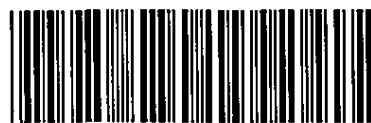


Novus Investments I Limited

Report and Accounts

31 December 2007
Registered Number 5513688

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DIRECTORS AND ADVISORS

AUDITORS

PRICEWATERHOUSECOOPERS LLP

1 EMBANKMENT PLACE

LONDON WC2N 6RH

BANKERS

ROYAL BANK OF SCOTLAND PLC

135 BISHOPSGATE

LONDON EC2M 3UR

REGISTERED OFFICE

VERNON HOUSE

40 SHAFTESBURY AVENUE

LONDON W1D 7ER

REGISTER OF DIRECTORS

M J BARNES

D LANE

S RICHARDS

J HOLBROOK

C ST JOHN

Novus Investments I Limited

Report and Accounts Year ended 31 December 2007

REPORT OF THE DIRECTORS

The Directors submit their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2007

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

Overview

The company made significant progress during 2007, building on the strategic foundation built in 2006

Following on from the 2006 strategic review the company continued its disposal programme of non core venues and disposed of a further site in the first quarter of the year. The combination of a decline in sales and asset disposals together with the need to invest heavily in the business in both revenue and capital terms had a significant impact on our profitability in the first half of the year. A complete financial restructuring was undertaken which completed in August 2007 strengthening the balance sheet

Throughout this period we continued to enjoy the full support of our banks. The new financing arrangements have given the business much greater headroom and, in addition, our principal investor, Cognetas LLP, invested a further £5m capital during the year, all of it ring-fenced for expansion

Business Review

The London market, where most of the group's venues are concentrated, remained resilient for most of the year. The West End quickly recovered from the foiled terrorist incident in Haymarket on July 2. The City venues experienced a softening in the second half which was notable for the fact that the dip began at virtually the same time as the credit crunch took effect. However, a noticeable dip in confidence became apparent during the middle of November which impacted the Christmas trading period

During the year a joint venture was launched with Lucky Voice. The concept is a karaoke pod situated within the Tiger Tiger Manchester Venue. Initial results are encouraging and it is anticipated that further pods will be rolled out at other Tiger Tiger Venues during 2008. (Cardiff opens July 2008)

The impact of the smoking ban in July 2007 was mitigated by several actions taken by management. The company invested over £2m in opening up outside areas where possible, improving the quality of customer service and changing venue layouts to allow smokers to enter and exit more easily. Our trading experience following the ban suggested that the initiatives had been well received by our customers

Further sales initiatives were used to drive sales during 2007. Monday to Thursday trade was driven by 'Big Night' promotions, pre booked events and third party internet sales. These drove footfall in the venues.

The internet portal of "latenightlondon" has encouraged significant sales growth allowing all the company's venues to be marketed within one website. It also helped to drive corporate bookings

The company's new "Premium Bar" concept is developing well. Sales have been encouraging and the return on investment exceeds our initial estimates

Current Trade and Outlook

2008 is expected to be challenging as the impact of the credit crunch is felt in the wider economy, particularly the leisure sector. However, the Board is cautiously optimistic that the company will grow during the year and increase its market share accordingly

The Board will look to grow both by multiple site acquisitions and also ad hoc one off purchases. In addition the Group 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, as well as continuing to invest in our unique web based marketing portal, www.latenightlondon.com

In March 2008 the company purchased seven outlets from the administrators of Soho Clubs and Bars. All the venues are based in the West End. At the same time our largest investor, Cognetas LLP invested a further £3m in the business to drive further acquisitions

Our roll out of the "premium bar" concept will continue. A new venue in the City, Abbey, opened in April 2008

Novus Investments I Limited

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 2008.

Profit and dividends

The consolidated result set out on page 5 shows a loss after taxation for the year of £10,443,000 (2006 loss of £78,992,000) after charging exceptional items of £702,000 (2006 £68,800,000).

