

Novus Investments I Limited
(formerly Lightflower Holdings Limited)

Report and Accounts

31 December 2006
Registered Number 5513688



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DIRECTORS AND ADVISORS

AUDITORS

PRICEWATERHOUSE COOPERS LLP

BANKERS

ROYAL BANK OF SCOTLAND

REGISTERED OFFICE

VERNON HOUSE

40 SHAFTESBURY AVENUE

LONDON W1D 7ER

REGISTER OF DIRECTORS

J BARNES

D LANE

S RICHARDS

J HOLBROOK

C ST JOHN

Novus Investments I Limited (formerly Lightflower Holdings Limited)

Report and Accounts

Period ended 31 December 2006

REPORT OF THE DIRECTORS

The Directors submit their annual report and the audited consolidated financial statements of the Group for the period ended 31 December 2006. The Group has adopted International Financial Reporting Standards for the period ended 31 December 2006.

Principal activities

The principal activity of Novus Investments I Limited ("the Company") is acting as a holding company, and the principal activity of its subsidiaries ("the Group") continues to be the development and management of late night bars.

The Company was incorporated in the UK on 20 July 2005 as Lightflower Limited, its name changed to Lightflower Holdings Limited on 1 September 2005 and to Novus Investments I Limited on 15 November 2005. The Company is domiciled in the UK. This is the first set of financial statements for the Company and the Group, which cover the 17 month period to 31 December 2006.

Overview

2006, the first full year under the ownership of Cognetas, has been a bridge year which has seen the Company go through internal reorganisation, financial restructuring and preparation ahead of the roll out of its new strategy. In the year, the Company has made significant progress, trading profitably, before exceptional items, in the face of challenging conditions, in particular the aftermath of the London bombs on 7th July 2005 and changes in late licensing regulations, and laying down the foundations for success.

Business Review

The first quarter saw a decline in sales reflecting the changes in late night licensing laws that caused a change in the drinking patterns of our customers who were arriving at our venues later than in previous years. This clearly had an impact on total spend and was further exacerbated by reduced visitor numbers as a result of general fears of terrorism post the 7th July 2005 bombs in London.

The Company responded to these challenges with several initiatives to boost attendance and sales, including the introduction of early week marketing events, increased focus on corporate and pre-booked parties (some 35% of turnover) and the introduction of more premium drink and food products. Additionally we executed an investment programme to enhance and upgrade the physical appeal of our venues (this obviously affected in year profitability as many venues were closed for refurbishment).

The Company also acted to turn around three under-performing venues by converting them to a new "premium bar" concept that we had been working on. This has been a great success, showing the strong returns suggested in our initial projections. We are very pleased with the results and plan to use this experience and insight as the basis for a future, exciting roll out plan.

As part of the strategic review, the Company looked at the quality of its estate and disposed of 5 under-performing venues and wrote down the carrying values of some of our other assets. The combination of a decline in sales, asset disposals and write downs together with the need to invest heavily in the business in both revenue and capital terms had a significant impact on our profitability. Consequently we under-took a complete financial restructuring which was completed in June 2007.

Throughout this period we continued to enjoy the full support of our banks. Our new arrangements give the business much greater headroom and, in addition, our principal investor, Cognetas LLP, has undertaken to invest further capital in the Novus Group, all of it ring-fenced for expansion, and the first tranche of £5m will be committed within the first quarter of 2008 to fund the roll out of our "premium bar" concept in the City of London.

Current Trade and Outlook

The benefits of the actions we took in 2005/6 continue to show. Results for the first half of 2007 were ahead of budget and Novus continues to perform strongly in the third quarter of the year. Like for like sales are well ahead of the comparable period and we expect the trend to continue. This is in spite of the general ban on smoking in public places introduced on 1st July 2007. We have taken steps to mitigate the ban by investing over £2m in opening up outside areas where we can, improving the quality of customer service and changing venue layouts to allow smokers to enter and exit more easily. Our trading experience in July and August suggests that our initiatives have been very well received by our customers. The board is cautiously optimistic that the impact of the ban will be rather less significant than had been predicted.

We will continue to invest in the development of the business by looking for new and better ways to improve customer satisfaction in order to improve footfall and average spend. Our roll out of the "premium bar" concept

Novus Investments I Limited (formerly Lightflower Holdings Limited)

will continue and we have a strong pipeline of new sites that we plan to open in 2007/8. We will also continue to invest in our unique web based marketing portal, www.latenightlondon.com

Novus continues to focus on its customers needs, offering a differentiated, lively and good quality experience in prime city centre locations. We look forward to continuing to grow the business throughout the peak festive trading period and into the new year.

Profit and dividends

The consolidated result set out on page 5 shows a loss after taxation for the period of £78,992,000 after charging exceptional items of £68,800,000.

