

ADMISSION DOCUMENT



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules and does not constitute a prospectus under the Prospectus Rules and has not been approved by or filed with the FCA. The definitions used in this document are at pages 6 to 8.

The Company, whose registered office appears on page 5, and the Directors, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for all of the Ordinary Shares issued and to be issued to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 28 November 2013.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange. The whole text of this document should be read.

Your attention is drawn in particular to the risk factors set out in Part II of this document.

Eclectic Bar Group plc

(a company incorporated in England and Wales under the Companies Act 2006 with company number 08687172)

Placing of 9,398,361 Ordinary Shares at 160 pence per share Admission to trading on AIM

Nominated Adviser and Broker

Panmure Gordon & Co

Share capital immediately following Admission

Issued and Fully Paid

Number Amount

Ordinary Shares of £0.25 each 12,862,500 £3,215,625

Panmure Gordon, which is regulated by the FCA, is acting as nominated adviser and broker to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Panmure Gordon has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibilities of Panmure Gordon as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of a decision to subscribe for Shares in the Company. Panmure Gordon is not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities laws of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations and will not be made to any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other United States of America regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

In making any investment decision in respect of the Ordinary Shares, no information or representation should be relied upon other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

Neither the Company nor the Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and Shareholders may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors").

Potential Shareholders contemplating an investment in the Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares.

If you are in any doubt about the contents of this document you should consult a person authorised under FSMA, who specialises in advising on the acquisition of shares and other securities.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential Shareholders should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, conversion or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group will operate, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline", "aims", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment. These forward-looking statements speak only as at the date of this document. The Company, the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based save as required to comply with any legal or regulatory obligations (including the AIM Rules for Companies).

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EXPECTED TIMETABLE FOR THE PLACING AND ADMISSION

Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM

8.00 a.m. on 28 November 2013

Expected date for CREST accounts to be credited (where applicable)

28 November 2013

Despatch of definitive share certificates (where applicable)

by 11 December 2013

Each of the times and dates in the above timetable is subject to change. All times are London times unless otherwise stated.

PLACING STATISTICS

Placing Price per Ordinary Share	160 pence
Number of Existing Ordinary Shares	6,300,000
Number of new Ordinary Shares to be issued by the Company pursuant to the Place	ing* 6,562,500
Number of Sale Shares being sold by the Selling Shareholder*	2,835,861
Total number of Placing Shares*	9,398,361
Number of Ordinary Shares in issue at Admission*	12,862,500
Percentage of Enlarged Share Capital represented by the new Placing Shares*	51.0 per cent.
Gross proceeds of the Placing receivable by the Company*	£10.5 million
Estimated net proceeds of the Placing receivable by the Company*	£9.1 million
Estimated net proceeds of the Placing receivable by the Selling Shareholder*	£4.4 million
Estimated market capitalisation of the Company at the Placing Price at Admission	£20.6 million
TIDM	BAR
ISIN	GB00BG49KW66
Website	www.eclecticbars.co.uk

^{*} Assuming the Placing is fully subscribed.

DIRECTORS, OFFICERS AND ADVISERS

Directors James (Jim) Fallon (*Non-Executive Chairman*)

Clive Royston Watson* (*Non-Executive Director*) Reuben Jonathan Harley (*Chief Executive Officer*) John Anthony Smith (*Chief Financial Officer*)

* To be appointed with effect from Admission.

Company Secretary John Anthony Smith

Registered Office 533b Kings Road

London SW10 0TZ

Financial Adviser, Nominated

Adviser and Broker

Panmure Gordon (UK) Limited

One New Change

London EC4M 9AF

Reporting Accountants and

Auditors

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London SE1 2AF

Lawyers to the Company Berwin Leighton Paisner LLP

Adelaide House London Bridge

London EC4R 9HA

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Financial PR College Hill Limited

The Registry Royal Mint Court

London EC3N 4QN

Registrars Equiniti Limited

Aspect House Spencer Road Lancing West Sussex BN99 6DA

DEFINITIONS

"Admission" the admission of the Ordinary Shares to trading on AIM becoming

effective in accordance with the AIM Rules for Companies

"AIM" AIM, a market operated by the London Stock Exchange

"AIM Rules" the AIM Rules for Companies and AIM Rules for Nominated

Advisers, as appropriate

"AIM Rules for Companies" the rules for AIM companies published by the London Stock

Exchange

"AIM Rules for Nominated

Advisers"

the rules for nominated advisers to AIM companies published by

the London Stock Exchange

"Articles" the articles of association of the Company, a summary of which is

set out in paragraph 3 of Part V of this document

"Avanti" or "Selling Shareholder" Avanti Capital plc, a company incorporated in England and Wales

(registered number 03319365) and having its registered office at

25 Harley Street, London W1G 9BR

"CAGR" compound annual growth rate

"CGT" capital gains tax, including capital gains tax for individuals and

corporation tax for companies

"Companies Act" the Companies Act 2006 (as amended)

"Company" or "Eclectic" Eclectic Bar Group plc

"Corporate Governance the corporate governa

Guidelines"

the corporate governance code for small and mid-size quoted

companies published by the QCA in May 2013

"CREST" the computerised settlement system (as defined in the CREST

Regulations), operated by Euroclear UK & Ireland which facilitates the holding and transfer of title to shares in uncertificated form

"CREST Regulations" the Uncertificated Securities Regulations 2001, including (i) any

enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the

time being in force

"Directors" or "Board" the directors of the Company as at the date of this document, whose

names are set out on page 5 of this document, and Clive Watson

"DTRs" the Disclosure Rules and the Transparency Rules published by the

FCA

"EBITDA" earnings before interest, taxes, depreciation and amortization and

exceptional items and loss on disposal of property, plant and

equipment

"Eclectic Group" or "Group" the Company and its Subsidiaries

"EIS" Enterprise Investment Scheme under the provisions of Part 5 of the

Income Tax Act 2007

"EIS/VCT Placing" the conditional placing by Panmure Gordon of the EIS/VCT

Placing Shares at the Placing Price in accordance with the Placing

Agreement

"EIS/VCT Placing Shares" the 1,445,071 new Ordinary Shares to be issued by the Company to

EIS investors and VCT funds pursuant to the EIS/VCT Placing

"Enlarged Share Capital" the Ordinary Shares in issue immediately following Admission

"Euroclear UK & Ireland" Euroclear UK & Ireland Limited

"EY" Ernst & Young UK LLP

"Executive Directors" the executive directors of the Company as at the date of this

document, namely Reuben Jonathan Harley and John Anthony

Smith

"Existing Ordinary Shares" the 6,300,000 Ordinary Shares as of the date of this document

"FCA" the Financial Conduct Authority

"FSMA" the Financial Services and Markets Act 2000 (as amended)

"Group EBITDA" EBITDA for the Group after deduction of central infrastructure and

head office costs

"ISIN" international security identification number

"London Stock Exchange" London Stock Exchange plc

"Nominated Adviser" or "Nomad"

or "Panmure Gordon"

Panmure Gordon (UK) Limited

"Nominated Adviser and Broker

Agreement"

the agreement between the Company and Panmure Gordon dated 20 November 2013 pursuant to which the Company has appointed Panmure Gordon to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies

"Non-Executive Directors" the non-executive directors of the Company as at the date of

Admission, namely James (Jim) Fallon and Clive Watson

"Official List" the Official List of the UK Listing Authority

"Options" rights to acquire (whether by subscription or market purchase)

Ordinary Shares as described in paragraph 4 of Part V of this

document

"Ordinary Shares" ordinary shares of 25p each in the share capital of the Company

"Panel" the UK Panel on Takeovers and Mergers

"Placees" those persons who have agreed to subscribe for or purchase the

Placing Shares

"Placing" the conditional placing of the Placing Shares by Panmure Gordon,

at the Placing Price pursuant to the Placing Agreement

"Placing Agreement" the conditional agreement dated 20 November 2013 between the

Company, the Directors, Avanti and Panmure Gordon relating to the Placing, summary details of which are set out in paragraph 9 of

Part V of this document

"Placing Price" 160 pence per Placing Share

"Placing Shares" the 6,562,500 new Ordinary Shares to be allotted and sold pursuant

to the Placing (including the EIS/VCT Placing) and the Sale Shares

"Prospectus Rules" the prospectus rules of the FCA made under Part VI of the FSMA

"QCA" the Quoted Companies Alliance

"Registrar" Equiniti Limited, the registrar of the Company

"Sale Shares" the 2,835,861 existing Ordinary Shares to be sold by Avanti

pursuant to the Placing

"SEC" the US Securities and Exchange Commission

"SDRT" stamp duty reserve tax

"Shareholder" a holder of Ordinary Shares, including a holder of new Ordinary

Shares following Admission

"Share Option Plan" the share option plan dated 20 November 2013 adopted by the

Company, summary details of which are set out in paragraph 4 of

Part V of this document

"Site EBITDA"

EBITDA at site level before deduction of central infrastructure and

head office costs

"Subsidiary" as defined in sections 1159 of the Companies Act

"Takeover Code" the City Code on Takeovers and Mergers published by the Panel

"TIDM" tradable investment display mnemonic

"UK" or "United Kingdom" the United Kingdom of Great Britain and Northern Ireland

"UK Corporate Governance Code" the UK Corporate Governance Code published by the Financial

Reporting Council

"UK Listing Authority" the FCA acting in its capacity as the competent authority for the

purposes of Part VI of the FSMA and in the exercise of its functions

in respect of admission to the Official List

"VCT" a company which is, or which is seeking to become, approved as a

venture capital trust under Chapter 3 of Part 6 of the UK Income

Tax Act 2007

"Warrant" the warrant granted by the Company to Panmure Gordon to

subscribe for Ordinary Shares in the Company in accordance with the terms summarised in paragraph 9 of Part V of this document

PART I

INFORMATION ON THE COMPANY

1. OVERVIEW

Eclectic Group is a leading operator of premium bars in the UK. Eclectic's portfolio comprises 20 venues located in major towns and cities, predominantly targeting a customer base of sophisticated students midweek and stylish over-21s and young professionals at weekends. The Company focuses on delivering added value for its customers, with premium product ranges, high-quality music and entertainment, and a commitment to high service levels and standards.

The Eclectic Group trades across its estate under a variety of brands, including Embargo 59, Lola Lo, Sakura, Po Na Na and Fez Club. These brands have proven themselves to be consistently cash-generative, continuing to trade well even since the start of the global financial crisis of 2008. The Eclectic Group has established a stable financial track record over the past five years with turnover in the year ended 30 June 2013 of £21.2 million, representing a two year CAGR of 16.9 per cent., and Group EBITDA of £3.0 million, representing a two year CAGR of 16.7 per cent.

The management team, led by Reuben Harley, who has over 25 years' experience of working in the UK pub and bar industry, is implementing a strategy to grow the business through the development of new sites either under the Company's existing brands or using brands which can be successfully maintained, as well as business acquisitions as appropriate opportunities present themselves.

The bar market in the UK remains fragmented, and the Company is presented with a significant number of opportunities for acquisitions of both new sites and businesses. The management team has demonstrated its ability to achieve successful openings of new venues, on average exceeding its target returns.

The Company is seeking admission to trading on AIM and intends to issue 6,562,500 new Ordinary Shares by way of the Placing in order to raise £10.5 million (before expenses). The net funds raised will be used to repay a shareholder loan owed to Avanti of approximately £7.3 million with surplus net funds raised of approximately £1.8 million to be used to fund organic growth prospects and new site acquisition opportunities. In addition, a further 2,835,861 Ordinary Shares held by the Group's principal shareholder, Avanti, will be sold pursuant to the Placing for approximately £4.5 million.

2. HISTORY AND BACKGROUND

Eclectic Group was created in 2006 through the acquisition of 12 leasehold premium bars trading primarily as Po Na Na and Fez Club, which are Moroccan themed bars based on the 1920s French art deco period. Immediately prior to Admission, the Company was owned as to 45.0 per cent. by Avanti, an AIM quoted private equity company, and as to the remaining 55.0 per cent. by the management team. On Admission (assuming the Placing is fully subscribed), the Company will be owned as to 27.0 per cent. by the management team and as to 73.0 per cent. by other Shareholders; Avanti will no longer retain an interest in any Ordinary Shares.

The financial performance of the business has been transformed from Group EBITDA of £0.4 million in the year to June 2006, to Group EBITDA of £3.0 million in the year to June 2013. This was achieved through the actions of the management team in reducing head office and site costs, through operational improvements to drive sales, refurbishments of existing sites, the development of new brands, and more recently through the acquisition of new sites.

A brand development programme commenced in 2007 with the in-house development of the Group's first new premium bar concepts, 'Sakura', which has a subtle Japanese theme, and 'Lola Lo', which is Polynesian-themed. The Group opened its first trial Sakura at a new site in Lincoln in September 2007. The Group then converted its Fez Club in Reading to the Sakura brand in May 2008 and in the summer of 2010 the Group acquired a new site in Deansgate Locks, Manchester, which was also developed as a Sakura. Concurrently, the Group re-opened its existing site in Brighton in July 2010 under the Lola Lo brand. Since

then the Group has completed a refurbishment programme to convert a further four sites in its original estate (Norwich, Oxford, Edinburgh and Lincoln) to the Lola Lo brand and has created a further three Lola Lobranded sites at newly acquired sites (Cambridge, Bournemouth and Reading).

On average since 2008, EBITDA returns on development capital expenditure and site acquisitions for the first 12 months post development or acquisition have exceeded 50 per cent.

Of the sites originally acquired by the Group in 2006, the Moroccan themed bars in London (Putney and Wimbledon), Bath, Bristol and Cambridge have continued to trade under the same brands as the original estate, with Embargo 59 undergoing refurbishment in 2009. The Group has also acquired a number of businesses which have continued to trade in their existing formats, including the 'Madame Geisha' bar in Brighton, acquired in March 2013, the 'Coalition' bar in Brighton, acquired on 1 October 2013, and the Coyote Wild bar in Derby, acquired on 17 October 2013. In addition, the Group acquired a further leasehold site in Manchester on 29 October 2013.

In July 2012 the Group was awarded a 12 month contract to operate the 33 sites of PBR Leisure Limited on behalf of its lending banks. The business comprised 14 premium bar restaurants (trading as The Living Room), two hotels and a number of other bar and late night formats. The Group assumed full operational responsibility within only a one month handover period from the previous operator, and took the Group from operating 17 sites to 49 sites. This contract terminated on 20 October 2013 following the sale of The Living Room business to Stonegate Pub Company and the sale of a number of other individual sites to various purchasers.

3. KEY STRENGTHS

The key strengths of Eclectic are:

- it targets a premium customer base;
- gross margin of approximately 80 per cent.;
- premium product ranges, high-quality music and entertainment, and commitment to service and standards;
- management team with a track record of delivering operational and financial improvements and valueenhancing acquisitions;
- national geographic spread, primarily in university towns which, in management's view, combine an active night time economy and demographics to support premium-positioned bars;
- capacity averaging approximately 400 per site;
- detailed framework of operational and financial systems and disciplines throughout the business; and
- a clear development and training programme for the people within the business.