Directors

The directors who held office during the year were as follows

M J Barnes	
C Collins	(resigned 25 June 2007)
D Hamid	(resigned 25 June 2007)
D Lane	
S Richards	
J Holbrook	
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 year of £Nil (2006 £Nil). The Group has not made any political donations during the year (2006 £Nil).

Principal risks and uncertainties

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

- Exposure to an economic downturn in the UK resulting in lower consumer expenditure and in turn lower revenues
- Fiscal related matters. The UK Chancellors Budget changes to the rates of duty on alcoholic beverages, announced in March 2008, property rates, value added tax, personal and other business taxes could adversely affect the financial performance.
- Labour cost pressures
- 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, EU Noise directive, EU and UK employment legislation.
- Effects of terrorism. The company operates principally from venues in central London. Further terrorist activity such as the one that actually occurred in July 2005, and the one that nearly took place in June 2007, 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. These risks, and how they are mitigated, are as follows:
 - 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. In March 2008 the total value of the swap was increased to £70m until December 2010.
 - Currency risk. The Group operates within the United Kingdom and substantially all transactions are denominated in sterling.
 - Credit risk. The Group's revenues are predominantly cash.
 - 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.

Key Performance Indicators

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

Novus Investments I Limited

A comparison of the performance of the measures, year on year, is shown below

	2007	2006	Calculation method	Commentary
Total Revenue Growth %	0.1%	3.6%	Total revenue in current year divided by total revenue in prior year. The prior period is adjusted to include only the results of the comparative 12 month period.	See Business Review
Trading Gross Profit %	79.5%	79.9%	Gross profit divided by total sales for the trading company.	See Business Review

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 year.

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

23 MAY 2008

Novus Investments I Limited

Report and Accounts

Year ended 31 December 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 year ended 31 December 2007, 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

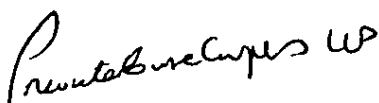
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its loss and cash flows for the year 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 2007 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

23 May 2008

Novus Investments I Limited

**CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2007**

	Notes	Year ended 31 December 2007 £000	17 month period ended 31 December 2006 £000
Continuing operations			
Revenue	1	83,516	105,180
Cost of sales		(17,135)	(21,140)
Gross profit		66,381	84,040
Administrative expenses – including exceptional items	2	(60,765)	(141,553)
Operating profit / (loss)	2	5,616	(57,513)
Finance costs - net	5	(17,234)	(23,252)
Loss on ordinary activities before taxation		(11,618)	(80,765)
Tax on loss	6	532	1,773
Loss for the period attributable to equity shareholders		(11,086)	(78,992)

The Group has no other recognised gains or losses other than the results for the year 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 profit for the parent company for the year was £3,078,000 (2006 loss of £29,835,000)

Novus Investments I Limited

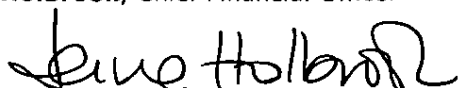
**CONSOLIDATED BALANCE SHEET
at 31 December**

	Notes	2007 £000	2006 £000
Non current assets			
Goodwill	7	55,361	55,361
Other intangible assets	8	3,270	3,599
Property plant and equipment	9	40,369	43,278
Other non current assets	10	770	892
		99,770	103,130
Current assets			
Inventories	11	713	670
Trade and other receivables	12	6,555	6,275
Cash and cash equivalents	13	7,801	4,808
		15,069	11,753
Total Assets		114,839	114,883
Current liabilities			
Loans	15	(4,829)	(1,629)
Trade and other payables	14	(10,705)	(15,010)
Current tax liabilities	17	(31)	(38)
Deferred income	16	(104)	(103)
Provisions	18	(836)	(856)
		(16,505)	(17,636)
Non current liabilities			
Loans	15	(115,577)	(173,289)
Deferred income	16	(1,338)	(1,454)
Deferred tax	19	-	(532)
		(116,915)	(175,275)
Total liabilities		(133,420)	(192,911)
Net liabilities		(18,581)	(78,028)
Capital and reserves			
Share capital	20	15,785	16
Share premium		55,712	948
Retained earnings - deficit		(90,078)	(78,992)
Equity shareholders' deficit		(18,581)	(78,028)

The financial statements were approved by the Board of Directors on _____ and were signed on its behalf by.