Directors

The directors who held office during the year were as follows

J Barnes	(appointed 17 January 2006)
C Collins	(appointed 25 August 2005 – resigned 25 June 2007)
D Hamid	(appointed 12 December 2005 – resigned 25 June 2007)
D Lane	(appointed 25 August 2005)
S M Palmer	(appointed 14 November 2005 – resigned 13 November 2006)
S Richards	(appointed 14 November 2005)
J Holbrook	(appointed 13 November 2006)
C St John	(appointed 11 August 2007)

Details of the remuneration of the Directors are set out in Note 4 on page 16.

Employment policy

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and on various factors affecting the Group's performance.

Applications for employments by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant to perform the duties required by the job. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Group. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

Charitable and political donations

The Group made charitable donations in the period of £nil. The Group has not made any political donations during the period.

Principal risks and uncertainties

The board believes that the principal risks and uncertainties facing the Group in the coming year are as follows:

- Exposure to economic downturn in the UK resulting in lower consumer expenditure and in turn lower revenues
- Fiscal related matters. Changes to the rates of duty on alcoholic beverages, property rates, value added tax, personal and other business taxes could adversely affect the financial performance.
- Increases in operating costs. The minimum wage increased by 3.17% in October 2007.
- Regulation. The pub and restaurant industry in the UK is highly regulated at both national and local levels. Regulatory changes or failure to comply with regulations could adversely affect the results of operations. Regulations which may impact include licensing, smoking legislation, EU Noise directive, EU and UK employment legislation.
- Effects of terrorism. The Group operates principally from venues in central London. Further terrorist activity as occurred in July 2005 could have a material adverse effect on the Group.
- Debt, liquidity and revenue risks. The Group's debt financing exposes it to a variety of financial risks that include the effects of changes in the following:
 - Interest rate risk is managed through swapping floating rate debt into fixed rate debt. This has been achieved through the purchase of a £52m three year swap. See note 21 for details.
 - Currency risk. The Group operates within the United Kingdom and substantially all transactions are denominated in sterling, therefore, the Group does not suffer from a significant concentration of currency risk.
 - Credit risk. The Group does not have a significant concentration of credit risk. The Group's revenues are predominantly cash based with receivables principally recognised on sales of property assets and on income received from sub-lets.
 - Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of committed debt facilities. Short-term liquidity risk is managed through revolving credit facilities and short-term deposits.
 - Price risk. The Group is not exposed to commodity price risk.

Novus Investments I Limited (formerly Lightflower Holdings Limited)

Key Performance Indicators

The Group manages its performance through the monitoring of a number of financial measures, including but not exclusively, sales, gross profit and net profit. The Group's management are incentivised on a combination of these financial measures including other operational performance measures, such as health and safety compliance.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union,
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

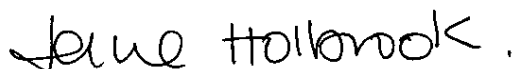
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

Statement of disclosure of information to auditors

For all persons who are directors at the time of the annual report,

- a) so far as each director is aware, there is no relevant audit information of which the companies auditors are unaware and
- b) each director has taken all the steps necessary as a director to make themselves aware of any relevant audit information and to establish that the companies auditors are aware of that information.

By Order of the Board



J Holbrook
Company Secretary
30 October 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVUS INVESTMENTS I LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Novus Investments I Limited for the period ended 31 December 2006, which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the Group Statement of Changes in Shareholders Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

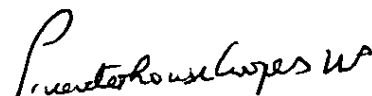
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its loss and cash flows for the period then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006 and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

1 November 2007

Novus Investments I Limited (formerly Lightflower Holdings Limited)

**CONSOLIDATED INCOME STATEMENT
for the period ended 31 December 2006**

	Notes	Period to 31 December 2006 £000
Continuing operations		
Revenue	1	105,180
Cost of sales		(21,140)
Gross profit		84,040
Administrative expenses - including exceptional items	2	(141,553)
Operating loss	2	(57,513)
Finance costs - net	5	(23,252)
Loss on ordinary activities before taxation		(80,765)
Tax on loss	6	1,773
Loss for the period attributable to equity shareholders		(78,992)

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

The Company has elected to take the exception under section 230 of the Companies Act 1985 to not present the parent company profit and loss account

The loss for the parent company for the period was £29,835,000

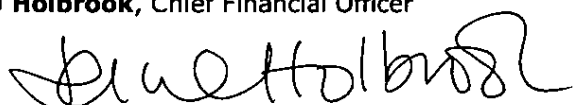
Novus Investments I Limited (formerly Lightflower Holdings Limited)

**CONSOLIDATED BALANCE SHEET
at 31 December 2006**

	Notes	2006 £000
Non current assets		
Goodwill	7	55,361
Other intangible assets	9	3,599
Property plant and equipment	10	43,278
Other non current assets	11	892
		103,130
Current assets		
Inventories	12	670
Trade and other receivables	13	6,275
Cash and cash equivalents	14	4,808
		11,753
Current liabilities		
Bank loans	16	(1,629)
Trade and other payables	15	(15,010)
Current tax liabilities	18	(38)
Deferred income	17	(103)
Provisions	19	(856)
		(17,636)
Net current liabilities		(5,883)
Total assets less current liabilities		97,247
Non current liabilities		
Bank loans	16	(173,289)
Deferred income	17	(1,454)
Deferred tax	20	(532)
		(175,275)
Net liabilities		(78,028)
Capital and reserves		
Share capital	21	16
Share premium		948
Retained deficit		(78,992)
Equity shareholders' deficit		(78,028)

