by:

V J Lord
 Director

Principal accounting policies of the company

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice "UK GAAP".

The principal accounting policies of the Company have remained unchanged from the previous year and are set out below.

Basis of consolidation

Consolidated financial statements are prepared for the Group and are filed separately. These financial statements therefore present information about the Company as an individual entity and not about it as a Group.

Investments

Investments in subsidiaries are included at cost, less any provision for impairment.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Share based payment

All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2005 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share based payments are measured at their fair values. Where employees are rewarded using share based payments, the fair values of employees services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Notes to the company financial statements

Share based payment (continued)

All equity-settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to “shares to be issued” reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

1 Parent Company profit and loss account

As permitted by Section 408 of the Companies Act 2006 a separate profit and loss account for the parent Company is not presented. The parent Company's result for the period was a loss of £108,000 (2009: loss of £544,701).

2 Investments

Investments in subsidiaries:

	Total £'000
Cost at 1 January 2010 and at 31 December 2010	32,527

The following are the subsidiaries of the Company at 31 December 2010:

	Class of business	Proportion of nominal value	Country of registration	Nature of business
Restaurant Bar & Grill Limited	Ordinary	100%	England and Wales	Restaurants
Bank Restaurant (Birmingham) Limited	Ordinary	100%	England and Wales	Dormant
Proudcrest Limited	Ordinary	100%	England and Wales	Dormant
Zinc Bar and Grill Limited	Ordinary	100%(*)	England and Wales	Dormant
Bank Restaurant Company Limited	Ordinary	100%	England and Wales	Investment company
TRS Leisure Limited	Ordinary	100%(*)	England and Wales	Dormant

(*)These investments are owned by a subsidiary and not directly owned.

All subsidiary companies have a 31 December accounting year end, with the exception of TRS Leisure Limited which has an accounting year end of 31 January and Bank Restaurant Birmingham Limited and Proudcrest Limited which have accounting years ended on 31 October. As these companies are dormant, the different year ends have no impact on the consolidated financial statements.

3 Debtors

	2010 £'000	2009 £'000
Amounts due from Group undertakings	13,093	13,093

Included in debtors is an amount of £13,093,000 (2009: £13,093,000) due after more than one year.

Notes to the company financial statements (continued)

4 Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Amounts owed to Group undertakings	<u>1,953</u>	<u>1,953</u>

5 Share capital

During the period to 31 December 2010, nil (2009: nil) shares were issued to satisfy share options previously granted under the employee share option scheme. Shares issued and authorised for the period to 31 December 2010 may be summarised as follows:

Authorised share capital	Denomination £	Number '000	Value £'000
Ordinary shares			
As at 1 January 2009	0.05	76,273	26,696
Share sub-division (6: 1)	0.05	457,641	–
Conversion to deferred shares	0.05	(237,013)	(11,851)
As at 31 December 2009 and 31 December 2010	<u>0.05</u>	<u>296,901</u>	<u>14,845</u>
Deferred shares			
As at 1 January 2009	–	–	–
Conversion of ordinary shares	0.05	237,013	11,851
Share cancellation	0.05	(237,013)	(11,851)
As at 31 December 2009 and 31 December 2010	<u>–</u>	<u>–</u>	<u>–</u>
Allotted and fully paid up share capital			
	Denomination £	Number '000	Value £'000
Ordinary shares			
As at 1 January 2009	0.35	39,502	13,826
Share sub-division (6: 1)	0.05	237,013	–
Conversion to deferred shares	0.05	(237,013)	(11,851)
New shares issued	0.05	20,146	1,007
As at 31 December 2009 and 31 December 2010	<u>0.05</u>	<u>59,648</u>	<u>2,982</u>
Deferred shares			
As at 1 January 2009	–	–	–
Conversion of ordinary shares	0.05	237,013	237,013
Share cancellation	0.05	(237,013)	(237,013)
As at 31 December 2009 and 31 December 2010	<u>–</u>	<u>–</u>	<u>–</u>

5 Share capital (continued)

At the AGM held on 21 May 2009:

- each of the 36,771,300 authorised but as yet unissued ordinary shares of 35 pence each in the capital of the company were sub-divided into 257,399,100 ordinary shares of 5 pence each
- each of the 39,502,160 issued ordinary shares of 35 pence each were sub-divided into 39,502,160 ordinary shares of 5 pence each and 237,012,960 deferred shares of 5 pence each.

On 19 June 2009 the company acquired all of the 237,012,960 deferred shares of 5 pence each for £nil consideration. These shares were subsequently cancelled.

The resulting reduction in share capital of £11,851,000 was transferred to a share capital redemption reserve on cancellation.