4. BUSINESS DESCRIPTION

The estate

The Group currently operates 20 sites, all held by the Group on a leasehold basis with the exception of one site which is owned on a freehold basis. The estate is national, with sites in London, Bath, Bournemouth, Brighton, Bristol, Cambridge, Derby, Edinburgh, Lincoln, Manchester, Norwich, Oxford and Reading.

The lease terms across the estate vary, but can be categorised as follows:

Term

Less than five years

Greater than five years and less than ten years

4

Greater than ten years

13

^{*} Assumes a new seven year lease is entered into in respect of the Group's Cambridge Fez site (agreed subject to documentation).

Of the two leases with less than five years remaining, the Group is currently in dialogue with the landlord of one of these sites to enter into a new lease.

Each of the Group's sites is subject to periodic rent reviews. Over the three year period to 30 June 2013, there have been no rent rises as a consequence of such rent reviews. All of the site leases, with the exception of the Cambridge Fez, have security of tenure afforded by the Landlord and Tenant Act 1954.

All of the premises listed above are licensed premises.

The sites currently trade under a variety of branded themes as follows:

Cuban

Embargo 59 is the Group's Cuban-themed premium bar located on the King's Road in Chelsea, London. Its theme is based on the revolution of 1959, with Cuban elements in the design and product range seeking to encapsulate the feel of the playground of the Americans in the 1950s. Embargo 59 includes a VIP 'Gold Room' with adjacent walk-in cigar humidor and roof-top terrace. The bar has a capacity of 300.

Polynesian

Lola Lo is a Polynesian tiki-themed bar brand, based on Easter Island and the iconic 1950s 'pin-up' girls. The bars are decorated with bamboo and woodcarvings and the theme is supported by a wide range of rum products and high quality cocktails served in authentic tiki mugs and in fresh fruit. Lola Lo sites are ground floor located with an outside area, and a minimum capacity of 200. Currently Eclectic operates Lola Lo branded sites in Brighton, Bournemouth, Cambridge, Edinburgh, Lincoln, Norwich, Oxford and Reading.

Japanese

Sakura is the Japanese word for cherry blossom, and the brand has a subtle Japanese theme. The positioning for the brand is to offer a 'West End' style experience to customers in major towns and cities outside the Capital. Sakura sites are currently located in Manchester and Reading and operate with a minimum capacity of 560.

Moroccan

The Company's Po Na Na and Fez Club bars are Moroccan themed, based on the 1920s French art deco period. These sites are designed to have the atmosphere of a souk with rough plastered walls and lanterns. A Po Na Na has, typically, a capacity of 200 plus, and a Fez Club has a capacity of 300 plus giving it the ability to host 'headline' DJ activity. The current portfolio includes Po Na Na sites in London (Wimbledon), Bath and Bristol, and Fez Club sites in London (Putney) and Cambridge.

Recent acquisitions

The Group has recently acquired four new sites, of which three, Madame Geisha, Coalition and Coyote Wild, currently continue to trade under their existing brand names. The fourth is currently closed.

The Madame Geisha site in Brighton was acquired in March 2013 and is also Japanese themed. It has a capacity of 300 plus. It is planned for a refurbishment in 2014.

In October 2013, Eclectic acquired the Coalition bar in Brighton. Coalition is located in the Kings Road Arches on the seafront and has a large outdoor terrace. The bar has a capacity of 600 and is open five nights a week, regularly hosting live music events and headline DJ acts. Coalition operates under a 24 hour licence. Coalition will continue to trade under its existing name for at least the next 12 months, over which time the opportunities for further development will be reviewed.

Also in October 2013, the Group acquired the freehold of the Coyote Wild bar in Derby, which has a current capacity of 800. The Company intends to convert this site to the Lola Lo brand in early 2014.

In addition, on 29 October 2013, the Group acquired a further leasehold site in Deansgate Locks, Manchester with a capacity of 560. The Company intends to convert this site to the Lola Lo brand by early 2014.

Products and services

Eclectic has developed its offer to target premium customers, with a focus on:

- premium product ranges;
- ensuring staff are trained to deliver a commitment to service and standards;
- table booking facilities and table service;
- mood management, including sound levels, heating, lighting and music; and
- visual merchandising.

As part of providing a premium customer offer, the Group seeks to use premium drinks, primarily spirits, champagne and bottled beers. The Group uses branded products across its range, for example using Stolichnaya Premium Vodka as its entry level vodka rather than other discount brands available. The provision of a quality cocktail offer is also key to premium positioning. In order to ensure that cocktails are delivered to the highest standard, the Group ensures that, in addition to offering broad cocktail menus in keeping with its respective brands, its bar staff undertake regular mixology training.

The Group has contracts with Anglo Drinks Limited, Bibendum Wine Limited and Carlsberg UK Limited for the supply of alcoholic drinks. The market for the supply of all categories of alcoholic drinks is competitive and the Company undertakes regular tender processes to ensure optimal purchase pricing. There is very little food offered across the existing estate other than for one-off functions and Christmas parties. All products are delivered directly to the sites by the relevant suppliers, avoiding any requirement for warehousing on the part of the Company.

The Group's revenues are derived through a combination of door entry charges, sales of alcoholic and non-alcoholic drinks, and small scale ancillary charges such as cloakroom and tobacco. The Group's business does not typically demonstrate material seasonal trends, with steady trade throughout the year, though the summer months are often less busy, particularly if the weather is very hot. However, the acquisitions of businesses such as Coalition in Brighton, which has an outdoor seafront terrace, will help to offset any unfavourable effects of very hot weather on the Group's results.

For the 12 month period to 30 June 2013, the breakdown of revenue by product category was approximately 83 per cent. alcoholic and non-alcoholic drinks, approximately 13 per cent. door income and venue hire and approximately 4 per cent. other income, including sales of other products, sponsorship and marketing income.

Customers

The Group's customers comprise two core groups:

Midweek

Midweek customers are primarily students. The Company works with a number of specialist student promoters to offer a variety of midweek night promotions across its business.

Student customers are focussed on value for money, meaning Eclectic must offer competitively priced drinks on these nights. However the premium atmosphere encourages those students with sufficient funds to trade up to buying cocktails and more premium products, and booking tables in advance. The ability to charge an entry fee (or door money) on student nights is limited.

Weekend

At the weekend Eclectic targets primarily young professionals aged 21 and over who are seeking added value through superior service and a high quality experience. This is where the ability to book tables and Eclectic and consume high quality cocktails and other drinks in a safe environment enables Eclectic to price at a premium. On Saturday nights approximately 80 per cent. of tables are pre-booked on average across the Group's sites (excluding recently acquired sites that have not yet introduced this facility).

Sales and marketing

Online media is a key driver of business for Eclectic. The marketing strategy is driven by central planning creating consistent marketing materials and messages which are then implemented at the site level.

Each site has its own individual web page which is updated regularly informing its local customers of the latest events and promotions. The Company operates a customer database which contains details collected both in site and from each of the sites' websites. This enables the Company to target its marketing to different categories of customer depending on the type of music they prefer, and whether or not they are students. The database is regularly 'cleaned' to remove inactive details, and currently comprises approximately 220,000 live contacts.

In addition, each site is responsible for maintaining its own Facebook page and Twitter feed. The content for these is driven and monitored centrally to ensure consistency and the use of appropriate content. Currently, the Company has approximately 112,000 followers on Facebook and approximately 27,000 followers on Twitter in total across all of its sites' managed pages. In addition, the Company actively markets the option to pre-book tables and booths in each site, leading to enhanced advance bookings.

Licencing

All of the Group's sites have in place valid premises licences under the Licensing Act 2003 which permit the sale of alcohol, the provision of entertainment and, where relevant, the sale of late night food. These licences are granted by the relevant local authorities.

Internal processes and standards

In addition to the monthly management accounts and financial reporting information, Eclectic has a range of operational reporting measures and key performance indicators which management use to monitor and influence the performance of the business. These include the following:

Daily reporting

Daily sales and admissions figures are reported to senior management using automatic email alerts.

Weekly tables and booths bookings

A report is produced for senior management every Friday detailing the tables and booths bookings that are in place for the upcoming weekend.

Weekly site profit and loss accounts

Estimated profit and loss accounts are prepared every Monday in respect of each of the Company's sites by the general managers of each unit, providing senior management with an up to date overview of current trading on a site-by-site basis.

Third party reports

Mystery customer reviews are conducted monthly at each site by a third party firm.

On-line marketing audits

Monthly on-line marketing audits are conducted for each site which include a review of website content, Facebook and Twitter updates and the frequency and content of e-flyer communications to the database.

Health and safety

Regular health and safety inspections are carried out at each site.

Random audits

The Company conducts regular random till and door money audits during trading hours at all of its sites to protect against any potential abuses of its cash collection systems.

Stock counts

The Company conducts monthly internal and annual external stock counts.

Monthly 'traffic light' reports

All of the above measures are included in a regular monthly dash board (or 'traffic light') report with green/amber/red colour coding to highlight performance on a site-by-site basis against the various measures. If this report shows any areas to be in the red or amber range then the operations director and/or the CEO immediately agree key actions with the relevant general manager.

5. THE INDUSTRY AND COMPETITION

The Group competes in the premium bars market. It is the view of the Directors that the bars market can be segmented into three constituent parts being mass market, super premium and premium, which the Directors believe have the following characteristics.

Mass market

This sub-segment competes predominantly on price and promotion. It is very competitive and comprises the majority of the market with the largest number of players, including JD Wetherspoon plc, Tattershall Castle and Stonegate Pub Company. Scale is key for purchasing terms to enable price competition. In management's view this market is contracting in size leading to underperformance of operators and the closure of sites.

This segment tends to follow consumer confidence and can therefore be adversely affected by increased youth unemployment and negative economic growth.

Super premium

This segment is small relative to the overall market, but contributes a disproportionately large amount of profit. Existing primarily in London, this market segment is served by independent operators with sites often visited by celebrities, and a major customer attraction is the exclusive nature for which they are prepared to pay high entry and drinks prices. Operators include Ignite and the independent companies Brompton Brands and Hush. By its nature, this market can be fickle. If key celebrities decide to move to a new venue then the "super" profits can reduce very quickly.

Premium

The Group operates primarily in this segment, and its resilient financial performance in recent years despite the recession supports the attractive nature of this market segment. Targeting premium customers has enabled the Group to maintain attractive gross profit margins and pass on the majority of inflationary cost increases to the customer.

Within each town or city there is a premium customer segment looking for aspirational venues to visit. In management's view this is a niche but scalable customer segment which includes sophisticated students midweek and stylish over-21s and young professionals at weekends. Eclectic's value added product and service offer incorporating premium branded drinks, high quality cocktails, table service, VIP areas and table booking, combined with relatively low capacity venues leads to an ability to maintain a premium customer clientele.

The Directors' opinion is that competition in the premium bars market is provided by both large corporate operators such as Inventive Leisure and Montpeliers, and a multitude of local independent operators dependent on location.

Eclectic's combination of small scale focus and entrepreneurial operational style, combined with the process and systems of a more sophisticated business, enable it to compete most effectively with both larger and smaller operators. A key competitive advantage for the Company is its ability to target a premium customer base due to its site locations and lower capacity sites allowing management to be much more selective about the customer base than many of its competitors.

6. HISTORICAL TRADING

The Company became the new parent company of the Group shortly before the date of this document as part of a restructuring of the Group in preparation for Admission to AIM. The Company has not traded since incorporation and has therefore not produced any financial information. Part III of this document contains audited historical financial information for the Group for the three years ended 30 June 2013.

The following financial information has been derived from the financial information contained in Part III of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

Period ended	26 June 2011	24 June 2012	30 June 2013
	£m	£m	£m
Revenue	15.5	19.8	21.2
Revenue excluding PBR ¹	15.5	19.8	20.6
Gross profit	12.4	15.7	16.9
Gross profit margin	80.1%	79.1%	79.6%
Site EBITDA	4.2	5.1	5.8
Site EBITDA excluding PBR ¹	4.2	5.1	5.2
Site EBITDA margin excluding PBR ¹	27.2%	25.6%	25.1%
Group EBITDA before bonus	2.5	3.2	3.6
Bonus	0.3	0.3	0.6
Group EBITDA	2.2	2.9	3.0
Operating profit	1.5	1.5	1.7
Tax	_	(0.1)	(0.4)
Profit after tax	1.0	0.8	0.6
Number of sites at year end	16	16	17

Note:

Historical returns on capital

The Group has achieved on average 54 per cent. Site EBITDA returns on development capital expenditure over the five years to 2012. The table below sets out the average Site EBITDA return achieved by Eclectic on acquisitions and developments completed in each historical year since the Group's 2008 financial year:

Period ended June	No. of projects	Average Site EBITDA return
2008	1	57%
2009	_	_
2010	1	128%
2011	6	48%
2012	3	58%

Notes:

- Developments grouped by date of opening or re-opening.
- 2. For redevelopments of existing sites, Site EBITDA return is calculated by comparing the 12 months prior to closure to the 12 months after re-opening as a percentage of capitalised cost.
- 3. For site acquisitions, total Site EBITDA return is calculated as the Site EBITDA for the 12 months post acquisition or re-opening as a percentage of capitalised acquisition and development costs.
- 4. The average Site EBITDA return for the Group's 2012 financial year includes the redevelopment of the Company's site in Lincoln, for which the return is calculated as Site EBITDA for the 12 months post development compared against grossed up Site EBITDA for the five month period prior to the development.
- 5. The above table excludes developments and acquisitions which have not yet traded for 12 months.

^{1.} In July 2012, the Group was awarded a contract to operate the 33 sites of PBR Leisure Limited ("PBR") on behalf of its lending banks. This contract terminated on 20 October 2013 following the sale of The Living Room business to Stonegate Pub Company and the sale of a number of other individual sites to various purchasers.

By way of example, the Group's Lola Lo bar in central Reading, which was a closed late night bar when the Group acquired the site in March 2011, was converted to the Group's Lola Lo brand at a total cost of acquisition and development of £0.546 million. At the time of opening, the site represented the Group's seventh Lola Lo bar, and it is the Group's second site in Reading. Site EBITDA for the Reading Lola Lo was £0.513 million in the 12 months following opening, representing a site EBITDA return of 94 per cent.

7. CURRENT TRADING AND PROSPECTS

Since 30 June 2013, the Group has acquired two leasehold sites and one freehold site, funded from existing cash resources and debt facilities. The contract to manage assets of PBR Leisure terminated on 20 October 2013.

Current trading is in line with the Directors' expectations for the first four months of the new financial year. The Directors continue to implement the Group's strategy, as set out in paragraph 8 of this Part I, and the Directors remain confident about the future prospects of the Group.

8. STRATEGY

Existing estate

The Company will seek to identify development opportunities across its existing sites, whereby capital can be employed to enhance existing profitability.