The financial statements were approved by the Board of Directors on 30 October 2007 and were signed on its behalf by

J Holbrook, Chief Financial Officer



Novus Investments I Limited (formerly Lightflower Holdings Limited)

**COMPANY BALANCE SHEET
at 31 December 2006**

	Notes	Period to 31 December 2006 £000
Non current assets		
Investments	11	-
Current assets		
Other receivables	13	16,299
Net current assets		16,299
Non current liabilities	16	(45,170)
Net liabilities		(28,871)
Capital and reserves		
Share capital	21	16
Share premium		948
Retained deficit		(29,835)
Equity shareholders' deficit		(28,871)

The financial statements were approved by the Board of Directors on 30 October 2007 and were signed on its behalf by



J Holbrook
Chief Financial Officer

Novus Investments I Limited (formerly Lightflower Holdings Limited)

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the period ended 31 December 2006

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
Group				
On incorporation	-	-	-	-
Share issues	16	948	-	964
Loss for the period	-	-	(78,992)	(78,992)
Carried forward at 31 December 2006	16	948	(78,992)	(78,028)
Company				
On incorporation	-	-	-	-
Share issues	16	948	-	964
Loss for the period	-	-	(29,835)	(29,835)
Carried forward at 31 December 2006	16	948	(29,835)	(28,871)

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**CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 December 2006**

	Notes	Period to 31 December 2006 £000
Cash flows from operating activities	27a	
Cash generated from operations		21,004
Tax received		1,124
Interest paid		(7,993)
		14,135
Cash flows from investing activities		
Purchase of property, plant and equipment		(9,582)
Proceeds from sale of tangible fixed assets		477
Acquisition of subsidiaries		(122,003)
		(131,108)
Cash flows from financing activities		
Draw down of long term borrowings		127,000
Repayment of bank loan		(40,900)
Issue of preference shares		39,414
Issue of ordinary share capital		964
Debt issue costs paid		(4,697)
		121,781
Net increase in cash and cash equivalents		4,808
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		4,808

**COMPANY CASH FLOW STATEMENT
for the period ended 31 December 2006**

	Period to 31 December 2006 £000
Cash flows from financing activities	
Issue of ordinary share capital	964
Issue of preference shares	39,414
Loans to subsidiary undertaking	(40,378)
	-
Net increase/(decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	-

Report and Accounts

Period ended 31 December 2006

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Group has complied with those IFRS and IFRIC interpretations where the implementation date is relevant to the financial year ended 31 December 2006 but has not early adopted other IFRS interpretations.

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at their fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of 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 reporting 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.

GOING CONCERN

The financial statements have been prepared on the assumption that the company and the group are going concerns despite the existence of substantial net current liabilities and net liabilities at the period end.

The group is dependent on facilities provided to it by rbs and its banking syndicate. These facilities were successfully renegotiated on 2 August 2007 and became effective from that date. The new facilities comprise term loans of approximately £85 million and a base revolving credit/overdraft facility of £10 million. They also contain various covenants. The facilities extend beyond 5 years from the balance sheet date.

The directors have reviewed the cash projections and funding requirements of the group over the next two years and believe that the group can operate within all the terms of these facilities. Accordingly they believe the going concern assumption to be an appropriate basis for the financial statements.

EXEMPTIONS

On first time adoption of IFRS, the Group has followed the guidance outlined in *IFRS 1, First Time Adoption of International Financial Reporting Standards*, in which a number of optional exemptions to the general principle in full of retrospective application are permitted. The Group has adopted the following approach in respect of the following key exemptions:

- Business combinations. The Group has not accounted for business combinations prior to the transition date.
- Property, plant and equipment. The Group has retained the UK GAAP carrying value of property, plant and equipment and has elected not to use the fair value as deemed cost of these items.

EXCEPTIONAL ITEMS

The Group classifies items of income and expenses as exceptional items, where the nature of the item and its size is material so as to assist the user of the financial statements to better understand the results of the operations of the Group.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group.

Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Control is normally evidenced when the Company either directly or indirectly owns more than 50% of the voting rights or potential voting rights of a company's share capital.

The accounting reference date for all subsidiaries is the same as the parent company.

BUSINESS COMBINATIONS

Under the requirements of IFRS 3, all business combinations are accounted for using the purchase method ("acquisition accounting"). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any costs directly attributable to the business combination.

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On acquisition of a subsidiary, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at that date. Any excess of the cost of acquisition over the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Consolidated Income Statement in the period of acquisition.

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 effect date of disposal.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

FINANCIAL INSTRUMENTS

Within the 2006 financial statements, the Group has applied IAS32, Financial Instruments Disclosure and Presentation, and IAS 39, Financial Instruments Recognition and Measurement. Financial Instruments are disclosed in note 21.