23 MAY 2008

J Holbrook, Chief Financial Officer



23 MAY 2008

Novus Investments I Limited

**COMPANY BALANCE SHEET
at 31 December**

		2007	2006
	Notes	£000	£000
Non current assets			
Investments	10	3	-
Current assets			
Other receivables	12	22,561	16,299
Total Assets		22,564	16,299
Non current liabilities	15	(29,473)	(45,170)
Total Liabilities		(29,473)	(45,170)
Net liabilities		(6,909)	(28,871)
Capital and reserves			
Share capital	20	15,785	16
Share premium		4,063	948
Retained earnings - deficit		(26,757)	(29,835)
Equity shareholders' deficit		(6,909)	(28,871)

The financial statements were approved by the Board of Directors on _____ and were signed on its behalf by

23 MAY 2008



J Holbrook
Chief Financial Officer

23 MAY 2008

Novus Investments I Limited

**CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended 31 December 2007**

	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)
Share issues	3	-	-	3
Converted from preference shares	15,766	-	-	15,766
Cancelled interest on converted prefs	-	3,115	-	3,115
Loss for the year	-	-	(11,086)	(11,086)
Cancellation of deep discounted bonds	-	51,649	-	51,649
Carried forward at 31 December 2007	15,785	55,712	(90,078)	(18,581)
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)
Share issues	3	-	-	3
Converted from preference shares	15,766	-	-	15,766
Cancelled interest on converted prefs	-	3,115	-	3,115
Profit for the year	-	-	3,078	3,078
Carried forward at 31 December 2007	15,785	4,063	(26,757)	(6,909)

Novus Investments I Limited

**CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December**

		Year ended 31 December 2007	17 month period ended 31 December 2006
	Notes	£000	£000
Cash flows from operating activities			
Cash generated from operations	27	7,369	21,004
Tax (paid) / received		(7)	1,124
Net interest paid		(7,318)	(7,993)
		44	14,135
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,142)	(9,582)
Proceeds from sale of tangible fixed assets		94	477
Acquisition of subsidiaries		-	(122,003)
		(3,048)	(131,108)
Cash flows from financing activities			
Draw down of borrowings		3,000	127,000
Repayment of bank loan		(1,598)	(40,900)
Issue of preference shares		-	39,414
Loan Note issue		5,000	-
Issue of ordinary share capital		-	964
Debt issue costs paid		(405)	(4,697)
		5,997	121,781
Net increase in cash and cash equivalents		2,993	4,808
Cash and cash equivalents at beginning of year		4,808	-
Cash and cash equivalents at end of year		7,801	4,808

**COMPANY CASH FLOW STATEMENT
for the year ended 31 December**

	Year ended 31 December 2007	17 month period ended 31 December 2006
	£000	£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 year	-	-
Cash and cash equivalents at end of year	-	-

Novus Investments I Limited

Report and Accounts Year ended 31 December 2007

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 2007.

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 the Royal Bank of Scotland 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 five years from the balance sheet date.

The directors have reviewed the cash projections and funding requirements of the group over the next year 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.

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.

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 effective date of disposal.

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

FINANCIAL INSTRUMENTS

Within the 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.

IFRS 7 "Financial Instruments Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group or company's financial instruments, or the disclosures relating to taxation and trade and other payables.

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.
- **"Trade Receivables"** – A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provisions is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administration costs". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.
- **"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 bonds were converted into ordinary shares on 2 August 2007.

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 presented in the income statement within finance costs – net in the period in which they arise.

The Group trades only in the United Kingdom and therefore is not exposed to currency risk.

The Group holds no external equity investments and is thus not exposed to equity securities price risk.

Novus Investments I Limited

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

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.

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.

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.

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.

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.

Novus Investments I Limited

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

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.

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 or deductible in other years and it further excludes items that are not 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 if 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 based on tax legislation currently enacted or substantially enacted. 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 the consolidated income statement 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.