New site acquisitions

The primary expected avenue of growth for the Company is through the acquisition and, if necessary, development of new sites.

The criteria Eclectic sets for new sites seek to maintain the Group's focus on a premium customer base. It is anticipated the majority of new sites will be in major cities and towns where there is also a student population. The Company targets a 30 per cent. EBITDA return on new acquisitions and 25 per cent. on redevelopments of existing sites in the first 12 months post-acquisition or re-development. The Company is targeting the addition to its portfolio of two to three new sites per annum, and currently has a strong pipeline in place. The Company intends to finance its new site acquisitions with cash generated from operating activities, bank funding and the net proceeds of the Placing.

Eclectic has identified the following towns and cities where it could or does trade and therefore it will focus its search for new sites:

London Chelsea and Fulham

City Clapham West End

South East Brighton

Guilford Kingston Milton Keynes

Oxford St Albans

South and West Bournemouth

Bristol Cheltenham Exeter Southampton Midlands Birmingham

Cambridge Leicester Nottingham

North West Liverpool

Manchester

North East Durham

Leeds Sheffield York

Scotland Edinburgh

Glasgow

Wales Cardiff

Brands

New sites will be selected either for the opportunity to use one of the Company's existing brands, or where an existing brand or business can be successfully maintained and developed. Internally the management team continues to work on the evolution of existing brands and the development of potential new brands, which the Directors believe is a key aspect of retaining customers and providing a premium offer to them.

9. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors

The Board is currently comprised of Jim Fallon as Non-Executive Chairman, Reuben Harley as Chief Executive Officer and John Smith as Chief Financial Officer. In addition, Clive Watson will be appointed as a Non-Executive Director at Admission.

The Company intends to appoint a further non-executive director within six months from Admission. The Directors are seeking an individual who has the appropriate level of quoted company and industry experience and can further strengthen the Board.

The biographical details of the directors upon Admission are set out below:

Mr James 'Jim' Fallon (aged 47) – Non-Executive Chairman

Since 1994 Jim has worked almost exclusively within the leisure sector as a lender, adviser, owner, operator and most recently business consultant. Jim worked for Imperial Chemical Industries in electrical engineering for eight years prior to joining Midland Bank in 1991. He was at HSBC until 2002, latterly leading the leisure team, when he left to set up the consumer sector corporate finance advisory business McQueen Limited. He was specifically responsible for the leisure sector within McQueen as well as much of the day to day running of the business. Jim works as a consultant to a variety of UK leisure businesses through his company, Graybridge Solutions Limited. In addition he is Chairman of Newman Bars Ltd which owns and operates Lowlander Grand Café, a continental bar brasserie business in Covent Garden.

Mr Reuben Jonathan Harley (aged 44) – Chief Executive Officer

Reuben has worked in the UK pub and bar industry for over 25 years. His career started at Grand Metropolitan plc before becoming an area manager at Greenalls Inns in the late 1990s. Between 1998 and 2004 he worked at SFI Group PLC, where he moved through the roles of Operations Manager, Regional Manager, Brand Manager of the Litten Tree brand in the South of England, subsequently Brand Manager nationally for the Bar Med brand and then Divisional Director responsible for the disposal division of 62 sites. Prior to joining Eclectic Bars Limited as CEO in June 2006 he was Business Development Director for The Nightclub Company.

Mr John Anthony Smith (aged 55) – Chief Financial Officer

Since qualifying as a chartered accountant (ACA) with Touche Ross & Co in 1985 John has held a variety of senior finance roles. From Head of Finance at International Currency Exchange plc he then became Group Finance Director at Vision Express until it was sold to Grand Vision in 1997. After two years as Joint UK Managing Director of Vision Express post the acquisition he then became Finance Director of First Leisure Corporation plc in 1999, before becoming Chief Executive in 2003, and then Chief Executive of The Nightclub Company which was created by the purchase of 22 nightclubs from the receiver of First Leisure. John became Finance Director of Eclectic Bars Limited in June 2006.

Mr Clive Royston Watson (aged 52) – Non-Executive Director

Clive qualified as a chartered accountant with Price Waterhouse in London in 1986 then joined the investment bank Manufacturers Hanover Limited where he spent three years. He joined Regent Inns plc as Finance Director and Company Secretary in 1990. Clive left Regent Inns plc in 1998 and co-founded Tup Inns Limited where he was responsible for financial and commercial matters as well as acquisitions. Clive was appointed in 2000 as Finance and Commercial Director of The Capital Pub Company PLC which was admitted to trading on AIM in 2007. In 2008 he was appointed Chief Executive and oversaw the sale to Greene King plc in 2011 for £93 million. He then set up and became Chief Executive of The City Pub Company in 2012 under the Enterprise Investment Scheme which operates a portfolio of pubs in cities and large market towns in the south of England.

Senior management

The biographical details of the Group's senior manager are set out below:

Mr Leigh Nicolson (aged 36) – Operations director

Leigh has worked in a variety of operational roles in the UK bar market for approximately 20 years. After four years working for Yates Group PLC at the site level he moved to work for Fuller, Smith & Turner PLC in London across their high street branded bars business. Following this he spent two years with Inventive Leisure PLC, before joining SFI Group PLC as a new openings manager for their new template brand where he was responsible for a number of new site openings nationwide. Leigh then joined The Nightclub Company in 2005 where he worked on the introduction of the Cantaloup bar brand, before joining Eclectic Bars Limited in 2006 as area manager for the London area. His role developed to become national operations manager, and he was appointed operations director for the Eclectic Group in 2010.

10. EMPLOYEES

As at 30 June 2013, the Eclectic Group employed 206 full time equivalent employees the vast majority of whom work in the sites as bar and waiting staff.

11. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a company of its nature and size.

The Corporate Governance Guidelines were devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate to many AIM companies. The Corporate Governance Guidelines state that: "The purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term."

The Board will meet at least ten times a year to review the Group's strategy and oversee the Group's progress towards its goals. It has established audit and remuneration committees.

Audit committee

The Board has established an audit committee with formally delegated duties and responsibilities. The audit committee will be chaired with effect from Admission by Clive Watson and its other members are John Smith and Jim Fallon. The Group's intention is that when an additional non-executive director is appointed to the Board he or she will replace Jim Fallon on the committee. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

Remuneration committee

The remuneration committee will be chaired with effect from Admission by Clive Watson and its other member is Jim Fallon, The Group's intention is that when an additional non-executive director is appointed to the Board he or she will replace Jim Fallon on the committee. It is expected to meet not less than two times a year. Executive Directors may attend meetings at the committee's invitation.

The remuneration committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors, including pension rights and compensation payments. It is also responsible for making recommendations for grants of options under the Share Option Plan.

The remuneration of Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to his or her own remuneration.

12. THE PLACING AND USE OF PROCEEDS

Pursuant to the Placing Agreement, Panmure Gordon has agreed conditionally upon, *inter alia*, Admission to use its reasonable endeavours to place up to 9,398,361 Placing Shares on behalf of the Company and the Selling Shareholder at the Placing Price. The new Placing Shares to be issued by the Company pursuant to the Placing will represent approximately 51.0 per cent. of the Enlarged Share Capital and will raise up to approximately £10.5 million gross of expenses (approximately £9.1 million net of expenses excluding VAT) for the Company. On Admission, the Company will have a market capitalisation of up to approximately £20.6 million.

The net funds raised will be used to repay a shareholder loan owed to Avanti of approximately £7.3 million with any surplus net funds raised of approximately £1.8 million to be used to fund organic growth prospects and new site acquisition opportunities.

The Placing Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Enlarged Share Capital.

The Company has received provisional approval from HMRC that it has EIS and VCT status to achieve beneficial treatment for these investor groups.

In order to protect the Company's VCT and EIS status, the Placing will be effected in two tranches. The EIS/VCT Placing Shares will be offered to those investors who may seek relief under the EIS legislation or under the VCT legislation, and the remaining Placing Shares will be offered to other investors. The Placing (other than the EIS/VCT Placing) is conditional, *inter alia*, upon the EIS/VCT Placing having occurred, Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by 20 November 2013, or such later date (being no later than 13 December 2013) as the Company and Panmure Gordon may agree. The EIS/VCT Placing is conditional upon the Directors delivering a certificate to Panmure Gordon confirming that they expect Admission to occur at 8.00 a.m. on the following day and the Placing Agreement becoming unconditional in all respects, save for conditions relating to Admission.

The Placing, which is not underwritten, is conditional, *inter alia*, upon Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by 20 November 2013 or such later date (being no later than 13 December 2013) as the Company and Panmure Gordon may agree.

13. DIVIDEND POLICY

The Directors intend, in the absence of unforeseen circumstances, to adopt a progressive policy of paying dividends while maintaining a prudent level of dividend cover for the Group. This dividend policy will reflect the long-term earnings and cash flow potential of the Eclectic Group and retain sufficient flexibility to finance anticipated development capital investment in line with the Company's growth strategy. The Directors propose to pay an interim dividend and a final dividend in respect of each financial year, with the first dividend payment expected to be paid following the Company's 2014 financial year.

14. SHARE DEALING CODE

The Company has adopted, with effect from Admission, a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will take all reasonable steps to ensure compliance by its directors and any relevant employees.

15. SHARE OPTION PLAN

The Company has adopted, with affect from Admission, the Share Option Plan. Any employee of the Group is eligible to participate in the Share Option Plan at the discretion of the remuneration committee. Further details of the Share Option Plan are set out in paragraph 4 of Part V of this document.

The Company intends to issue options over 900,375 Ordinary Shares on Admission representing 7 per cent. of the Enlarged Share Capital.

16. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Directors have undertaken in the Placing Agreement to Panmure Gordon not to dispose of any interest in any of their Ordinary Shares for 12 months from Admission except in certain limited circumstances. For a further period of 12 months, the Directors have agreed to an orderly market arrangement in respect of the Ordinary Shares they hold at Admission.

In addition, Leigh Nicolson has undertaken in a deed dated 20 November 2013 to Panmure Gordon not to dispose of any interest in any of his Ordinary Shares for 12 months from Admission except in certain limited circumstances. For a further period of 12 months, Leigh Nicolson has agreed to an orderly market arrangement in respect of the Ordinary Shares he holds at Admission.

Further details of the lock-in and orderly market arrangements are set out in paragraph 9 of Part V of this document.

17. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in Ordinary Shares will commence on 28 November 2013.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and stock transfer forms.

The ISIN number of the Ordinary Shares is GB00BG49KW66. The TIDM is BAR.

18. VCT AND EIS ELIGIBILITY

The Company has received provisional approval from HMRC that the EIS/VCT Placing Shares are capable of being a "qualifying holding" for the purpose of investment by a VCT or EIS purposes. Further information is included in paragraph 12 of Part V of this document.

19. TAXATION

Information regarding UK taxation with regard to certain holders of the Ordinary Shares is set out in paragraph 12 of Part V of this document. That information is intended only as a general guide to the current tax position under UK law. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

20. APPLICABILITY OF THE TAKEOVER CODE

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

More information is set out in paragraph 10 of Part V of the Admission Document.

21. FURTHER INFORMATION

Your attention is drawn to Parts II to V of this document which provide additional information on the Group and the markets in which it operates.

PART II

RISK FACTORS

An investment in the Ordinary Shares is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Ordinary Shares potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Ordinary Shares, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Ordinary Shares. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of his investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under the FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decisions to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full or any amount initially invested.

RISKS RELATING TO THE GROUP

Growth strategy dependent on acquiring and developing new sites which may be influenced by factors beyond the Company's control

The Company intends to pursue a growth strategy which, to be successful, will depend in large part on the ability to open new sites, to operate these sites on a profitable basis and to introduce its brands into new locations successfully (or develop an acquired brand). It is possible each site may take some time from its opening date to reach profitable operating levels due to inefficiencies typically associated with new sites, including lack of awareness, competition, the need to hire and train sufficient staff and other factors. The Company cannot guarantee that the Group will be able to achieve its expansion goals or that the new sites will be operated profitably.

The success of the planned expansion will depend on numerous factors, many of which are beyond the Company's control, including the following:

- the ability to identify and secure available and suitable sites on an economic basis;
- the ability to secure all necessary operating approvals and licences in a timely manner and in a satisfactory form;
- the extent of the competition for sites and in markets in new locations generally;

- the ability to conclude a lease on acceptable terms and costs associated with this;
- the ability to fit out new sites at an economic cost;
- delays in the timely development of all sites; and
- general economic conditions.

In addition, the success of the Group is significantly influenced by location and there can be no assurance that the Group will be able to identify sufficient sites in its target locations to fully implement its growth strategy, or be able to identify and secure additional suitable locations as demographic and economic patterns change.

Rapid growth and expansion may strain the Group's managerial, operational and control systems and the Group may encounter difficulty obtaining personnel and other resources to adequately develop these systems further

The rapid development and establishment of sites may raise unanticipated operational or control risks. Management of growth through newly developed or acquired properties will require, among other things:

- implementation of financial and management controls and information technology systems in newly established or acquired assets;
- integration of business culture and adoption of policies and best practices;
- increased marketing activities; and
- identifying, hiring and training new qualified personnel.

The operating complexity of the Group's business and the responsibilities of the Group's management are likely to increase as a result of this growth, placing significant strain on the Group's managerial, operational and control systems. In view of the Group's growth strategy, the Group's management will need to continue to improve the Group's operational and financial systems and managerial controls and procedures to keep pace with the Group's growth. The Group's management will also have to maintain close coordination among the Group's accounting, finance and asset management personnel.

The Group's inability to successfully manage the impact of rapid growth on the Group's operational and managerial resources and control systems could have a material adverse effect on the Group's business, financial condition and results of operations. Moreover, there can be no assurance that the Group will be able to achieve operating results for its existing or future sites comparable to the historical operating results of the Group's existing sites.

As the Group's operations expand and additional growth opportunities are sought, the Group's internal controls in particular will need to adapt and respond to the growing demands of the Group's business activities. The Group's management is continuing to evaluate the need for additional staff and other resources in the area of internal controls. However, there can be no assurance that any such efforts will not disrupt the controls system the Group currently has. Effective internal controls are necessary for the Group to produce reliable financial reports and are important to help prevent fraud. As a result, if the Group fails to achieve and maintain effective internal controls over cash management and financial reporting as the Group's businesses grow, this could result in the loss of investor confidence in the reliability of the Group's financial statements, which in turn could harm the Group's business, financial condition and results of operations and negatively impact the trading price of the Ordinary Shares.

Health and Safety regulation

The Group is subject to regulation in areas such as health and safety and fire safety. Whilst the Group believes it has appropriate policies and procedures in place, these may need to adapt which may require additional expenditure. Furthermore, in order to ensure the Group's sites remain fully compliant with legislative requirements there will always be the need to maintain premises, not only generally but if an *ad hoc* issue arises, which again will require capital expenditure.