Financial assets and liabilities – measurement basis

Financial assets and liabilities are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value net of transaction costs. Any impairment of a financial asset is charged to the Consolidated Income Statement when incurred. Financial assets are derecognised when the Group's rights to cash inflows from the asset expire, financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

Financial assets are classified according to the purpose for which the asset was acquired. The Group's financial assets are classified as either:

- **"loans and receivables"** – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor, or advances money, with no intention of trading the loan or receivable. Subsequent to initial recognition loans and receivables are included in the balance sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in carrying amount recognised in the Consolidated Income Statement. This category includes trade receivables and other debtors which do not carry any interest.
- **"cash and cash equivalents"** – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, and cash on hand.

The Group's financial liabilities are classified as "other financial liabilities". These are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group receives goods or services directly from a credit or supplier, or borrows money, with no intention of trading the liability. This category includes:

- **trade and other payables** – these are typically non-interest bearing and following initial recognition are included in the balance sheet at amortised cost.
- **bank loans and overdrafts** – these are initially recorded at fair value based on proceeds received, net of issue costs. Finance charges are accounted for on an accruals basis and charged to the Consolidated Income Statement using the effective interest rate method.
- **Preference shares** – these are treated as long term debt and accrue interest at a fixed rate which is charged to the Consolidated Income Statement. The interest is only payable if sufficient reserves exist and the shares are non-voting and rank ahead of the ordinary shares in the event of a winding up.
- **Deep Discount Bonds** – these are treated as long term debt and accrue interest at a fixed rate which is charged to the Consolidated Income Statement. The interest is only payable in cash on redemption of the bonds in 2015.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within finance costs - net.

The Group has no embedded derivatives that are not closely related to the host instrument.

PROVISIONS

Provisions for onerous lease commitments, public liability insurance claims and other items are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount can be measured reliably.

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GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired business at the date of acquisition. Goodwill is recognised as an asset and is reviewed for impairment at least annually, with goodwill allocated to cash generating units for the purpose of impairment testing. Any impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed.

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

OTHER INTANGIBLE ASSETS

Acquired trademarks and licenses are included at purchase cost and amortised over their finite useful economic lives on a straight-line basis.

Intangibles acquired separately and through business combinations, i.e. licences and other intangible assets, where material, are included at cost or fair value respectively and amortised over their useful economic lives, being the shorter of the term of the lease to which they are attached or the licence.

The Group does not carry out research and development activities that may lead to the recognition of internally generated intangible assets. The Group's internally generated brands represent commercially valuable intangibles but are not eligible for recognition as assets under IAS 38, *Intangible Assets*.

REVENUE RECOGNITION

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

(a) Sale of goods

Sales of goods are recognised when goods and services are provided.

(b) Admission revenue

Admission revenue is recognised on the date of admission.

INTEREST INCOME

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

PROPERTY, PLANT AND EQUIPMENT

All classes of property, plant and equipment are stated at cost, net of depreciation and any recognised impairment losses. Cost includes other directly attributable costs. Depreciation is not charged during the period of construction, and commences when the assets are ready for their intended use.

Depreciation is calculated to write down the cost or valuation, less estimated residual value of all assets, other than freehold land, by equal annual instalments over their estimated useful lives.

The periods generally applicable are:

- Short leasehold buildings and related structural fixtures and fittings – over the period of the lease
- Other fixtures and fittings, furniture and equipment – between two and ten years
- Motor vehicles – four years

The assets residual value and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date, and any depreciation adjusted prospectively.

An assessment is made at each reporting date if there is any indication that an asset may be impaired. If any indications are deemed to exist, the relevant assets are tested for impairment. Any impairment is determined as the difference between the higher of value-in-use, calculated by discounting an estimate of future cash flows by the Group's pre-tax weighted average cost of capital, and fair value less costs to sell, compared to the carrying value of the relevant asset. Fair value less cost to sell is estimated by qualified surveyors and valuers and by applying the knowledge and experience of management, together with external market indicators. If the recoverable amount is less than the carrying value of the asset then the carrying value is reduced to recoverable amount, and the resulting impairment charge is recognised in the Consolidated Income Statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method.

Novus Investments I Limited (formerly Lightflower Holdings Limited)

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable to deductible in other years and it further excludes items that are new taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Where taxation computations submitted to the taxation authorities are yet to be agreed, the Group's estimate of tax liabilities reflects the uncertainty as to the amount of tax that may ultimately be payable.

Deferred tax is the tax accounted for in respect of temporary 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 balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised in the temporary difference arises from the recognition of goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is not discounted.

IAS 12, *Income Taxes*, requires that the measurement of deferred tax should have regard to the tax consequences that would follow from the manner of expected recovery or settlement, at the balance sheet date, of the carrying amount of its assets and liabilities. In calculating its deferred tax liability the Group's policy is to regard the depreciable amount of the carrying value of its property, plant and equipment to be recovered through continuing use in the business, unless included within assets held for sale where the policy is to regard the carrying amount as being recoverable through sale.