Lease premiums paid are included in other non-current assets and amortised over the period of the lease.

Novus Investments I Limited

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.

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 year ended 31 December 2007

1. Revenue

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

2. Operating loss

	Year ended 31 December 2007	17 month period ended 31 December 2006
	£000	£000
Loss for the year/period is stated after		
Auditors remuneration		
- Audit services – Company	5	10
- Audit services – Consolidation	15	25
- Audit services – Subsidiary Undertakings	65	75
- Taxation services	5	45
Operating lease rentals of land and building	10,926	11,155
Depreciation of property, plant and equipment	5,348	7,210
Amortisation of intangible assets	329	421
(Profit)/loss on disposal of tangible fixed assets	(95)	645
Loss on disposal of goodwill	-	664
Exceptional items included within administrative expenses		
Impairment of tangible fixed assets	702	6,700
Impairment in acquisition goodwill	-	62,100

Profit on disposal of tangible fixed assets in 2007 arose on the disposal of one venue during the year which was impaired by £400,000 in 2006. In 2006 the 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 in 2006 of £62.1m against the carrying value of the goodwill generated on acquisition of Novus Leisure Limited was made. Management performed a look back test and as a result no further provision was made in 2007.

Following a valuation of the tangible fixed assets of the business based on an internal valuation with reference to discounted cash flow the directors were of the view that an impairment charge of £702,000 (2006 £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 2008

Predicted growth rate of 2%

Discount rate 11.5%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

3. Directors and Employees

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

	Year ended 31 December 2007	17 month period ended 31 December 2006
	Number	Number
Administration and marketing	61	40
Operations	1,274	1,326
	1,335	1,366
	£000	£000
Employee costs charged during the year/period were as follows:		
Wages and salaries	19,796	24,106
Social security costs	1,658	2,255
Pension costs	400	444
	21,854	26,805

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

4. Directors' remuneration and interest in shares

Year ended 31 December 2007	Salaries	Pensions	Total Remuneration	Interest in ordinary shares	Interest in preference shares
	£000	£000	£000	No	No
Executive Directors					
S Richards	339	51	390	157,000	-
J Holbrook	104	73	177	52,000	-
MJ Barnes	65	-	65	39,348	27,196
D Hamid - Resigned 25 June 2007	38	-	38	-	-
D Lane	-	-	-	-	-
C St John - Appointed 11 August 2007	-	-	-	-	-
C Collins - Resigned 25 June 2007	-	-	-	-	-
	546	124	670	248,348	27,196

All interest in shares relate to ordinary shares, with the exception of MJ Barnes who has an interest of 1,348 ordinary 'A' shares included in the figures above.

17 month period ended 31 December 2006	Salaries	Pensions	Total Remuneration	Interest in ordinary shares	Interest in preference shares
	£000	£000	£000		
Executive Directors					
S Palmer - Resigned 13 November 2006	298	46	344	-	-
S Richards	429	64	493	164,000	-
J Holbrook - Appointed 13 November 2006	13	-	13	-	-
MJ Barnes - Appointed 17 January 2006	26	-	26	9,348	45,326
D Hamid	73	-	73	28,664	49,268
D Lane	-	-	-	-	-
C Collins	-	-	-	-	-
	839	110	949	202,012	94,594

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

5. Net Finance Cost

	Year ended 31 December 2007	17 month period ended 31 December 2006
	£000	£000
Interest payable on bank borrowings	(9,071)	(9,695)
Interest payable on deep discounted bonds	(4,197)	(7,456)
Amortisation of issue costs of bank loans	(671)	(783)
Continuing Preference share interest accrued	(3,183)	(5,756)
Interest payable on Loan Notes	(312)	-
Other interest payable	(413)	(261)
Total borrowing costs	(17,847)	(23,951)
Income on bank deposits	751	179
(Loss) / Gain from fair valuation of interest rate SWAP	(138)	520
Interest receivable	613	699
Finance costs net	(17,234)	(23,252)

Included within other interest payable is £405,000 of refinancing fees (2006 £Nil)