Asbestos at the Group's premises

Some of the Group's premises contain asbestos but the Group complies with its legal obligations with regard to those sites affected and has in place appropriate management plans to monitor and maintain the safe condition of the asbestos. Should the asbestos require removal in the future there would be costs associated with that.

Integration of new sites may be difficult and may adversely affect the Group's business, financial condition and results of operations

The success of any site acquisition will depend, in part, on the Group's ability to realise the anticipated benefits from integrating acquired sites with the Group's existing operations. For instance, the Group may develop or acquire new sites in geographic areas in which the Group's management may have little or no operating experience and in which potential customers may not be familiar with the brands of the Group's site management companies. These sites may attract fewer customers than the Group's other operating sites, while at the same time the Group may incur substantial additional costs with these new sites. As a result, the Group's results of operations at acquired sites may be inferior to those of the Group's other operating properties. Unanticipated expenses and insufficient demand at a new site, therefore, could adversely affect the Group's business. The Group's success in realising anticipated benefits and the timing of this realisation depend upon the successful integration of the operations of the acquired site. This integration is a complex, costly and time-consuming process. The difficulties of combining acquired or newly developed sites with the Group's existing operations include, among others:

- integrating information systems;
- preserving the important licensing, distribution, marketing, customer, employment and other relationships of the acquired site and obtaining new relationships, as required; and
- successfully re-branding sites if required.

In addition, the efficient management of the Group's newly developed properties and integration of newly acquired sites may cause it to face a number of technical difficulties and cultural differences. The resolution of these difficulties and differences will be essential for the Group's success, however, it cannot be certain that this will be achieved in an efficient and timely manner. Moreover, the Group may not accomplish the integration of acquired or newly developed sites smoothly or successfully. The diversion of the attention of the Group's management from the Group's existing operations to integration efforts and any difficulties encountered in combining operations could prevent it from realising the anticipated benefits from the acquisition or development and could adversely affect the Group's business, financial condition and results of operations.

The bar industry in the United Kingdom is highly regulated and all such operations require licences, permits and approvals

The Group's bars are subject to laws and regulations that affect their operations, including in relation to employment, minimum wages, premises and personal licenses, alcoholic drinks control, entertainment licences, competition, health and safety, sanitation and data protection. These laws and regulations impose a significant administrative burden on the Group, as managers have to devote significant time to compliance with these requirements and therefore have less time to dedicate to the business. If additional or more stringent requirements were to be imposed in the future, it would increase this burden, which could adversely affect the Group's operating results (as a result of increased costs or lower revenues) and, in turn, adversely affect the Group's financial condition and prospects. If the Group were not unable to comply with additional regulatory requirement, or compliance became uneconomic, the Group may change its operations, for example, having shorter opening hours at its bars, and such changes may adversely affect the Group's financial performance.

By way of example, the government recently amended applicable licensing legislation within England and Wales and, within those amendments, two new discretionary powers were granted to local authorities: the ability to adopt early morning restriction orders ("EMROs") and the ability to adopt a "late night levy". Both of these powers have the potential to have an impact on the Group's operations. Whilst each local authority

has the discretion to adopt an EMRO or impose a late night levy, to date the appetite to use these powers seems limited, albeit that may change in the future.

EMROs allow, where adopted, local authorities to limit the hours when alcohol may be sold to such hours as they may choose to adopt between the hours of midnight and 6 a.m. (for example between 2 a.m. and 5 a.m.). Any licence ostensibly permitting such sales would have no effect in terms of the sale of alcohol during the adopted period. However, the local authority must follow a prescribed process and the views of affected operators are taken into account. Of the local authorities in which the Group has sites, to date there is only one which has indicated it is likely to adopt an EMRO. It is understood that the period of restriction likely to be adopted would not affect the existing premises licences.

The late night levy, is essentially a surcharge on those premises selling alcohol during the "night time economy" and thus would be additional cost to the business if it were to apply to the site. Again, each local authority must decide whether it wishes to adopt a levy and then follow a prescribed process before the levy can take effect. The local authority can choose such hours between midnight and 6 a.m. which will make up the levy period and those premises caught will be liable to pay the levy, on a *pro rata* basis. To date the only local authority to adopt the late night levy is Newcastle City Council although Bristol and Manchester (where the Group has operating premises) are considering whether to try to adopt a late night levy within their respective local authority areas.

The Group may experience delays and failures in obtaining and retaining required licences, permits and approvals

Each of the Group's existing, and planned future, bars is, or will need to be, licensed to permit, among other things, the sale of alcoholic drinks. Difficulties or failures in obtaining or maintaining required licences or approvals could delay or prohibit the operation of the Group's bars. If any of the Group's licences were withdrawn or amended, the profitability of the affected bars would be adversely affected and this, in turn, may have an adverse effect on the Group's operating results, financial condition and prospects.

Licensing requirements which affect the Group's bars are subject to change, and additional or more stringent requirements may be imposed on the Group's operations in the future. This may reduce the ability of the Group's bars to sell alcoholic drinks, which could have an adverse effect on the Group's operating results, financial condition and prospects.

The Group is dependent on key sites

The Group's performance is partly dependant on a number of key sites, in particular Embargo 59 and the Fez Club (Putney). While the Group's expansion continues to diversify these sites' significance, if the Group suffered a loss of licence at either of these sites, which resulted in the site(s) to cease operating, then this may have an adverse material effect on the Group's profitability.

Competition

The sector in which the Group operates is competitive and there can be no certainty that the Group will be able to achieve the market penetration it seeks. There can be no guarantee that the Group's current competitors or new entrants to the market will not appeal to a wider proportion of the Group's market or command broader brand awareness. In either case such companies may have greater financial and marketing resources than the Group. Even if the Group is able to compete successfully, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes which may impact negatively on the Group's financial performance.

Changing consumer habits and confidence

The Group's financial results can be materially impacted by any material change in consumer habits within the United Kingdom. Examples of changes in consumer habits that may impact the Group's financial performance include on-trade/off-trade consumption of alcohol, increasing emphasis on healthier lifestyles (and the corresponding reduction in alcohol consumption) and the increasing breadth of choice of leisure amenities in the United Kingdom. Changes in consumer tastes and demographic trends may also affect the

appeal of the Group's bars to consumers, especially if the Group does not anticipate, identify and respond to such changes by evolving its brands, formats and offerings adequately and sufficiently promptly, which could have a negative impact on the Group's financial performance.

The Group's business is also subject to general economic conditions in the United Kingdom. In particular, the revenue and results of the Group are affected by the level of consumer confidence and expenditure on leisure activities. Economic factors such as rising interest rates, declining wages, higher unemployment, tax increases, lack of consumer credit and falling house prices could all adversely affect the level of consumer confidence, which could have a significant effect on the level of spending by the customers of the Group's bars.

Consumer perceptions and public attitudes towards the consumption of alcohol may continue to change

In the United Kingdom, consumption of alcoholic beverages has become the subject of considerable social and political attention in recent years due to increasing public concern over adverse health consequences associated with the misuse of alcohol (including alcoholism) and alcohol-related social problems (including drink-driving, binge drinking and under-age drinking). Changes in consumer tastes in both food and drink may adversely affect the appeal of the Group's bars to consumers, especially if the Group does not anticipate, identify and respond to such changes by evolving its brands, formats, offerings and premises. This, in turn, would have an adverse effect on the Group's operating results, financial condition and prospects.

In addition, any increased focus on the potentially harmful effects of alcohol, such as a public service advertising campaign by the UK government, might reduce sales of alcoholic beverages and therefore negatively affect the Group's operating results, financial condition and prospects.

Incidents involving the abuse of alcohol, use of illegal drugs and violence

Incidents involving the abuse of alcohol, use of illegal drugs and violence on the Group's premises may continue to occur or may increase in frequency. Such activity may directly interrupt the operations of the Group and could also result in adverse publicity, litigation, regulatory action or loss of licence, any of which could adversely affect the Group's operating results, financial condition and prospects.

Dependence on key executives and personnel

The Group has a relatively small senior management team and the loss of any key individual or the inability to attract appropriate personnel could impact upon the Group's future performance.

Tax risk

Any change in the Group's tax status or in taxation legislation in the UK could affect the Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

RISKS RELATING TO THE ORDINARY SHARES

Trading market for the Ordinary Shares

The share price of publicly-traded companies, including those listed on AIM, can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but are not limited to, the performance of both the Group's and its competitors' businesses, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company and the income derived from it may go down as well as up. Investors may therefore realise less than, or lose all of, their investment. The volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time. It may be more difficult for an investor to realise his investment in the Group than in a company whose shares are

quoted on the Official List. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List.

Substantial sales of Ordinary Shares

There can be no assurance that certain Directors will not elect to sell their Ordinary Shares following the expiry of the lock-in period set out in the Placing Agreement, details of which are set out in paragraph 16 of Part I of this document, or otherwise. Similarly, substantial Shareholders could dispose of Ordinary Shares at any time. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Group may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

VCT and EIS relief

The Company has received advance assurance from HMRC that it is a qualifying company for EIS scheme purposes and for investment by VCTs.

The actual availability of qualifying status for EIS or VCT will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company, the Directors nor the Company's advisers give any warranties or undertakings that such qualifying status will be available or that, if initially available, such relief or status will not be withdrawn.

Should the law regarding qualifications for EIS scheme purposes (or for an investment by a VCT) change then any reliefs or qualifying status previously obtained may be lost. Circumstances may arise (which may include the sale of the Company) where the directors believe that the interests of the Company are not best served by acting in a way that preserves such qualifying status and the Company cannot undertake to conduct its activities in a way designed to secure or preserve such qualifying status or relief.

If the Company does not employ the proceeds of the EIS/VCT Placing for qualifying purposes within 24 months, EIS relief would not be available, and the funds invested by the EIS or VCT would be apportioned *pro rata* and its qualifying holding would be equal to the EIS or VCT funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the EIS or VCT investment would comprise part of its non-qualifying holdings.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business, which is not insubstantial to the Company's activities and which is a non-qualifying trade for VCT relief, this could prejudice the qualifying status of the Company (as referred to above) under the VCT rules. This situation will be monitored by the directors with a view to preserving the Company's qualifying status but this cannot be guaranteed. Any company receiving aid through any government state aid scheme, that would include VCTs, individually or combined, that amounts to a value above the investment limit currently shown at section 292A(1) of the Income Tax Act 2007 (currently £5 million) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

The EIS/VCT Placing may become unconditional in circumstances where Admission does not occur. EIS/VCT Placees should be aware that the Company currently has no distributable reserves and the consent of Barclays would also be required for any buyback of its shares.

Additional capital and dilution

The Directors do not currently anticipate that the Group will require additional capital to further its strategy as outlined in this document. Nevertheless, it is possible that the Group will need or choose to raise extra capital in the future to finance the development of new products or enhancements, to develop fully the

Group's business, to take advantage of acquisition opportunities or respond to new competitive pressures. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of Eclectic other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. The costs and timing implications of a *pro rata* issue of equity securities are likely to lead to further issues of equity being done on a non-pre-emptive basis. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

No guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Forward-looking statements

Certain statements contained in this document are forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or the Directors' beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based, save as required to comply with any legal or regulatory obligations (including the AIM Rules for Companies).

PART III

HISTORICAL FINANCIAL INFORMATION



Ernst & Young LLP 1 More London Place London SE1 2AF Tel: + 44 20 7951 2000 Fax: + 44 20 7951 1345 ey.com



Section A: Accountant's Report on the historical financial information of the Group

The Directors
Eclectic Bar Group plc
533 Kings Road
London
SW10 0TZ

20 November 2013

Dear Sirs

Eclectic Bars Limited

We report on the financial information of Eclectic Bars Limited set out in Section B to Part III of this document which comprises the Consolidated income statement, the Consolidated statement of financial position, the Consolidated statement of changes in equity and the Consolidated cash flow statement for the years ended 30 June 2013, 24 June 2012 and 26 June 2011. This financial information has been prepared for inclusion in the AIM admission document dated 20 November 2013 of Eclectic Bar Group plc on the basis of the accounting policies set out in Part III Section B note 2 of this document. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Eclectic Bar Group plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM admission document dated 20 November 2013, a true and fair view of the state of affairs of as at the dates stated and of its profits, cash flows and recognised gains and losses/changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Emst eyoung Lip

Ernst & Young LLP

Section B: Group Historical Financial Information

ECLECTIC BARS LIMITED CONSOLIDATED INCOME STATEMENT

		Operations	Operations	For the period ended		ıded
		to be	to be dis-	30 June	24 June	26 June
		continued	continued	2013	2012	2011
	Notes	£'000	£'000	£'000	£'000	£'000
Revenue	3a	20,551	646	21,197	19,793	15,515
Cost of sales		(4,334)	_	(4,334)	(4,132)	(3,091)
Gross profit		16,217	646	16,863	15,661	12,424
Administrative expenses						
– other		(15,015)	(91)	(15,106)	(13,880)	(10,782)
exceptional items	3b	(99)	_	(99)	(252)	(126)
Total administrative expenses		(15,114)	(91)	(15,205)	(14,132)	(10,908)
Operating profit	4	1,103	555	1,658	1,529	1,516
Finance revenue	8	2	_	2	_	_
Finance cost	9	(699)	_	(699)	(656)	(564)
Profit on ordinary activities						
before taxation		406	555	961	873	952
Taxation on ordinary activities	10			(365)	(111)	13
Profit and total comprehensive						
income for the period				596	762	965