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. Deferred tax is charged or credited to the Consolidated 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.

LEASING

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 included within deferred income and recognised in the Consolidated Income Statement on a straight-line basis over the lease term.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an entity that provides products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Business segments have been designated as the primary segment as these segments reflect the dominant source and nature of the Group's returns and is consistent with the internal reporting structure of the Group. The Group has only one business and geographic segment, being the UK, as no regions of the UK or subsets of the business exposed the Group to differentiated risks and returns.

FINANCE COSTS

All finance costs are recognised as an expense in the period in which they are incurred.

EMPLOYEE BENEFITS

Retirement benefit costs

Payments made to defined contribution retirement schemes are charged as an expense when they fall due. The Group has no defined benefit or other retirement benefit schemes.

Share based compensation

The Group has applied the requirements of IFRS 2, *Share-based payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

Novus Investments I Limited (formerly Lightflower Holdings Limited)

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will actually vest, with a corresponding credit entry directly to equity reserves. Fair value is measured by means of a binomial model.

A liability is recognised at current fair value at each balance sheet date for cash settled share-based payments, with changes in the fair value recognised in the Consolidated Income Statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks.

SHARE CAPITAL

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

1. Turnover

The business only operates in one segment, operation of bars and restaurants

Revenue represents cash receipts and amounts receivable, net of VAT, from the sale of goods and services to third party customers. It arises entirely in the United Kingdom

2. Operating loss for the Period

	2006 £000
Loss for the period is stated after	
Auditors remuneration	
- Audit services - Company	10
- Audit services - Consolidation	25
- Audit services - Subsidiary Undertakings	75
- Taxation services	45
Operating lease rentals of land and building	11,155
Depreciation of property, plant and equipment	7,210
Amortisation of intangible assets	421
Loss on disposal of tangible fixed assets	645
Loss on disposal of goodwill	664
Exceptional items included within administrative expenses	
Impairment of tangible fixed assets	6,700
Impairment in acquisition goodwill	62,100

Loss on disposal of tangible fixed assets arose on the sale of the leasehold interests and associated trading assets on 3 venues during the period

A provision of £62.1m against the carrying value of the goodwill generated on acquisition of Novus Leisure Limited (formerly Urbium PLC) was made in the period

Following a valuation of the tangible fixed assets of the business based on both an external valuation of certain properties and an internal valuation based on discounted cash flow the directors were of the view that an impairment charge of £6,700,000 should be made against the carrying value of certain leasehold properties

The parameters used in assessing the discounted cash flow were as follows

Forecast EBITDA for the year ended 31 December 2007
Predicted growth rate of 2%
Discount rate 11.5%

3. Directors and Employees

The average number of persons employed by the Group (including Executive Directors) during the period was as follows

	2006 Number
Administration and marketing	40
Operations	1,326
	1,366
	£000
Employee costs charged during the period were as follows	
Wages and salaries	24,106
Social security costs	2,255
Pension costs	444
	26,805

The Group operates a defined contribution personal pension scheme. The charge for the period represents those contributions payable to this scheme and other personal pension schemes

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

4. Directors' remuneration

	Salaries £000	Other £000	Total Emoluments £000	Pensions £000	Total Remuneration 2006 £000
Executive Directors					
S Palmer	298	-	298	46	344
S Richards	429	-	429	64	493
J Holbrook	13	-	13	-	13
MJ Barnes	26	-	26	-	26
D Hamid	73	-	73	-	73
	839	-	839	110	949

5. Net Finance Cost

	2006 £000
Interest payable on bank borrowings	(9,695)
Interest payable on deep discounted bonds	(7,456)
Amortisation of issue costs of bank loans	(783)
Preference share interest accrued	(5,756)
Other interest payable	(261)
Total borrowing costs	(23,951)
Income on bank deposits	179
Gain from fair valuation of interest rate SWAP	520
Interest receivable	699
Finance costs net	(23,252)

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

6. Tax on Loss for the Period

	2006 £000
(i) Analysis of credit in the period	
Deferred tax	
Current period	(1,773)
Tax on loss	(1,773)

(ii) Factors affecting tax credit for the period

The tax credit for the period is different to the standard rate of tax in the UK (30%) The differences are explained below

	2006 £000
Loss on ordinary activities before tax	(80,765)
Loss on ordinary activities at the standard rate of UK tax	(24,230)
Effects of	
Expenses not deductible for tax purposes (including amortisation)	2,389
Items not deductible for tax purposes	18,630
Depreciation for the period in excess of capital allowances	1,886
Interest not allowable	3,808
Provisions not allowable for tax purposes	(142)
Group relief available	(2,341)
	-

(iii) Factors affecting tax charge in future years

The future tax charge will be principally affected by the level of ongoing capital expenditure and related capital allowances

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

7. Goodwill

	Goodwill arising on Consolidation £000	Goodwill arising on acquisition £000	Total £000
Cost			
Acquisition during the period (note 8)	108,528	9,597	118,125
Disposals	-	(664)	(664)
At 31 December 2006	108,528	8,933	117,461
Cumulative impairment losses			
Charged during period	(62,100)	-	(62,100)
At 31 December 2006	(62,100)	-	(62,100)
Net Book Value			
At 31 December 2006	46,428	8,933	55,361

During the period the Group acquire the entire issued share capital of Novus Leisure Ltd (formerly Urbium PLC) resulting in goodwill of £108.5 million. The Group's goodwill, excluding that arising upon the acquisition of Novus Leisure Ltd, relates to the acquisition of individual bars.