6. Tax on Loss

	Year ended 31 December 2007	17 month period ended 31 December 2006
	£000	£000
(i) Analysis of credit in the year/period		
Deferred tax credit		
Current year	(503)	(1,773)
Rate Change	(29)	-
Tax on loss	(532)	(1,773)

(ii) Factors affecting tax credit for the year/period

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

	£000	£000
Loss on ordinary activities before tax	(11,618)	(80,765)
Loss on ordinary activities at the standard rate of UK tax	(3,485)	(24,230)
Effects of		
Expenses not deductible for tax purposes (including amortisation)	854	2,389
Items not deductible for tax purposes	-	18,630
Depreciation for the period in excess of capital allowances	-	113
Interest not allowable	-	3,808
Provisions not allowable for tax purposes	-	(142)
Group relief available	-	(2,341)
Unutilised losses of the period carried forward	2,128	-
Rate Change	(29)	-
Tax on Loss	(532)	(1,773)

(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 together with any change in the corporate tax rate

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

7. Goodwill

	Goodwill arising on Consolidation £000	Goodwill arising on acquisition £000	Total £000
2007			
Cost			
At 1 January 2007 and 31 December 2007	108,528	8,933	117,461
Cumulative impairment losses			
At 1 January 2007 and 31 December 2007	(62,100)	-	(62,100)
Net Book Value			
At 1 January 2007 and 31 December 2007	46,428	8,933	55,361
	Goodwill arising on Consolidation £000	Goodwill arising on acquisition £000	Total £000
2006			
Cost			
Acquisition during the period	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

The annual impairment review for goodwill for 2007 and 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%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

8. Other Intangible Fixed Assets

	Licence Rights £000	Other £000	Total £000
2007			
Group			
Cost			
At 31 December 2007 and 1 January 2007	3,924	96	4,020
Amortisation			
At 1 January 2007	(392)	(29)	(421)
Amortisation in year	(307)	(22)	(329)
At 31 December 2007	(699)	(51)	(750)
Net book value			
At 31 December 2007	3,225	45	3,270
At 31 December 2006	3,532	67	3,599
2006			
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	3,532	67	3,599

Licence rights comprise the asset acquired when the Group purchases an existing bar nightclub and continues the existing trade. 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 a period of between 7 and 20 years being the remaining lease period of applicable bars.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

9. Property, Plant and Equipment

	Leasehold Improvements £000	Fixtures, fittings and equipment £000	Total £000
2007			
Group			
Cost			
At 1 January 2007	38,201	18,637	56,838
Additions	860	2,281	3,141
Disposals	(2,725)	(1,642)	(4,367)
At 31 December 2007	36,336	19,276	55,612
Depreciation			
At 1 January 2007	(8,943)	(4,617)	(13,560)
Charged in the year	(1,952)	(3,396)	(5,348)
Disposals	2,962	1,405	4,367
Impairment	(702)	-	(702)
Transfers	(1,248)	1,248	-
At 31 December 2007	(9,883)	(5,360)	(15,243)

Net book value

At 31 December 2007	26,453	13,916	40,369
At 31 December 2006	29,258	14,020	43,278

	Assets in course of construction £000	Leasehold Improvements £000	Fixtures, fittings and equipment £000	Total £000
2006				
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	56,838
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 year ended 31 December 2007

10. Other Non Current Assets

	2007 £000	2006 £000
Group		
Other receivables	770	892
Company		
Investments	3	-

Other receivables relate to rent deposits and lease premiums

The Company acquired an additional 3,380 ordinary shares of £1 each in Novus Investments II Ltd on 2 August 2007. The Company holds all issued share capital in Novus Investments II Ltd.

The principal companies in the Group 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%

11. Inventories

	2007 £000	2006 £000
Group		
Goods held for resale	713	670

The company holds no inventories

12. Trade and Other Receivables

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Trade Receivables	322	-	345	-
Amounts owed by subsidiary undertakings	-	22,561	-	16,299
Other debtors	1,287	-	1,462	-
Prepayments and accrued income	4,564	-	3,948	-
Fair value of interest rate SWAP	382	-	520	-
	6,555	22,561	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 2007 is £14,420,000 (2006 £7,195,000). The company has provided £31,273,000 against this debt. An additional provision was made in 2007 of £963,000 relating to the full balance with another Group company.