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes			As at	As at	As at
Non current assets £ 000 £ 000 £ 000 Non current assets 13 4,598 4,193 4,182 Property, plant and equipment 14 5,436 5,849 5,300 Deferred tax assets 10 91 241 191 10,125 10,283 9,673 Current assets Inventories 16 306 264 233 Trade and other receivables 17 1,296 1,107 1,187 Cash and cash equivalents 18 558 286 370 TOTAL ASSETS 12,285 11,940 11,463 EQUITY Issued share capital 20 - - - Retained earnings/(deficit) 505 (91) (853) Equity attributable to equity shareholders of the parent 505 (91) (853) TOTAL EQUITY 505 (91) (853) Current liabilities Current liabilities Curren					
Non current assets					
Intangible assets		Notes	£'000	£'000	£'000
Property, plant and equipment Deferred tax assets 14 by 14 by 14 by 14 by 14 by 15 by 16 by	Non current assets				
Deferred tax assets	Intangible assets	13	4,598		4,182
Current assets Inventories 16 306 264 233 Trade and other receivables 17 1,296 1,107 1,187 Cash and cash equivalents 18 558 286 370 Cash and cash equivalents 18 558 286 370 TOTAL ASSETS 12,285 11,940 11,463 EQUITY 19 12,285 11,940 11,463 EQUITY 19 2,160 1,657 1,790 Retailed earnings//deficit) 20 - - - - - Equity attributable to equity shareholders of the parent 505 (91) (853) (853) Equity attributable to equity shareholders of the parent 505 (91) (853) (853) (91) (853) LIABILITIES 20 - - - - - - - (853) (91) (853) (853) (91) (853) (853) (91) (853) (853) (91) (853)					
Current assets	Deferred tax assets	10	91	241	191
Inventories			10,125	10,283	9,673
Trade and other receivables 17 1,296 1,107 1,187 Cash and cash equivalents 18 558 286 370 TOTAL ASSETS 12,285 11,940 11,463 EQUITY Issued share capital 20 - - - - Retained earnings/(deficit) 505 (91) (853) Equity attributable to equity shareholders of the parent 505 (91) (853) TOTAL EQUITY 505 (91) (853) LIABILITIES Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 2 8,587 8,961 9,175 Financial liabilities 2 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,	Current assets				
Cash and cash equivalents 18 558 286 370 TOTAL ASSETS 12,285 11,940 11,463 EQUITY Issued share capital 20 - - - Retained earnings/(deficit) 505 (91) (853) Equity attributable to equity shareholders of the parent 505 (91) (853) TOTAL EQUITY 505 (91) (853) LIABILITIES Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 8,107 8,622 8,997 Financial liabilities 21 8,107 8,622 8,997 TOTAL LIABILITIES 11,780 12,031 12,316	Inventories	16	306	264	233
TOTAL ASSETS 2,160 1,657 1,790 TOTAL ASSETS 12,285 11,940 11,463 EQUITY Issued share capital 20	Trade and other receivables	17	1,296	1,107	1,187
TOTAL ASSETS 12,285 11,940 11,463 EQUITY Issued share capital 20 -	Cash and cash equivalents	18	558	286	370
EQUITY Issued share capital 20 - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -			2,160	1,657	1,790
Retained earnings/(deficit) 505 (91) (853)	TOTAL ASSETS		12,285	11,940	11,463
Retained earnings/(deficit) 505 (91) (853)	FOURTY				
Retained earnings/(deficit) 505 (91) (853) Equity attributable to equity shareholders of the parent 505 (91) (853) TOTAL EQUITY 505 (91) (853) LIABILITIES Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 8,107 8,622 8,997 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316	_	20			
Equity attributable to equity shareholders of the parent 505 (91) (853) TOTAL EQUITY 505 (91) (853) LIABILITIES Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 8,107 8,622 8,997 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316	-	20	505	(91)	(853)
of the parent 505 (91) (853) TOTAL EQUITY 505 (91) (853) LIABILITIES Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316					
TOTAL EQUITY 505 (91) (853) LIABILITIES Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316			505	(91)	(853)
LIABILITIES Current liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316	•				
Current liabilities Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 8,007 8,622 8,997 Financial liabilities 21 8,107 8,622 8,997 TOTAL LIABILITIES 11,780 12,031 12,316	TOTAL EQUITY			(91)	(853)
Other financial liabilities 21 676 688 809 Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - Non-current liabilities 3,193 3,070 3,141 Non-current liabilities 21 480 339 178 Financial liabilities 21 8,107 8,622 8,997 TOTAL LIABILITIES 11,780 12,031 12,316					
Trade and other payables 19 2,443 2,382 2,332 Income tax payable 74 - - - 3,193 3,070 3,141 Non-current liabilities 20 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316					
Non-current liabilities Total Liabilities					
Non-current liabilities Deferred tax liabilities 10 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316		19		2,382	2,332
Non-current liabilities 10 480 339 178 Deferred tax liability 10 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316	Income tax payable		74	_	
Deferred tax liability 10 480 339 178 Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316			3,193	3,070	3,141
Financial liabilities 21 8,107 8,622 8,997 8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316	Non-current liabilities				
8,587 8,961 9,175 TOTAL LIABILITIES 11,780 12,031 12,316	Deferred tax liability	10	480	339	178
TOTAL LIABILITIES 11,780 12,031 12,316		21	8,107	8,622	8,997
			8,587	8,961	9,175
TOTAL EQUITY AND LIABILITIES 12,285 11,940 11,463	TOTAL LIABILITIES		11,780	12,031	12,316
	TOTAL EQUITY AND LIABILITIES		12,285	11,940	11,463

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued	Retained	Total
	share	earnings/	shareholders'
	capital	(deficit)	equity
	£'000	£'000	£'000
At 27 June 2010	_	(1,818)	(1,818)
Class 'D' Share issued during the period	_	_	_
Profit for the period	_	965	965
At 26 June 2011		(853)	(853)
Profit for the period	_	762	762
At 24 June 2012	_	(91)	(91)
Profit for the period	_	596	596
At 30 June 2013		505	505

CONSOLIDATED CASH FLOW STATEMENT

		For the period ended			
		30 June	24 June	26 June	
		2013	2012	2011	
	Notes	£'000	£'000	£'000	
Operating activities					
Profit before tax from operations		961	873	952	
Net finance costs		697	656	564	
Depreciation of property, plant and equipment	14	1,158	1,071	574	
Loss on disposal of property, plant and equipment		102	30	_	
Increase in inventories	16	(26)	(31)	(67)	
(Increase)/Decrease in trade and other receivables	17	(182)	80	(181)	
(Decrease)/Increase in trade and other payables	19	56	39	286	
Net cash flow from operating activities		2,766	2,718	2,128	
Investing activities					
Purchase of property, plant and equipment and					
intangible assets	14	(747)	(1,677)	(2,816)	
Acquisition of shares in subsidiary undertaking	15	_	_	(427)	
Acquisition of business net of cash	15	(523)	_	_	
Net cash acquired with subsidiary undertaking	15	_	_	6	
Proceeds from disposal of property, plant and equipment			27	17	
Net cash flows used in investing activities		(1,270)	(1,650)	(3,220)	
Financing activities					
Interest received		3	_	_	
Interest paid		(856)	(636)	(539)	
Proceeds from borrowings		1,950	510	1,746	
Repayment of borrowings		(2,289)	(991)	(646)	
Capital element on finance lease rental payments		(32)	(35)	(66)	
Net cash flows used in financing activities		(1,224)	(1,152)	495	
Net increase/(decrease) in cash and cash equivalents		272	(84)	(597)	
Cash and cash equivalents at beginning of period		286	370	967	
Cash and cash equivalents at period end date	18	558	286	370	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Eclectic Bars Limited (the 'company') is a limited company incorporated and domiciled in England and Wales. The registered office of the company is 533 Kings Road, Tetcott Road Offices, London SW10 0TZ. The registered company number is 05839448. A list of the company's subsidiaries is presented in note 12.

The group's principal activity is the management and operation of premium bars and nightclubs across the United Kingdom. The company carries out business under the trade names of PoNaNa, Fez, Embargo 59, Sakura and Lola Lo.

The principal accounting policies adopted by the group are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the group for the period ended 30 June 2013 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 30 June 2013. These accounting policies were consistently applied for all the periods presented except as noted below.

The company has adopted IFRS effective for its annual consolidated financial statements beginning 25 June 2012. These consolidated financial statements are the company's first annual consolidated financial statements prepared in accordance with IFRS as adopted by the EU. For all periods up to and including the year ended 24 June 2012, the company prepared its consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice or 'UK GAAP'). An explanation of how the transition to IFRS as adopted by the EU has affected the reported financial position, financial performance and cash flows of the group is provided in note 25.

The group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£,000) except when otherwise indicated.

The group financial statements have been prepared under the historical cost convention.

The financial statements are prepared on a 52 or 53 week basis up to the last Sunday in June each year (2013: 53 week year ended 30 June 2013, 2012: 52 week year ended 24 June 2012, 2011: 52 week year ended 27 June 2011). The notes to the consolidated financial statements are on this basis.

Going concern

At 30 June 2013, the group had net current liabilities of £1,033,000 (2012 – net current liabilities of £1,413,000 and net liabilities of £1,351,000 in 2011). This has arisen predominantly due to the nature of the funding structure for the group, and operating and start-up losses in earlier periods.

The group has four principal sources of funding.

- a loan from its ultimate parent Avanti Capital plc (see note 23) of £7,302,802 (2012 £7,467,578), this loan is renewed on an annual basis at the end of August each year. This was renewed as at 31 August 2013 for a further 12 months.
- a new 3 year long term facility of £1,950,051 was entered into on the 7 September 2012 which consolidated the previous long term loans with the groups bankers (see note 21), £1,433,692 was outstanding at the year-end (2012 £1,763,351). Loan repayments of £650,016 (2012 £664,588) are payable over the next 12 months.
- an overdraft facility of £600,000, which at the end of the year was unutilised (2012 NIL).

• a three year Revolving Loan facility of £1,500,000 which was entered into on the 7 September 2012, which is available for the refit of existing units and for new acquisitions. No draw down has been made on this facility as at the period end. (2012 – NIL).

Quarterly covenant tests are in place over these bank facilities and the group was fully compliant as at 30 June 2013.

As a result of the strong trading there is significant headroom on these covenant tests, and based on current and forecasted performance, the directors expect there to continue to be significant headroom for the foreseeable future. Further, based on current and forecasted performance, the directors consider that the group will continue to be profitable and cash generative.

In addition, on the basis that the company's new ultimate parent Eclectic Bar Group plc raises net proceeds of £9.1 million from the offer of its shares, the company will use the proceeds to repay the loan from Avanti Capital plc and to provide working capital.

Based on the above, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements and key sources of estimation and uncertainty

The preparation of the group and parent company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the group and parent company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Operating lease commitments

The group has entered commercial property leases as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts are not recoverable.

When value in use calculations are undertaken, management must allocate the expected future cash flows from the asset to cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Basis of consolidation

The Consolidated financial statements include the financial statements of Eclectic Bars Limited and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these consolidated accounts, subsidiaries are those entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full. Accounting policies of subsidiary entities are consistent with the group accounting policies disclosed here.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the group and is presented separately within equity in the consolidated statement of financial position, separate from parent shareholders' equity.

Foreign currency translation

The consolidated financial statements are presented in Sterling pounds, which is also the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the statement of financial position date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements – over lease term

Furniture and fittings – 3-5 years

IT equipment – 3 years

Motor vehicles – 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Business combinations and goodwill

Business combinations are accounted for in accordance with IFRS 3 (revised) for acquisitions made after 1 July 2009.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

The group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units, to which goodwill relates. Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. The group performs its annual impairment test of goodwill at the period end.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all cost incurred in bringing each product to its present location and condition.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets held at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The group currently holds no held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date the group commits to purchase or sell the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period are generally established by regulation or convention in the market place.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of 3 months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The group retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The group has transferred its rights to receive cash flows from the asset and neither (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is

recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchase option (including a cash settled option or similar provision) on the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modifications is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease rentals are charged to the income statement on an straight line basis over the term of the lease.

Operating exceptional items

Operational exceptional items are treated as such if the matters are material and fall within one of the categories below:

- (a) Restructuring costs of an activity of the group;
- (b) Disposals of investments; and
- (c) Abortive deals.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income is recognised as interest accrues (using the effective interest rate method).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

New standards and interpretations not applied

The following standards and interpretations in issue are not yet effective for the Group and have not been adopted by the Group:

		Effective dates*
IFRS 7	Financial Instruments	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IAS 32	Financial Instruments: Presentation (Amendment)	1 January 2014
IAS 19	Employee benefits (Revised)	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013

		Effective dates*
IAS 28	Investments in associates and joint ventures	1 January 2013
IFRS 7	Financial instruments disclosures (amendment)	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 36	Impairment of assets (Amendments) – recoverable amount	
	Disclosures for non-finance assets	1 January 2014
IAS 39	Financial instruments: recognition and measurement	
	(amendments) – novation of derivatives and continuation of	
	hedge accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

^{*} The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to early adopt standards.

The directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial adoption.

3a. SEGMENTAL INFORMATION

The following table presents revenue and profit and certain asset and liability information regarding the group's business segments for the period ended 30 June 2013.

Year ended 30 June 2013

	Bars and clubs £'000	Contract operation of bars £'000	Total £'000
Revenue			
Sales to external customers	20,551	646	21,197
Segment revenue	20,551	646	21,197
Results			
Segment results	1,103	555	1,658
Group operating profit	1,103	555	1,658
Net finance cost	(697)		(697)
Profit before taxation	406	555	961
Assets and liabilities			
Segment assets	12,285		12,285
Total assets	12,285		12,285
Segment liabilities	11,780	_	11,780
Total liabilities	11,780	_	11,780
Other segment disclosures Capital expenditure:			
Property, plant and equipment – additions	847	_	847
Depreciation	1,158	_	1,159

For the periods ended 24 June 2012 and 26 June 2011, there was only one segment Bars and Night Clubs.

The group has included additional disclosure on the face of the income statement to make clear the contribution to Revenue, Profit before tax and Profit after tax of the operations to be discontinued in the period ending 22 June 2014. This disclosure is not a requirement of IFRS.

3b. ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEMS

£'000	£'000	£'000
Deal and merger costs:		
- Redundancy costs 11	133	6
- Cost on abortive projects 10	98	13
- Acquisition costs 30	_	40
Restructuring charges –	(1)	(1)
Assignment and other legal costs 48	22	68
99	252	126
4. GROUP OPERATING PROFIT		
This is stated after charging:		
2013	2012	2011
£'000	£'000	£'000
Depreciation of owned fixed assets 1,126	1,032	522
Depreciation of assets held under finance leases 32	39	52
Loss on disposal of fixed assets 102	31	_
Operating lease rentals – land and buildings 1,398	1,241	1,031
5. AUDITOR'S REMUNERATION		
2013	2012	2011
£'000	£'000	£'000
Auditor's remuneration – audit services 32	30	30
There are no non-audit fees paid to the auditor.		
6. STAFF COSTS		
2013	2012	2011
£'000	£'000	£'000
Wages and salaries 4,707	4,412	3,566
Social security costs 258	273	222
4,965	4,685	3,788
There were no pension contributions during the year.		
The average monthly number of employees during the year was as follows:	:	
2013	2012	2011
No.	No.	No.
Administration 15	16	16
Operational 508	450	289
523	466	305

7. **DIRECTORS' REMUNERATION**

/ •	DIRECTORS REMUNERATION			
		2013	2012	2011
		£'000	£'000	£'000
Total	emoluments	660	594	562
Emo	luments in respect of the highest paid director	414	234	219
(The	group considers its key management personnel to be the dir	rectors of the o	company.)	
8.	FINANCE REVENUE			
		2013	2012	2011
		£'000	£'000	£'000
On d	eposits and liquid funds	2	_	_
9.	FINANCE COSTS			
		2013	2012	2011
		£'000	£'000	£'000
Inter	est payable on loan notes from parent company	599	525	458
	est payable on finance leases	4	3	7
Bank	c overdraft and loan	96	128	99
	<u>-</u>	699	656	564
10.	TAXATION			
The 1	major components of income tax for the periods ended 30 June	e 2013, 24 Jun	e 2012 and 26 Ju	ne 2011 are:
(a)	Analysis of charge in year:			
		2013	2012	2011
		£'000	£'000	£'000
	Current tax: UK corporation tax on the profit for the year (note 10(b))	74	_	_
	Deferred tax:			
	Origination and reversal of timing differences (note 10(c))	179	63	147
	Utilisation/(creation) of tax losses	112	48	(160)
	Total tax charge/(credit) on profit on ordinary activities	365	111	(13)
(b)	Factors affecting current tax charge for the year:			
	The tax assessed for the year differs from the standard	l rate of corp	oration tax in th	ne UK. The
	differences are explained below:			

2013	2012	2011
£'000	£'000	£'000
961	873	952
228	223	262
11	7	19
(1)	(7)	16
127	(112)	0
_	_	(310)
365	111	(13)
	£'000 961 228 11 (1) 127	£'000 £'000 961 873 228 223 11 7 (1) (7) 127 (112)

On 20 March 2013 the UK Government announced a reduction in the main rate of UK corporation tax rate to 23% with effect from 1 April 2013. This change became substantively enacted in July 2013 and therefore the effect of the rate reduction creates a reduction in the total deferred tax asset and liabilities which have been included in the figures shown above. This change will also reduce the group's future current tax charge accordingly. The UK Government also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 21% by 1 April 2014 and by a further one per cent from 21% to 20% by 1 April 2015. The overall effect of the further reductions from 23% to 21% and subsequently to 20%, if these applied to the total deferred tax balance at 30 June 2013 would be to reduce the deferred tax asset by approximately £13,000, and deferred tax liabilities by approximately £76,000.