The annual impairment review for goodwill for 2006 has been conducted using the allocation of goodwill arising to Novus Leisure Ltd and that arising upon the acquisition of individual bars. For the purpose of the annual impairment review the recoverable amount has been based on the higher of value in use or fair value.

The Group estimates the value in use of its costs using a discounted cash flow model which adjusts the cash flow for risks associated with the assets and are discounted using a pre tax rate of 11.5%.

8. Acquisition of business

On 18 October 2005 the Group acquired the entire issued share capital of Novus Leisure Ltd (formerly Urbium PLC). The assets and liabilities acquired are outlined below.

	IFRS Book Value £m	Fair Value Adjustment £m	Fair Value £m
Non current assets			
Property, plant and equipment	55,348	(6,620)	48,728
Intangible assets	17,392	(3,798)	13,594
Other non current asset	938	-	938
Current assets	17,174	(691)	16,483
Current liabilities	(14,161)	(558)	(14,719)
Provisions	-	(1,320)	(1,320)
Non current liabilities	(41,428)	-	(41,428)
	35,263	(12,987)	22,276
Cash Paid			130,804
Goodwill			108,528

The principal fair value adjustments relate to impairment charges of goodwill, intangible assets and property, plant and equipment and provision for onerous lease commitments in relation to a non trading property.

Novus Leisure Ltd (formerly Urbium PLC) and its subsidiaries contributed £105m to revenue and £5.7m to operating profit since acquisition. In the period from 18 October 2005 to 31 December 2005, Novus Leisure Ltd contributed £24.5m to revenue and £5.1m to operating profit.

Net cash paid on the acquisition of the business of £122.0m on the face of the Consolidated Cash Flow Statement is net of £10.3m cash acquired with the business, and includes £1.6m of costs of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

9. Other Intangible Fixed Assets

	Licence Rights £000	Other £000	Total £000
Group			
Cost			
Acquisitions	3,924	96	4,020
At 31 December 2006	3,924	96	4,020
Amortisation			
Amortisation in period	(392)	(29)	(421)
At 31 December 2006	(392)	(29)	(421)
Net book value			
At 31 December 2006	3,523	67	3,599

Licence rights comprise the asset acquired when the Group purchases an existing bar nightclub, which is immediately closed, fully refurbished and re-branded by the Group. Licence rights are being amortised over periods of between 7 and 20 years being the shorter of length of licence or remaining lease period.

Other intangible assets comprise trademarks which are being amortised over period of between 7 and 20 years being the remaining lease period.

10. Property, Plant and Equipment

	Assets in course of construction £000	Leasehold Improvements £000	Fixtures, fittings and equipment £000	Total £000
Group				
Cost				
Acquisitions	1,697	31,563	15,468	48,728
Additions	-	5,449	4,133	9,582
Transfers from assets in course of construction	(1,678)	1,732	(54)	-
Disposals	(19)	(543)	(910)	(1,472)
At 31 December 2006	-	38,201	18,637	57,188
Depreciation				
Charged in the year	-	(2,593)	(4,617)	(7,210)
Disposals	-	350	-	350
Impairment	-	(6,700)	-	(6,700)
At 31 December 2006	-	(8,943)	(4,617)	(13,560)
Net book value				
At 31 December 2006	-	29,258	14,020	43,278

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

11. Other Non Current Assets

	£000
Group	
Other receivables	892

Other receivables relate to rent deposits and lease premiums

The Company invested £1 in its immediate subsidiary undertaking, Novus Investments II Limited in the period, representing the entire issued share capital of that company

The principal companies in the Group, which are registered and incorporated in the country of operation are as follows

	Country of incorporation and operation	Activity	Ordinary share capital owned by the Company	owned by subsidiary undertakings
Novus Investments II Limited	England and Wales	Holding Company	100%	
Novus Acquisitions Limited	England and Wales	Holding Company		100%
Novus Leisure Limited	England and Wales	Holding Company		100%
Novus Bars Limited	England and Wales	Holding Company		100%
A3D2 Limited	England and Wales	Bar operator		100%

12. Inventories

	2006 £000
Group	
Goods held for resale	670

The company holds no inventories

13. Trade and Other Receivables

	Group 2006 £000	Company 2006 £000
Amounts owed by subsidiary undertakings	-	16,299
Other debtors	1,807	-
Prepayments and accrued income	3,948	-
Fair value of interest rate SWAP	520	-
	6,275	16,299