13. Cash and Cash Equivalents

	2007 £000	2006 £000
Cash at bank and in hand	7,801	4,808

Cash at bank of £7,707,000 is held with the Group's principal Bankers. The remaining balance is cash in hand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

14. Trade and Other Payables

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Trade payables	5,031	-	9,015	-
Social security and other tax	2,735	-	3,469	-
Accruals	2,939	-	2,526	-
	10,705	-	15,010	-

15. Loans

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Amounts falling due within one year .				
Bank loans	5,500	-	2,300	-
Issue costs deferred	(671)	-	(671)	-
	4,829	-	1,629	-
Amounts falling due after more than one year				
Preference shares	29,473	29,473	45,170	45,170
Bank loans	83,364	-	83,906	-
Deep discounted bonds	-	-	47,456	-
Loan notes	5,312	-	-	-
Issue costs deferred	(2,572)	-	(3,243)	-
	115,577	29,473	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

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 book value of the deep discounted bonds and accrued interest at that date was £51,649,000. The holders of these shares then agreed on 2 August 2007 to sell their shares immediately to Novus Investments I Ltd in exchange for 338,000 deferred shares of 1p in Novus Investments I Ltd

On 14 November 2005 the Company issued £39,414,000 preference shares of 10 85%. On 2 August 2007, 15,765,600 preference shares of £1 each were converted into 1,576,560,000 deferred shares of 1p each. As at 31 December 2007 the accrued cumulative dividend on the preference shares was £5,581,606 (2006 £5,756,000) and is recorded as an interest charge

On 2 August 2007 the company increased its authorised share capital by £3,380

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 were cancelled

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

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

16. Deferred Income

	2007 £000	2006 £000
Deferred income	1,442	1,557
Deferred income has been analysed between current and non-current as follows		
Current	104	103
Non-current	1,338	1,454
	1,442	1,557

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

17. Current Tax Liabilities

	2007	2006
	£000	£000
Current tax liabilities	31	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.

18. Provisions

	Onerous Leases £000
At 1 January 2007	856
Utilised during the year	(532)
Created during the year – Income statement	512
At 31 December 2007	836

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

19. Deferred Tax

	2007	2006
	£000	£000
At 1 January 2007	532	2,305
Income statement	(532)	(1,773)
At 31 December 2007	-	532

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

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

The group has an unrecognised deferred tax asset of £643,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

20. Share Capital

2007	Number	£000
Authorised		
1p Ordinary shares	428,000	4
1p 'A' Ordinary shares	1,172,000	12
1p Deferred shares	1,576,898,000	15,769
	1,578,498,000	15,785
Issued and fully paid		
1p Ordinary shares	384,500	4
1p 'A' Ordinary shares	1,172,000	12
1p deferred shares	1,576,898,000	15,769
	1,578,454,500	15,785
2006	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. During the year 7,300 Ordinary 1p shares were issued at nominal value. On 2 August 2007, 1,576,898,000 deferred shares of 1p each were created following the increase in nominal share capital by £3,380 through creation of 338,000 deferred shares of 1p each and following the conversion of 15,765,600 preference shares of £1 each into 1,576,560,000 deferred shares of 1p each.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

21. Financial Instruments (continued)

(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 2007 was:

	Weighted average				
	Capped/ Fixed Rate	Floating Rate	Capped/ Fixed Interest Rate %	Floating Interest Rate %	Time Period years
	£'000	£'000			
Senior Bank Borrowings	50,880	15,916	4.90	11.15	Up to 6.75
Mezzanine Debt	-	22,068	-	15.29	7.75
Preference Shares	23,648	-	10.85	-	-

The amount included above for preference shares is the nominal value. Interest of £5,825,000 is accrued at the year end.

Included within the above is £50.9m (2006: £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 up to 1 December 2008 when they expire in full. 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 week and six months.

If interest rates were to move by 0.1% the impact on post tax profit would be approximately £38,000.