(c) Deferred tax

	2013	2012	2011
	£'000	£'000	£'000
Assets			
Capital allowances in arrears of depreciation	91	129	31
Unutilised tax losses	_	112	159
	91	241	191
Recognised in the Group balance sheet	91	241	191
Liabilities			
Deferred tax liability goodwill	480	339	178

Deferred tax asset of £11,920 arising on 2013 capital losses has not been recognised due to a lack of sufficient certainty over future gains against which the losses could offset.

11. DIVIDENDS

No dividend will be declared for the period ended 30 June 2013 (2012 and 2011 – £nil).

12. INVESTMENTS

As at 30 June 2013, the company owned 100 per cent. of the ordinary share capital of the following UK companies.

Proportion

		of voting	
	Holding	rights and shares held	Nature of business
Barclub Trading Ltd	Ordinary shares	100%	Management and operation of late night bars and clubs
Barclub (Bath) Ltd	Ordinary shares	100%	Dormant
Barclub (Embargo) Ltd*	Ordinary shares	100%	Dormant
Barclub (Brighton) Ltd*	Ordinary shares	100%	Dormant
Barclub (Friar Street) Ltd*	Ordinary shares	100%	Dormant
Barclub (Norwich) Ltd*	Ordinary shares	100%	Dormant
Barclub (Manchester) Ltd*	Ordinary shares	100%	Dormant
Barclub (Sidney Street) Ltd*	Ordinary shares	100%	Dormant
Sakura Bars Ltd*	Ordinary shares	100%	Dormant
Barclub (Cambridge) Ltd*			
(Incorporated 11 October 2010)	Ordinary shares	100%	Dormant
HSB Clubs Ltd*			
(Purchased 20 June 2011)	Ordinary shares	100%	Dormant
Barclub (Lincoln) Ltd*			
(Incorporated 22 February 2012)	Ordinary shares	100%	Dormant
Barclub (East Street) Ltd*			
(Incorporated 27 February 2013)	Ordinary shares	100%	Dormant
* held indirectly by Barclub Trading Ltd.			

As of 20 June 2011 the trade of HSB Clubs Ltd was transferred to BarClub Trading Ltd.

13. INTANGIBLE ASSETS

Goodwill
£'000
3,886
296
4,182
11
4,193
405
4,598

Intangible asset additions consist of goodwill arising on business combinations. For further details, please refer to note 15.

The calculation of fair value less costs to sell has indicated no impairment in goodwill including the acquisition. The key assumptions in calculating the fair value less costs to sell are:

- Site EBITDA being the EBITDA at site level before deduction of central infrastructure and head office costs.
- EBITDA multiples being the relevant multiple applied to the site EBITDA in arriving at an appropriate enterprise value (including goodwill) for the business.

The board believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to exceed its recoverable amount.

14. PROPERTY, PLANT AND EQUIPMENT

			Furniture,			
			fixtures,		Assets in	
		Motor	fittings and	Leasehold	the course of	
	Computers	vehicles	equipment	improvement	construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 27 June 2010	94	116	1,029	2,620	145	4,004
Reclassification	_	_	283	(283)	_	_
Transfers	_	_	137	_	(137)	_
Additions	22	37	1,765	916	74	2,814
Acquired*	_	_	124	191	_	315
Disposals	_	(29)	_	_	_	(29)
At 26 June 2011	116	124	3,338	3,444	82	7,104
Transfers			86	(4)	(82)	
Additions	39	89	1,354	195	_	1,677
Disposals	(2)	(60)	(3)	(49)	_	(114)
At 24 June 2012	153	154	4,775	3,586		8,668
Transfers						
Additions	18	_	599	124	6	747
Acquired*	_	_	60	40	_	100
Disposals	_	_	(62)	(130)	_	(192)
At 30 June 2013	171	154	5,372	3,620	6	9,323

		Furniture,			
		fixtures,		Assets in	
	Motor	fittings and	Leasehold	the course of	
Computers	vehicles	equipment	improvement	construction	Total
£'000	£'000	£'000	£'000	£'000	£'000
59	38	688	457	_	1,242
_	_	32	(32)	_	_
17	14	344	199	_	574
_	(12)	_	_	_	(12)
76	40	1,064	624		1,804
23	21	833	194		1,071
_	(19)	(1)	(36)	_	(56)
99	42	1,896	782		2,819
29	27	886	216		1,158
_	_	(62)	(28)	_	(90)
128	69	2,720	970		3,887
43	85	2,652	2,650	6	5,436
54	112	2,879	2,804	_	5,849
40	0.4	2 274	2 920	92	5 200
40	84		2,820	82	5,300
	£'000 59 - 17 - 76 23 - 99 - 128	Computers vehicles £'000 £'000 59 38 - - 17 14 - (12) 76 40 23 21 - (19) 99 42 29 27 - - 128 69 43 85 54 112	fixtures, Motor fittings and vehicles equipment £'000 59 38 688 - - 32 17 14 344 - (12) - 76 40 1,064 23 21 833 - (19) (1) 99 42 1,896 29 27 886 - - (62) 128 69 2,720 43 85 2,652 54 112 2,879	fixtures, Motor fittings and period Leasehold Leasehold teasehold tease	Computers Motor vehicles fixtures, fittings and vehicles Leasehold the course of equipment improvement construction \pounds 0000 59 38 688 457 - - - 32 (32) - 17 14 344 199 - - (12) - - - 76 40 1,064 624 - 23 21 833 194 - - (19) (1) (36) - 99 42 1,896 782 - 29 27 886 216 - - - (62) (28) - 128 69 2,720 970 - 43 85 2,652 2,650 6 54 112 2,879 2,804 -

^{*} Assets acquired were through Business Combinations.

15. BUSINESS COMBINATIONS

On 13 March 2013 the Group acquired through a subsidiary the leasehold property and other net trading assets from Madame Geisha Limited, a bar and nightclub operator. The fair values of the identifiable assets and liabilities that came with the property as at the date of acquisition were:

Fair value of assets acquired	Fair value recognised at March 2013 £'000s
Assets	
Tangible assets	100
Inventories	16
Cash	5
Prepayments	7
Liabilities	
Creditors	(5)
Total identifiable net assets at fair value	123
Goodwill arising on acquisition (see note 13)	405
Purchase consideration transferred	528
Purchase consideration	
Cash	528
Total purchase consideration	528

Acquisition costs of £30,000 are included in exceptional items. The revenue and profit from the date of acquisition to 30 June 2013 were £278,000 and £55,000 respectively.

On 20 June 2011 the Group acquired through a subsidiary 100 per cent. of the outstanding ordinary shares of HSB Clubs Limited, a private company based in the UK and specialising in late night bars and night clubs.

The fair values of the identifiable assets and liabilities of HSB Clubs Limited as at the date of acquisition were:

Fair value of assets acquired	ir value recognised at 26 June 2011 £'000s
Assets	
Tangible assets	316
Inventories	16
Cash	6
Prepayments	62
Liabilities	
Creditors	(269)
Total identifiable net assets at fair value	131
Goodwill arising on acquisition (see note 13)	296
Purchase consideration transferred	427
Purchase consideration	
Cash	392
Contingent consideration	35
Total purchase consideration	427

Acquisition costs of £40,000 are included in exceptional items.

The fair values attributed to the HSB Clubs Ltd acquisition, which were determined provisionally in 2011 have subsequently been finalised and adjustments have been made in the 2012 accounts. The adjustment to goodwill was £11,000.

16. INVENTORIES

	2013	2012	2011
	£'000	£'000	£'000
Goods for re-sale	306	264	233
17. TRADE AND OTHER RECEIVABLES			
	2013	2012	2011
	£'000	£'000	£'000
Trade receivables	209	112	63
Other receivables	617	557	501
Prepayments and accrued income	470	438	623
	1,296	1,107	1,187

Trade receivables are non-interest bearing receivables and are generally on 30-90 days terms. Provision for impairment has been considered and no provision was considered necessary.

At 30 June 2013, 24 June 2012 and 26 June 2011 none of the trade receivables were past due or impaired.

The credit quality of trade receivables that are neither past due nor impaired can not be quantified as no credit rating information for the trade receivables is available.

Of the balance in respect of counterparties with internal ratings, 100% of existing customers are with no history of defaults.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists entirely of cash at bank and on hand.

The fair value and the carrying value of the group's cash and cash equivalent assets were considered and no provision was considered necessary.

19. TRADE AND OTHER PAYABLES

	2013	2012	2011
	£'000	£'000	£'000
Trade payables	931	666	874
Other payable	21	108	158
Accruals	944	893	875
Other taxes and social security costs	547	715	425
	2,443	2,382	2,332

20. SHARE CAPITAL

	As at 30) June 2013	As at 24	June 2012	As at 2	6 June 2011
Allotted, called up and fully paid	l No.	£	No.	£	No.	£
Ordinary 'A' shares	240	60	240	60	240	60
Ordinary 'B' shares	160	40	160	40	160	40
Ordinary 'D' shares	1	1	1	1	1	1
_	401	101	401	101	401	101

Holders of Ordinary 'A' and 'B' shares have voting and dividend rights, and rights regarding return of capital on liquidation as if they were all shares of the same class, but constitute two separate classes of shares.

Any share may be transferred at any time by a shareholder to any other person with the consent of the holders of 90% of the Ordinary 'A' shares, but no Ordinary 'B' shares may be transferred without the prior written consent of more than 75% of the holders of Ordinary 'A' shares.

On the 15 July 2010 a £1 'D' share was authorised and issued. The Holder of the 'D' share has no right to receive notice of or to attend or vote at any general meeting of the Company unless the business of such meeting includes the consideration of any resolution adversely modifying or abrogating any of the rights attached to the 'D' share.

The Holder of the 'D' share has no right to receive any dividend or other distribution or to participate in any way in the income or profits of the Company save where the distributable profits for any applicable financial year exceed £100 million, which case the 'D' Share shall rank *pari passu* with the other Ordinary Shares.

21. FINANCIAL LIABILITIES

	Effective		2013	2012	2011
	interest rates %	Maturity	£'000	£'000	£'000
Current:					
Obligations under finance leases and hire purchase contracts			26	23	38
Other loans:			20	23	30
£1.434m bank loans (2012 – £1.764m					
2011 - £2.198m	2% above Base*	Variable	650	665	771
2011 – £2.170111)	2 /0 above base	variable			
			676	688	809
Non-current: Obligations under finance leases and					
Obligations under finance leases and hire purchase contracts			21	56	27
Other loans:					
£1.434m bank loans $(2012 - £1.764m)$					
2011 - £2.198m)	2% above Base*	Variable	784	1,099	1,427
Loan from Avanti Capital plc	9.3%	Aug 2014	7,302	7,467	7,543
			8,107	8,622	8,997

^{*} Base refers to Barclays Bank plc base rate

The bank loans are secured by a floating charge over the assets of Eclectic Bars Limited and its subsidiaries. As part of the arrangements with its bankers, Eclectic Bars Limited and its subsidiaries are required to report on a quarterly basis regarding certain covenants including leverage (EBITDA/Net debt), interest cover and fixed charge cover. The group met covenants throughout the period.

The bank loan is repayable in quarterly instalments of £163,000 and is repayable by September 2015.

In September 2012, Eclectic Bars Limited successfully concluded additional banking facilities from Barclays Bank plc comprising a new three-year Revolving Loan Facility of £1.5 million which is available for both refit of existing sites and for new acquisitions.

22. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

At 30 June 2013, the group had total minimum commitments under non-cancellable operating leases as set out below:

	2013	2012	2011
Land and buildings	£'000	£'000	£'000
Operating leases which expire:			
Within one year	1,355	1,219	1,172
In two to five years	4,868	4,798	4,562
In over five years	12,538	13,342	13,308
	18,761	19,359	19,042

Finance lease and hire purchase contracts

At 30 June 2013, the group had total minimum commitments under finance leases and hire purchase contracts as set out below:

Amounts due under finance leases:

	2013 £'000	2012 £'000	2011 £'000
Amount payable:			
Within one year	26	23	38
In two to five years	21	56	27
	47	79	65

23. RELATED PARTY TRANSACTIONS

During the period, the company incurred interest on loan notes held by Avanti Capital plc, its parent undertaking. Interest charged during the year amounted to £599,102 (2012 – £524,991, 2011 – £458,464), and the outstanding loan note balance at the period end was £7,302,802 (2012 – £7,467,578, 2011 - £7,542,587). Monitoring fee payments of £105,000 (2012 – £105,000, 2011 - £105,000) were paid to Avanti Capital plc during the year.

The directors consider the ultimate parent undertaking and controlling party to be Eclectic Bar Group plc, a company incorporated in the United Kingdom.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's financial instruments comprise investments, cash, loans and borrowings and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The vast majority of the group's financial investments are denominated in sterling.

The group does not enter into derivatives or hedging transactions.

The fair values of the group's financial instruments approximate the carrying values as at 30 June 2013, 24 June 2012 and 26 June 2011.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are investment risk, interest rate risk and liquidity risk. The group does not have a material exposure to foreign currency risk. The board reviews policies for managing each of these risks, and they are summarised as follows:

Investment risk

Investment risk includes investing in companies that may not perform as expected. The group's investment criteria focus on the quality of the business and the management team of the target company, market potential and the ability of the investment to attain the returns required within the time horizon set for the investment. Due diligence is undertaken on each investment. The group regularly reviews the investments in order to monitor the level of risk and mitigate exposure where appropriate.

Interest rate risk

The group borrows in currencies to match the denomination at fixed and floating rates of interest to generate the desired interest profile and to manage the group's exposure to interest fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings).