Amounts owed by subsidiaries includes an interest bearing loan of an initial amount of £39,414,000 Interest is charged at a rate of 15.5% and is repayable on demand Total accrued interest as at 31 December 2006 is £8,158,000 The company has provided £31,273,000 against this debt

14. Cash and Cash Equivalents

	2006 £000	2006 £000
Cash at bank and in hand	4,808	-

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

15. Trade and Other Payables

	Group 2006 £000	Company 2006 £000
Trade payables	9,015	-
Social security and other tax	3,469	-
Accruals	2,526	-
	15,010	-

16. Bank Loans

	£000	£000
Amounts falling due within one year		
Bank loans	2,300	-
Issue costs deferred	(671)	-
	1,629	-
Amounts falling due after more than one year		
Preference shares	45,170	45,170
Bank loans	83,906	-
Deep discounted bonds	47,456	-
Issue costs deferred	(3,243)	-
	173,289	45,170

The group issued £168,997,326 of unsecured deep discounted bonds 2015 on 28 October 2005 at an initial discounted price of £40,000,000. The bonds were redeemed on 2 August 2007 (note 28)

The group issued £39,414,000 preference shares of 10 85%

The holders of the mezzanine bank debt hold warrants over 28,000 ordinary shares

17. Deferred Income

	£000	£000
Deferred income	1,557	-
Deferred income has been analysed between current and non-current as follows		
Current	103	-
Non-current	1,454	-
	1,557	-

18. Current Tax Liabilities

	£000	£000
Current tax liabilities	38	-

Current tax liabilities represent the amount provided for as a result of business activities undertaken in a tax efficient manner, pending agreement with the relevant tax authority. The amount provided will be paid or released to the Consolidated Income Statement once agreement is reached.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

19. Provisions

	Onerous Leases £000	Other £000	Total £000
On Acquisition	1,330	12	1,342
Utilised during the period	(474)	(12)	(486)
At 31 December 2006	856	-	856

Provisions have not been discounted since the effect of discounting would not be material

Onerous Leases

Provisions for onerous leases represent onerous commitments on operating leases for properties currently closed where assignment of the lease or sub-let of the property is unlikely in the short term

Provision is made for rent and related property costs for the period management estimate the property would not be sub-let, or until assignment of the lease is probable

Where the property is deemed likely to be assigned, provision is made for the best estimate of the reverse lease premium payable on the assignment, if this represents the least cost to exit from the commitment

20. Deferred Tax

	£m
On Acquisition - liability	2,305
Income statement	(1,773)
At 31 December 2006	532

The analysis of the year end deferred tax position is as follows

	£000
On property, plant and equipment	896
Other temporary differences	(364)
	532

20. Share Capital

	Number	£000
Authorised		
1p Ordinary shares	428,000	4
1p 'A' Ordinary shares	1,172,000	12
	1,600,000	16
Issued and fully paid		
1p Ordinary shares	377,200	4
1p 'A' Ordinary shares	1,172,000	12
	1,549,200	16

Both ordinary and 'A' ordinary shares rank pari passu in all respects Each ordinary share was issued for £1 and each 'A' ordinary share was issued for 50p

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

21. Financial Instruments

Due to the predominantly cash-based nature of the Group's operations, the only financial instruments that materially expose the Group to any of the financial risks detailed in the notes below are debt financing and related interest rate swaps, and the disclosures to follow relate principally to these items

The Group uses derivative financial instruments in order to reduce its exposure to interest rate risk. The use of such financial instruments constitutes an integral part of the Group's funding strategy. The Group manages its derivative financial instrument credit risk by only undertaking transactions with relationship banks holding good credit ratings. Such transactions are governed by Board policies and procedures.

(a) Interest rate exposure of financial liabilities

After taking into account the various interest rate swaps entered into by the Group, the interest rate profile of the Group's financial liabilities at 31 December 2006 was

	Capped /Fixed Rate £m	Floating Rate £m	Total £m	Capped Interest Rate %	Floating Interest Rate %	Weighted average Time Period years
Senior Bank Borrowings	51,660	13,440	86,206	7.60	8.45	Up to 8
Mezzanine Debt	-	21,106	-	-	14.25	8.75
Preference Shares	45,170	-	45,170	10.85	-	-
Deep Discount Bonds	47,456	-	47,456	15.25	-	8

Included within the above is £51.7m of notional principal amounts in relation to two interest rate swaps. The swaps based on a capped rate of 4.9% reduce in line with the repayment schedule of the Company's principal bank borrowings. The fair value of the interest rate swaps (note 21d) was estimated by the finance providers based on market conditions at the year end. The values were calculated using their valuation models with mid-market rates. Gains and losses on derivative financial instruments are recognised in the income statement. The floating rate bank borrowings bear interest at rates based on LIBOR for periods of between one month and six months.