On 9 July 2009 16,195,885 ordinary shares of 5 pence each were allotted following the open offer of shares announced to shareholders on 22 June 2009. This represented 100% of the open offer shares available. On the same date a further 3,950,216 shares were placed with Blackstar (Isle of Man) Limited (in its capacity as trustee of the Tarsem Singh Dhaliwal EFRBS and as trustee of the Andrew Simon Pritchard EFRBS).

6 Profit and loss account

	2010	2009
	£'000	£'000
Balance brought forward	(6,799)	(6,254)
Loss for the financial year	(108)	(545)
Balance carried forward	(6,907)	(6,799)

7 Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
Loss for the financial year	(108)	(545)
Increase in share capital and share premium	–	2,619
Shares to be issued	108	108
Opening shareholders' equity funds	43,667	41,485
Closing shareholders' equity funds	43,667	43,667

Notes to the company financial statements (continued)

8 Contingent liabilities

The Company, together with its subsidiaries, is party to an Unlimited Inter Company Composite Guarantee dated December 2006 to Lloyds TSB Bank Plc as security for a Group revolving credit facility between the Company, and its fellow subsidiary undertakings. As at the balance sheet date, the net indebtedness under the guarantee was £11,740,000 (2009: £12,379,000).

9 Movement on reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Profit and loss account £'000	Total £'000
As at 1 January 2010	2,982	25,126	22,034	324	(6,799)	43,667
Loss for the year	–	–	–	–	(108)	(108)
Share options	–	–	–	108	–	108
As at 31 December 2010	<u>2,982</u>	<u>25,126</u>	<u>22,034</u>	<u>432</u>	<u>(6,907)</u>	<u>43,667</u>

10 Capital commitments

The Company had no capital commitments at 31 December 2009 or 31 December 2010.

11 Related party transactions

The Company is exempt from disclosing transactions with other members of the Group as all companies are wholly owned and consolidated financial statements are publicly available.

12 Share based payment schemes

The company has taken advantage of the exemption under IFRS 2 “Share based payments” not to account for share options granted before 7 November 2002. The charge recorded in the financial statements of the company is:

	2010	2009
	£'000	£'000
Share based payment schemes	<u>108</u>	<u>108</u>

The mid-market price of the Company’s shares on 31 December 2010 was 10.75 pence. The highest and lowest mid-market prices during the period were 15.5 pence and 10.75 pence respectively.

13 Share options

Options are forfeited if the employee leaves the Company before the options vest. The vesting period is five years.

Name	At 31 December 2009	Lapsed	At 31 December 2010
R R A Breare	314,284		314,284
C C Delteil	71,427	(21,428)	49,999
C G G Smith	142,856	-	142,856
V J Lord	415,000	-	415,000
S J Walker	830,000	-	830,000
I J Donald	415,000	-	415,000
R B Simpson	100,000	-	100,000
Employees EMI approved	229,537	(32,384)	197,153
	<u>2,518,104</u>	<u>(53,812)</u>	<u>2,464,292</u>
Weighted average exercise price	<u>£1.28</u>	<u>£3.42</u>	<u>£1.23</u>

The number of options exercisable at 31 December 2010 was 604,292 (2009: 428,567). The options had a weighted average exercise price of £1.80 (2009: £2.15).

Notes to the company financial statements (continued)

13 Share options (continued)

The conditions associated with the above options are as follows:

	Scheme	No of options	Exercise price £	Date of grant	Date from which exercisable	Expiry date
R R A Breare	Unapproved	71,428	1.75	12 December 2005	13 December 2007	12 December 2014
	Unapproved	71,428	2.45	12 December 2005	13 December 2008	12 December 2015
	Unapproved	71,428	3.15	12 December 2005	13 December 2008	12 December 2015
	Unapproved	100,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>314,284</u>				
C C Delteil	EMI approved	14,285	1.40	19 April 2001	19 April 2004	18 April 2011
	Unapproved	35,714	1.05	12 December 2005	13 December 2008	12 December 2015
		<u>49,999</u>				
C G G Smith	Unapproved	35,714	1.05	12 December 2005	13 December 2008	12 December 2015
	Unapproved	35,714	1.75	12 December 2005	13 December 2008	12 December 2015
	Unapproved	35,714	2.45	12 December 2005	13 December 2008	12 December 2015
	Unapproved	35,714	3.15	12 December 2005	13 December 2008	12 December 2015
		<u>142,856</u>				
V J Lord	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	350,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>415,000</u>				
S J Walker	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	765,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>830,000</u>				
I J Donald	EMI approved	65,000	1.05	30 April 2007	30 April 2012	30 April 2017
	Unapproved	350,000	1.05	30 April 2007	30 April 2012	30 April 2017
		<u>415,000</u>				
R B Simpson	Unapproved	<u>100,000</u>	1.05	30 April 2007	30 April 2012	30 April 2017
Employees	EMI approved	<u>197,153</u>	1.05	30 April 2007	30 April 2010	30 April 2015

Following the year end date of 31 December 2010, no share options have been granted.



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