	Increase/decrease in basis points	Effect on profit before tax 2013 £'000
2013		
Sterling	+ 100	(2)
Sterling	- 100	2
2012		
Sterling	+ 100	(2)
Sterling	- 100	2
2011		
Sterling	+ 100	(2)
Sterling	- 100	2

Liquidity risk

The group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2013, 24 June 2012 and 26 June 2011 based on contractual (undiscounted) payments.

		On	Up to 1	1–2	2–5
	Total	demand	year	years	years
	£'000	£'000	£'000	£'000	£'000
Year ended 30 June 2013					
Interest-bearing loans and borrowings	1,434	_	650	650	134
Trade and other payables	931	_	931	_	_
Year ended 24 June 2012					
Interest-bearing loans and borrowings	1,763	_	664	664	435
Trade and other payables	666	_	666	_	_
Year ended 26 June 2011					
Interest-bearing loans and borrowings	2,199	_	771	771	657
Trade and other payables	874	_	874	_	_

At the end of the period, the group had a loan and accrued interest with the parent company of £7,302,000 (£7,467,000 in 2012 and £7,543,000 in 2011). The loan is renewed annually on the 1 September each year. Annual interest of £667,000 (£615,000 in 2012 and £600,000 in 2011) is paid in quarterly instalments. Repayments of capital or interest are subject to the approval of the companies bankers as part of the current loan arrangements.

The group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets throughout the group. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process.

Credit risk

There are no significant concentrations of credit risk within the group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Short-term trade receivables and payables

Amounts dealt with in the numerical disclosures in this note exclude short-term debtors and creditors.

There is no material difference between the fair values and book values of any of the group's financial instruments.

Strategies for managing capital

The primary objective of the group's capital management is to ensure it is able to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the group may return capital to shareholders or perhaps issue new shares. No changes were made in the objectives or policies during the periods ended 30 June 2013, 24 June 2012 and 26 June 2011.

25. ADOPTION OF IFRS

The company has adopted IFRS effective for its annual consolidated financial statements beginning 25 June 2012. These consolidated financial statements are the company's first annual consolidated financial statements prepared in accordance with IFRS as adopted by the EU. For all periods up to and including the year ended 24 June 2012 the company prepared its consolidated financial statements in accordance with UK GAAP.

The note explains how the transition from UK GAAP to IFRS as adopted by the EU affected the company's reported equity as at 27 June 2010, 26 June 2011, 24 June 2012 and 30 June 2013 as well as net income, comprehensive income and cash flows for the 3 fiscal years ended 30 June 2013. References to UK GAAP in this note refer to UK GAAP applicable to the company for reporting periods up to and including the fiscal year ended 24 June 2012.

IFRS 1, First-time Adoption of International Financial Reporting Standards, requires a first-time adopter to retrospectively apply all IFRS effective and adopted by the EU as at the end of its first annual reporting period, 30 June 2013 for the company. IFRS 1 also provides a first-time adopter certain optional exemption and requires certain mandatory exemptions from full retrospective application. Most of these exemptions, if elected or mandatory, must be applied as at the beginning of the required comparative period (the transition date). The company's transition date to IFRS as adopted by the EU is 28 June 2010.

The Company has not modified the choices made with regard to elections under IFRS1 or its accounting policies under IFRS as adopted by the EU during the fiscal year ended 30 June 2013.

Exemption from full retrospective application of IFRS

Under IFRS 1, the company elected to apply the following optional exemptions in preparing opening statement of financial position as at the transition date.

Business combinations

The company elected to apply IFRS prospectively for business combinations from the date of transition to IFRS as adopted by the EU. Accordingly the company has not restated the accounting for acquisitions of subsidiaries, interests in joint ventures or associates that occurred before 28 June 2010 and hence there is no transition adjustment at this date.

Reconciliation of Equity and Net Income from UK GAAP to IFRS

The following reconciliations illustrate the measurement and recognition differences in restating equity and income from UK GAAP to IFRS for the dates and periods indicated.

		27 June	26 June	24 June	30 June
	Item	2010	2011	2012	2013
		£'000	£'000	£'000	£'000
Reconciliation of Equity					
Equity under UK GAAP (as reported)					
		(1,818)	(1,284)	(1,042)	(968)
Measurement and recognition differences					
Goodwill amortisation	A	_	649	1,290	2,023
Acquisition costs	В	_	(40)	_	(70)
Deferred tax	C	_	(178)	(339)	(480)
Equity under IFRS		(1,818)	(853)	(91)	505
Reconciliation of Income					
Income under UK GAAP (as reported)			534	242	74
Restatements to income					
Goodwill amortisation	A		649	681	693
Acquisitions costs	В		(40)	_	(30)
Deferred tax	C		(178)	(161)	(141)
Income under IFRS			965	762	596

A – Under UK GAAP, goodwill arising on business acquisitions is capitalised and amortised on a straight line basis over its useful economic life while under IFRS, goodwill is not amortised.

B – Under UK GAAP, costs incurred to effect a business combination are included in the cost of acquisition while under IFRS, such costs are expensed in the period incurred.

C – Under UK GAAP deferred tax is not recognised as the book value and tax written down value is the same. Under IFRS deferred tax is recognised on the difference between book value and tax written down value of goodwill.

Reclassifications and restatement to the statement of financial position and cash flow at transition.

There are no restatements at the date of transition. Reclassifications were as follows.

Under IFRS deferred tax assets and income tax payable are shown separately on the statement of financial position. Under UK GAAP, deferred tax assets were included in debtors and income tax payable was included in creditors: amounts falling due within one year.

In addition, the cash flow statement is now prepared in accordance with IAS 7 'Statement of Cash Flows'. Under IAS 7, the statement reflects movements in cash and cash equivalents rather than in cash only. The group did not have cash equivalents for all the periods presented. Further, cash flows are presented under three major headings (operating, investing and financing) rather than the five presented previously.

Reconciliation of statements of income from UK GAAP to IFRS

The following reconciliations illustrate the reclassifications and restatements from UK GAAP to IFRS to the statement of income for the three periods ended 30 June 2013.

CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2013

	UK GAAP £'000	Restatements £'000	Item	<i>IFRS</i> £'000
Revenue	21,197	_		21,197
Cost of sales	(4,334)	_		(4,334)
Gross profit Administrative expenses	16,863			16,863
- other	(15,799)	693	A	(15,106)
exceptional items	(69)	(30)	В	(99)
Total administrative expenses	(15,868)	663		(15,205)
Operating profit	995	663		1,658
Finance revenue	2	_		2
Finance cost	(699)	_		(699)
Profit on ordinary activities before taxation	298	663		961
Taxation on ordinary activities	(224)	(141)	C	(365)
Profit and total comprehensive income for the period	74	522		596

CONSOLIDATED INCOME STATEMENT

For the period ended 24 June 2012

	Restatements UK GAAP £'000	IFRS £'000	Item	IFRS £'000
Revenue	19,793	_		19,793
Cost of sales	(4,132)	_		(4,132)
Gross profit	15,661	_		15,661
Administrative expenses				
– other	(14,561)	681	A	(13,880)
exceptional items	(252)	_		(252)
Total administrative expenses	(14,813)	681		(14,132)
Operating profit	848	681		1,529
Finance revenue	_	_		_
Finance cost	(656)	_		(656)
Profit on ordinary activities before taxation	192	681		873
Taxation on ordinary activities	50	(161)	C	(111)
Profit and total comprehensive income				
for the period	242	520		762

CONSOLIDATED INCOME STATEMENT

For the period ended 26 June 2011

i	UK GAAP Re	estatements		IFRS
	£'000	£'000	Item	£'000
Revenue	15,515	_		15,515
Cost of sales	(3,091)	_		(3,091)
Gross profit	12,424			12,424
Administrative expenses				
– other	(11,429)	647	A	(10,782)
exceptional items	(86)	(40)	В	(126)
Total administrative expenses	(11,515)	607		(10,908)
Operating profit	909	607		1,516
Finance revenue	_	_		_
Finance cost	(564)	_	C	(564)
Profit on ordinary activities before taxation	345	607		952
Taxation on ordinary activities	191	(178)		13
Profit and total comprehensive income for the year	536	429		965

26. POST BALANCE SHEET EVENTS

In October 2013, the group acquired the Coalition Bar in Brighton. Coalition will continue to trade under its existing name for at least the next 12 months, over which time the opportunities for further development will be reviewed.

Also in October 2013, the group acquired the freehold of the Coyote Wild bar in Derby. The group intends to convert this site to the Lola Lo brand in early 2014.

Also in October 2013, the group acquired a leasehold bar in Manchester which will open as a Lola Lo by early 2014.

PART IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited Pro Forma Financial Information

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the Group's net assets of the Placing, the use of the net proceeds and other adjustments. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below from the IFRS consolidated statement of financial position of the Group as at 30 June 2013, as set out in Part III of this document. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below in accordance with Annex II to the PD Regulation.

	As at 30 June 2013 £'000 Note 1	IPO net proceeds £'000 Note 2	Repayment of loan £'000 Note 3	Unaudited pro forma total £'000
Assets				
Non current assets	4,598			4,598
Intangible assets Property, plant and equipment	5,436	_	_	5,436
Deferred tax assets	91	_	_	91
	10,125			10,125
Current assets				
Inventories	306	_	_	306
Trade and other receivables	1,296	_	_	1,296
Cash and cash equivalents	558	8,956	(7,302)	2,212
	2,160	8,956	(7,302)	3,814
TOTAL ASSETS	12,285	8,956	(7,302)	13,939
LIABILITIES				
Non-current liabilities				
Deferred tax liability	480	_	_	480
Financial liabilities	8,107		(7,302)	805
	8,587	_	(7,302)	1,285
Current liabilities				
Other financial liabilities	676	_	_	676
Trade and other payables	2,443	_	_	2,443
Income tax payable	74			74
	3,193			3,193
TOTAL LIABILITIES	11,780	_	(7,302)	4,478
NET ASSETS	505			9,461

Notes:

- 1. The financial information has been extracted without material adjustment, from the financial position of the Group as at 30 June 2013 as set out in Part III of this document.
- 2. The net proceeds of the Placing of approximately £8.956 million are calculated on the basis that the Company issues 6,562,500 new Ordinary Shares of £0.25 each at a price of 160 pence per share, net of estimated fees and expenses (including VAT) in connection with the Placing of approximately £1.544 million (for which no accrual had been made as at 30 June 2013).
- 3. The repayment represents repayment of the shareholder loan of £7.302 million, excluding £0.055 million of accrued interest up to 31 October 2013.

PART V

ADDITIONAL INFORMATION

1. INCORPORATION AND STATUS OF THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales on 12 September 2013 under the Companies Act with registered no 08687172 as a public company limited by shares with the name Project Havana plc. On 18 October 2013 the Company changed its name to Eclectic Bar Group plc. On 20 November 2013 the Registrar of Companies issued a certificate under section 761 of Companies Act enabling the Company to commence business.
- 1.2 The principal legislation under which the Company operates and which the new Ordinary Shares will be issued is the Companies Act and regulations made there under.
- 1.3 The Company's legal and commercial name is Eclectic Bar Group plc.
- 1.4 The registered and head office of the Company is at Eclectic Bars, Tetcott Road Offices, 533 Kings Road, London, SW10 0TZ. The telephone number of the Company's registered office is +44 20 7376 6300.
- 1.5 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is www.eclecticbars.co.uk.

2. SHARE CAPITAL OF THE COMPANY

2.1 As at 19 November 2013 (being the latest practicable date prior to the date of this document) the issued share capital of the Company was:

Class of shares	Nominal value		$\mathit{Issued}^{(i)}$		
		£	number		
Ordinary Shares	£0.25	1,575,000	6,300,000		

2.2 Assuming the Placing is fully subscribed, the issued share capital of the Company immediately following Admission will be:

Class of shares	shares Nominal value		$Issued^{(i)}$	
		£	number	
Ordinary Shares	£0.25	3,215,625	12,862,500	

Note:

- (i) All shares are fully paid.
- 2.3 The following changes have occurred to the share capital of the Company between 12 September 2013 and 19 November 2013 (being the latest practicable date prior to the date of this document):
 - (a) the Company was incorporated on 12 September 2013 with an issued share capital of 1 ordinary share of £1 nominal value;
 - (b) on 19 November 2013, the ordinary share of £1 in issue was subdivided into 4 Ordinary Shares; and
 - (c) on 19 November 2013, 6,299,996 Ordinary Shares were issued as consideration for the acquisition by the Company of the entire issued share capital of Eclectic Bars Limited.
- 2.4 During the period from 12 September 2013 to 19 November 2013, the Company did not hold any shares in treasury.

- 2.5 By resolutions passed on 19 November 2013, it was resolved:
 - 2.5.1 that the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to allot:
 - (i) shares in the Company up to a maximum aggregate nominal amount of £4,528,672 (after Ordinary Shares already committed to be issued, this gives authority to issue up to one third of the enlarged Enlarged Share Capital), such authority to expire eighteen months following the date of passing the resolution or at the conclusion of the next annual general meeting of the Company, if earlier, but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares pursuant to such an offer or agreement as if this authority had not expired; and
 - (ii) equity securities of the Company (within the meaning of section 560 of the Companies Act) in connection with an offer of such securities by way of a Rights Issue (as defined in the paragraph below) up to an aggregate nominal amount of £1,071,875, such authority to expire eighteen months following the date of passing the resolution or at the conclusion of the next annual general meeting of the Company, if earlier, but so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if this authority had not expired; and
 - 2.5.2 that the directors be empowered, pursuant to section 570 of the Companies Act, to allot equity securities (within the meaning of section 560 of the Companies Act) for cash pursuant to the authority described in paragraph 2.5.1 as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (i) pursuant to the Placing up to an aggregate nominal value of £1,640,625;
 - (ii) pursuant to the exercise of the Warrant;
 - (iii) in connection with an offer of such securities by way of a Rights Issue; and
 - (iv) otherwise than pursuant to paragraphs 2.5.2(i) to 2.5.2(iii) above up to an aggregate nominal amount of £321,563; and
 - (v) shall expire eighteen months following the date of passing the resolution or at the conclusion of the next annual general meeting of the Company, if earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

"Rights Issue" means an offer of equity securities to holders of Ordinary Shares in the capital of the Company on the register on a record date fixed by the directors in proportion as nearly as may be to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or any other matter.

The directors' power described in paragraph 2.5.2 applies in relation to a sale of treasury shares as if all references in that paragraph to an allotment included any such sale and the words "pursuant to the authority described in paragraph 2.5.1" were omitted in relation to such a sale.