(b) Maturity analysis of financial liabilities

The maturity profile of the Group's financial liabilities was as follows

	Preference Shares £m	Bank Borrowings £m	Deep Discounted Bonds £m	Total £m
Within one year or on demand		2,300	-	2,300
Between one and two years		2,700	-	2,700
Between two and five years		13,250	-	13,250
Over five years	45,170	67,956	47,456	160,582
Debt Issue costs		(3,914)		(3,914)
As at year end	45,170	82,292	47,456	174,918

(c) Borrowing facilities

The Group's undrawn floating facilities at the balance sheet date were as follows

	31 December 2006 £000
Expiring after two years	22,500

Of these facilities, £nil is committed and secured by means of a floating charge over the Group's current and future assets. The floating charge also secures the bank loans drawn down of £86.2m in (b) above.

£12.5m of undrawn facilities at the year end were cancelled as part of the refinancing of the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

21. Financial Instruments (continued)

(d) Fair values of financial assets and liabilities

	31 December 2006	
	Book Value £000	Fair Value £000
Primary financial instruments held or issued to finance the group operations		
Short-term financial liabilities and current position of long-term borrowings (i)	(1,629)	(1,629)
Long-term borrowings (ii)	(173,289)	(173,289)
Cash at bank and in hand (iii)	4,808	4,808
Derivative financial instruments held to manage the Interest rate and currency profile		
Interest rate swaps (v)	520	520

The fair value of other financial assets and liabilities approximate their carrying value

- (i) Drawings made under the Group's floating rate facility, where fair value approximates to book value
- (ii) Cash at bank, including short-term deposits all deposits made are for short durations (less than one month), therefore, given the short maturity periods, there is no significant difference between the book value and fair value of these deposits
- (iii) The fair value of interest rate swaps has been determined with reference to market rates as the balance sheet date At 31 December 2006 the book value of these swaps equates to their fair value as these derivatives are stated at their fair value under IAS 39

(e) Hedges on future transactions

The Group's policy is to manage interest rate risk by using interest rate swaps and forward rate agreements Following the implementation of IAS 39 during the year to 31 December 2006, these interest rate swaps are held within liabilities at their fair value These interest rate swaps do not qualify for hedge accounting under IAS 39, therefore, changes in their fair value are recorded through the Consolidated Income Statement

(f) Financial instruments held for trading purposes

The Group does not trade in financial instruments

22. Share Options and Share Schemes

The Company operates one share option scheme

	Granted	Lapsed	At 31 December 2006
Novus Unapproved Executive Option Scheme	22,800	12,250	10,550

All options are exercisable at a price of £1

23. Capital Commitments

The Group has capital commitments of £nil at 31 December 2006

24. Operating Lease Commitments – Minimum Lease Payment

The Group has future minimum lease payments under non-cancellable operating leases as follows

	2006 £000
Expiring between one and five years	
Expiring after five years	191,340
	191,340

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2006

25. Contingent Liabilities

The company is also an obligor to the senior sterling term and multi currency banking facilities provided to Novus Acquisitions Limited. As at 31 December 2006 £86.2 million of these facilities were outstanding.

26. Pension

The Group operates a number of defined contribution schemes for its employees. The pension costs are charged to the income statement in the year that they are incurred and any outstanding contributions at the year end are included within creditors. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs for each year represent the contributions payable to the funds each year.

27. Cash Flow from Operating Activities

Reconciliation of Net Cash Inflow from Operating Activities

	2006 £000
Loss before taxation	(80,765)
Amortisation of intangible assets	421
Depreciation	7,210
Net finance charge	23,252
Impairment of tangible assets	6,700
Impairment of intangible assets	62,100
Utilisation of provision	(486)
Loss on disposal of tangible assets	645
Loss on disposal of goodwill	664
Decrease in inventories	91
Decrease in receivables	74
Increase in trade and other payables	1,098
Net cash inflow from operations	21,004

28. Subsequent Events

On 2 August 2007, all the holders of the issued £168,997,326 of unsecured deep discount bonds 2015 agreed to convert their holding into 3,380 ordinary shares of £1 each in Novus Investments II Ltd. The holders of these shares then agreed to sell their shares immediately to Novus Investments I Ltd in exchange for 338,000 deferred shares of 1p in Novus Investments I Ltd. The company increased its authorised share capital by £3,380. On 2 August 2007, the holders of £15,765,600 cumulative preference shares agreed to convert their holding into 1,576,560,000 deferred shares of 1p each.

On 2 August 2007 the group negotiated revised banking terms, which increased the weighted average interest rate on senior bank debt by 0.9% and by 0.75% on the mezzanine bank debt. £12,500,000 of facilities not utilised at the year end were cancelled.

In addition the maturity of the bank debt was amended as follows:

	Bank Borrowings	Issue Costs	Total
	£000	£000	£000
Within one year or on demand	1,150	(671)	479
Between one and two years	2,500	(671)	1,829
Between two and five years	12,225	(2,013)	10,212
Over five years	70,331	(559)	69,772
As at year end	86,206	(3,914)	82,292

In addition, on 2 August 2007, £5 million of 15% unsecured loan notes 2017 were issued to the shareholders of the company.