(b) Maturity analysis of financial liabilities

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

	Preference Shares £'000	Bank Borrowings £'000	Deferred Issue Costs £'000	Loan Notes £000	Trade Payables £000	Total £'000
Within one year or on demand	-	5,500	(671)	-	10,705	15,534
Between one and two years	-	3,350	(671)	-	-	2,679
Between two and five years	-	14,675	(1,901)	-	-	12,774
Over five years	29,473	65,339	-	5,312	-	100,124
As at year end	29,473	88,864	(3,243)	5,312	10,705	131,111

(c) Borrowing facilities

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

	31 December 2007 £000
Expiring after two years	10,000

Of these facilities, £3.0m (2006: £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 £85.9m in (b) above.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

21. Financial Instruments (continued)

(d) Fair values of financial assets and liabilities

	31 December 2007	
	Book Value £000	Fair Value £000
Primary financial instruments held or issued to finance the group operations		
Short-term financial liabilities (i)	(4,829)	(4,829)
Long-term borrowings (i)	115,577	115,577
Cash at bank and in hand (ii)	7,801	7,801
Derivative financial instruments held to manage the Interest rate and currency profile		
Interest rate swaps (iii)	382	382

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

- (i) Drawings made under the Group's fixed and floating rate facilities, 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 2007 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. 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.

(g) Capital Risk Management

The Group's objective when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non current loans as shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as 'equity' shown in the consolidated balance sheet plus net debt.

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for the year ended 31 December 2007

21. Financial Instruments (continued)

During 2007, the group's strategy, which was unchanged from 2006, was to maintain an optimum level of debt. The gearing ratio is as follows:

	2007 £000	2006 £000
Total Borrowings (Note 15)	120,406	174,918
Less: Cash and cash equivalents	(7,801)	(4,808)
Net Debt	112,605	170,110
Total Equity	(20,903)	(78,028)
Gearing Ratio	123%	185%

The reduction in the gearing ratio year on year reflects the refinancing that took place during 2007.

(h) Financial Assets available for resale

The group has no financial assets available for resale.

(i) Credit quality of financial assets

The trade receivables balances represent deposits from a large number of individual customers for future events. A provision is made against a proportion of the debt. See note 12.

22. Share Options and Share Schemes

The Company operates one share option scheme.

	At 31 December 2006	Granted	Lapsed	At 31 December 2007
Novus Unapproved Executive Option Scheme	10,550	-	2,550	8,000

All options are exercisable at a price of £1.

23. Capital Commitments

The Group has capital commitments of £nil at 31 December 2007 (2006: £nil).

24. Operating Lease Commitments – Minimum Lease Payment

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

	2007 £000	2006 £000
Expiring between one and five years	971	-
Expiring after five years	180,208	191,340
	181,179	191,340

25. Contingent Liabilities

The company is also an obligor to the senior sterling term and multi-currency banking and mezzanine facilities provided to Novus Acquisitions Limited. As at 31 December 2007: £88.9m (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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

27. Cash Flow from Operating Activities

Reconciliation of Net Cash Inflow from Operating Activities

	2007	2006
	£000	£000
Loss before taxation	(11,618)	(80,765)
Amortisation of intangible assets	329	421
Depreciation	5,348	7,210
Net finance charge	17,234	23,252
Impairment of tangible assets	702	6,700
Impairment of intangible assets	-	62,100
Creation of provision	512	-
(Gain) / Loss on disposal of tangible assets	(95)	645
Loss on disposal of goodwill	-	664
(Increase) / Decrease in inventories	(43)	91
(Increase) / Decrease in receivables	(280)	74
(Decrease) / Increase in trade and other payables	(4,720)	1,098
Net cash inflow from operations	7,369	21,004

28. Subsequent Events

The company issued £3,000,000 loan notes in 14 March 2008, which were subscribed in full. The loan notes carry a rate of 15% and are repayable in 2017.

On the 17th March 2008 A3D2 Ltd acquired seven Soho Clubs and Bars out of administration. The purchase price was £6,250,000.

29. Ultimate Controlling Party

The company and Group's ultimate controlling party is Cognetas LLP.