- 2.6 Other than the issue of Ordinary Shares pursuant to the Placing and on exercise of the Options as described in paragraph 2.10 or the Warrant, the Company has no present intention to issue any new shares in the share capital of the Company.
- 2.7 The Company does not have in issue any securities not representing share capital.
- 2.8 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.9 Save as disclosed in this paragraph 2 and paragraph 13.5 below, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned Subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing or on the exercise of the Options to be issued under the Share Option Plan, as referred to in paragraph 2.10 below or the Warrant) no such issues are proposed.
- 2.10 The Company will grant Options on Admission over an aggregate of 900,375 Ordinary Shares on the terms of the Share Option Plan (summarised in paragraph 4 below) at a subscription price not less than the Placing Price. The Options will normally be exercisable between 2014 and 2017.
- 2.11 Save as disclosed in paragraph 9 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- 2.12 Save as disclosed in paragraph 2.10 above and the Warrant, on Admission no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.
- 2.13 Other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 2.14 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Ordinary Shares not to be held through CREST will be posted to allottees by 11 December 2013. Ordinary Shares to be held through CREST will be credited to CREST accounts on Admission.
- 2.15 During the period from 12 September 2013 to 19 November 2013, the Company did not have convertible securities.

3. ARTICLES OF ASSOCIATION

The Articles contain provisions, *inter alia*, to the following effect:

3.1 Voting rights

Subject to the rights or restrictions referred to in paragraph 3.2 below and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

3.2 Restrictions on voting

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid. A member of the Company will not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 793 of the Companies Act within 14 days. The restrictions will continue for the period specified by the Board provided that such period will end not later than seven days after the earliest of (i) due compliance to the satisfaction of the board with the section 793 notice; or (ii) receipt by the Company of notice that the shareholding has been sold to a third party pursuant to an arm's length transfer.

3.3 Dividends

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit. The directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of an Ordinary Share will bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid instead of cash in respect of all or part of a dividend (a "scrip dividend"). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 793 of the Companies Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years from the date when it became due for payment will be forfeited and cease to remain owing by the Company.

3.4 Return of capital

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division will be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member will be compelled to accept any assets on which there is any liability.

3.5 Variation of rights

Any rights attaching to a class of shares in the Company may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of the class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting is two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).

3.6 Transfer of shares

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Companies Act or in any other manner approved by the board. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Companies Act or approved by the board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Companies Act and is from time to time approved by the board.

The directors have a discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is deposited at the office of the Company or such other place as the board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of share as in favour of no more than four transferees. The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 793 of the Companies Act and which represent at least 0.25 per cent. of the issued shares of their class, and in respect of which the required information has not been received by the Company within 14 days after service of the notice.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully paid shares.

3.7 General meetings

3.7.1 Annual general meetings

The board shall convene and the Company shall hold annual general meetings in accordance with the requirements of the Companies Act.

3.7.2 Convening of general meetings

All meetings other than annual general meetings will be called general meetings. The board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened by the board on the requisition of members pursuant to the provisions of the Companies Act or, in default, may be convened by such requisitions, as provided by the Companies Act. The board shall comply with the provisions of the Companies Act regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

3.7.3 *Orderly conduct of meetings*

The board may both prior to and during any general meeting make any arrangements and impose any restrictions which it considers appropriate to ensure the security and/or the orderly conduct of any such general meeting, including, without limitation, arranging for any person attending any such meeting to be searched, for items of personal property which may be taken into any such meeting to be restricted and for any person (whether or not a member of the Company) who refuses to comply with any such arrangements or restrictions to be refused entry to or excluded from any such meeting.

3.7.4 Notice of general meetings

Subject to the provisions of the Companies Act, an annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed under the Companies Act for the type of meeting concerned.

The notice will specify the place, day and time of the meeting and the general nature of the business to be transacted.

Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the shares which they hold, are not entitled to receive such notices from the Company, and also to the auditors (or, if more than one, each of them) and to each director.

Every notice of meeting will state with reasonable prominence that a member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote at that meeting instead of him and that a proxy need not be a member of the Company.

3.7.5 *Quorum*

No business, other than the appointment of a chairman, will be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business.

Except as otherwise provided by the Articles two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or by proxy or a duly authorised representative of a corporation which is a member will be a quorum. If within 15 minutes from the time appointed for the holding of a general meeting a quorum is not present, the meeting, if convened on the requisition of members, will be dissolved. In any other case, it will stand adjourned to the same day in the next week (or, if that day is not a business day, to the next business day) and at the same time and place, as the original meeting, or to such other day, and at such other time and place, as the board may decide and in the latter case not less than seven clear days' notice of the adjourned meeting will be given in any manner in which notice of a meeting may lawfully be given for the time being. If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, the meeting will be dissolved.

3.7.6 Chairman

At each general meeting, the chairman of the board or, if he is absent or unwilling, the deputy chairman (if any) of the board or (if more than one deputy chairman is present and willing) the deputy chairman who has been longest in such office or, if no deputy chairman is present and willing, then one of the other directors who is appointed for the purpose by the board or (failing appointment by the board), by the members present, will preside as chairman of the meeting, but if no director is present within 15 minutes after the time fixed for holding the meeting or, if none of the directors present is willing to preside, the members present and entitled to vote will choose one of their number to preside as chairman of the meeting.

3.7.7 Directors entitled to attend and speak

Whether or not he is a member, a director will be entitled to attend and speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares of the Company.

3.7.8 Adjournment

With the consent of any meeting at which a quorum is present the chairman of the meeting may (and if so directed by the meeting shall) adjourn the meeting from time to time or sine die and from place to place.

In addition, the chairman of the meeting may at any time without the consent of the meeting adjourn the meeting (whether or not it has commenced or a quorum is present) to another time and/or place if, in his opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment some members may be unable to be present at the adjourned meeting.

3.7.9 Method of voting and demand for poll

At a general meeting a resolution put to the vote of the meeting will be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting;
- (b) any two directors;
- (c) not less than five members present in person or by proxy having the right to vote on the resolution;
- (d) a member or members present in person or by proxy representing in aggregate not less than 10 per cent. of the total voting rights of all the members having the right to vote on

the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares);

(e) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares), and a demand for a poll by a person as proxy for a member will be as valid as if the demand were made by the member himself.

3.7.10 Taking a poll

If a poll is demanded (and the demand is not withdrawn), it will be taken at such time (either at the meeting at which the poll is demanded or within 30 days after the meeting), at such place and in such manner as the chairman of the meeting shall direct and he may appoint scrutineers (who need not be members).

3.7.11 *Proxies*

A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member.

3.7.12 Form of proxy

An appointment of a proxy will be in writing in:

- (a) hard copy in any usual form or in any other form which the board may approve, executed by the appointor, or his agent duly authorised in writing, or, if the appointor is a corporation, will either be executed under its common seal or be signed by some agent or officer authorised for that purpose; or
- (b) electronic form.

3.7.13 Deposit of proxy

The appointment of a proxy will:

- (a) in the case of an appointment in hard copy form, be delivered personally or by post to the office or such other place within the UK as may be specified by or on behalf of the Company for that purpose in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting;
- (b) in the case of an appointment in electronic form, be received at an address specified (or is deemed by a provision in the Companies Act to have been specified) by or on behalf of the Company for the purpose of receiving documents or information in electronic form in, or by way of note to, the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting or in any invitation in electronic form to appoint a proxy issued by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting;
- (c) in the case of a poll which is taken more than 48 hours after it is demanded, be delivered or received as aforesaid not less than 24 hours before the time appointed for the taking of the poll; or
- (d) in the case of a poll which is not taken at the meeting at which it is demanded but is taken not more than 48 hours after it was demanded, be delivered in hard copy form at the meeting at which the poll was demanded to the chairman or to the secretary or to any Director.

In calculating the periods above, no account will be taken of any part of a day that is not a working day as defined in the Companies Act.

In relation to any shares which are held in uncertificated form, the board may from time to time permit appointments of a proxy to be made by electronic means in the form of an uncertificated proxy instruction.

An appointment of a proxy relating to more than one meeting (including any adjournment thereof) having once been so received for the purposes of any meeting will not require to be received again for the purposes of any subsequent meeting to which it relates.

3.7.14 Notice of revocation of proxy

Notice of the revocation of the appointment of a proxy may be given in any lawful manner which complies with the regulations (if any) made by the directors to govern the revocation of a proxy.

3.8 Directors

3.8.1 Number

Unless otherwise determined by ordinary resolution of the Company, the number of directors will be not less than two but there will be no maximum number of directors.

3.8.2 Appointment of directors

Subject to the provisions of the Articles, any person who is willing to act to be a director, either to fill a vacancy or as an additional director may be appointed by:

- (a) the Company by ordinary resolution; or
- (b) the board.

No person (other than a director retiring by rotation or otherwise) will be appointed or re-appointed a director at any general meeting unless:

- (a) he is recommended by the board; or
- (b) not less than seven nor more than 42 clear days before the date appointed for the meeting there has been given to the Company, by a member (other than the person to be proposed) entitled to vote at the meeting, notice of his intention to propose a resolution for the appointment of that person, stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors and a notice executed by that person of his willingness to be appointed.

3.8.3 Remuneration

The directors (other than any director who for the time being holds an executive office of employment with the Company or a Subsidiary of the Company) will be paid out of the funds of the Company by way of remuneration for their services as determined by the directors. The aggregate of the fees shall not exceed £250,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine). Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Articles and will accrue from day to day. The directors may be paid all travelling, hotel and other expenses properly incurred in and about the discharge of their duties as directors including expenses incurred in travelling to and from meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

3.8.4 Retirement of directors

At each annual general meeting any director who has been appointed by the board since the previous annual meeting and any director selected to retire by rotation shall retire from office.

3.8.5 Retirement of directors by rotation

At each annual general meeting of the Company, any director who has been appointed by the Board since the previous annual general meeting, or who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, is required to retire from office and may offer himself for re-appointment by the Shareholders.

The names of the directors to retire by rotation shall be stated in the notice of the annual general meeting or in any document accompanying the notice. The directors to retire on each occasion will be determined (both as to number or identity) by the composition of the board on the day which is 14 days prior to the date of the notice convening the annual general meeting and no directors will be required to retire or be relieved from retiring by reason of any change in the number or identity of the directors after that time but the before the close of the meeting.

A director who retires at an annual general meeting (whether by rotation or otherwise), if willing to act, is eligible for re-appointment. If re-appointed, the director will be treated as continuing in office throughout. If the director is not re-appointed or is deemed to have been re-appointed in accordance with the Articles, the director will retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.

If at any meeting at which the appointment of a director ought to take place the office vacated by a retiring director is not filled, the retiring director, if willing to act, will be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to re-appoint him is put to the meeting and lost.

3.8.6 Removal of directors

The Company may by ordinary resolution, of which special notice has been given in accordance with the Companies Act, remove any director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company.

3.8.7 *Vacation of office of director*

Without prejudice to the provisions of the Articles for retirement or removal, the office of a director will be vacated:

- (a) if he ceases to be a director by virtue of any provision of the Companies Act or is prohibited by law from being a director;
- (b) if he becomes bankrupt or he makes any arrangement or composition with his creditors generally;
- (c) if a registered medical practitioner who is treating that person gives a written opinion to the Company stating that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (d) if for more than six months he is absent (whether or not an alternate director attends in his place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that his office be vacated; or
- (e) if he serves on the Company notice of his wish to resign, in which event he will vacate office on the service of that notice on the Company or at such later time as is specified in the notice.

3.8.8 Executive directors

The board may appoint one or more directors to hold any executive office or employment under the Company and on such terms as the board determine.

A director appointed to any executive office or employment will automatically cease to hold that office if he ceases to be a director.

3.8.9 Power to appoint alternate directors

Each director may appoint another director or any other person who is willing to act as his alternate and may remove him from that office. The appointment as an alternate director of any person who is not himself a director shall be subject to the approval of a majority of the directors or a resolution of the board.

An alternate director will be entitled to receive notice of all meetings of the board and of all meetings of committees of which the director appointing him is a member, to attend and vote at any such meeting at which the director appointing him is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the proceedings at the meeting the provisions of the Articles will apply as if he were a director.

Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director, but he will count as only one for the purpose of determining whether a quorum is present.

3.8.10 Directors' interests

A director will not be entitled to vote on a resolution or (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which he is interested save where the other directors resolve that he should be entitled to do so where they are satisfied that the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest or save in any of the following circumstances:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company (or any of its Subsidiaries) or in respect of a debt or obligation of the Company (or any of its Subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- (b) any contract concerning an offer of shares, debentures or other securities of or by the Company (or any of its Subsidiaries) for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (c) any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- (d) any contract concerning any other company in which he is interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;
- (e) any contract relating to an arrangement for the benefit of the employees of the Company (or any of its Subsidiaries) which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates;
- (f) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to both directors and employees of the Company;

- (g) any contract concerning the adoption, modification or operation of an employees' share scheme; and
- (h) any proposal concerning the purchase or maintenance of insurance for the benefit of persons including directors.

Subject to the interest of a director being duly declared, a contract entered into by or on behalf of the Company in which any director is any way interested will not be avoided nor will any director be liable to account to the Company for any benefit realised as a result of the contract.

A director will not vote or be counted in the quorum in relation to a resolution of concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director and in that case, each director concerned (if not otherwise debarred from voting) is entitled to vote.

3.8.11 Authorisation of conflicts of interest

Where a situation occurs or is anticipated to occur which gives rise or may give rise to a conflict of interest (excluding a conflict of interest arising in relation to a transaction or arrangement with the Company) on the part of any director ("Conflicted Director") (other than a situation which cannot reasonably be regarded as likely to give rise to a conflict of interest), the matter will be referred to the directors other than the Conflicted Director (the "Non-Conflicted Directors").

The Non-Conflicted Directors will meet to consider the matter as soon as possible after the matter is referred to them and they have received all relevant particulars relating to the situation. The quorum for a meeting of the Non-Conflicted Directors will be the same as for a meeting of the board.

The Non-Conflicted Directors have authority to authorise any matter which gives rise to the conflict of interest concerned on such terms as they think fit. Any such terms may be varied by the Non-Conflicted Directors and the Non-Conflicted Directors may revoke such authority at any time insofar as it has not already been acted on. The Non-Conflicted Directors will communicate their decision promptly to each Conflicted Director.

A Conflicted Director will not be entitled to any information which is relevant to the matter giving rise to the conflict of interest except to the extent authorised by the Non-Conflicted Directors.

Where a matter giving rise to a conflict of interest is authorised by the Non-Conflicted Directors, the Conflicted Director will be released from any duty to disclose to the Company any confidential information relating to the matter in question which he receives or has received from a third party; and save as otherwise determined by the Non-Conflicted Directors at the time, (i) be released from any duty to attend or remain in attendance at a board meeting when the matter giving rise to a conflict of interest is due to be discussed; and (ii) when they authorise the matter, not be accountable to the Company for any benefit which he derives from such matter (excluding a benefit conferred on the director by a third party by reason of his being a director of the Company or by reason of his doing or not doing anything as a director of the Company).

Any confidential information which a Conflicted Director has received from the Company or in his capacity as a director of the Company will not be disclosed by him to any third party except insofar as permitted by the Non-Conflicted Directors.

The directors may authorise a matter which may give rise to a conflict of interest on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors will promptly be communicated to such person and will apply to him on his appointment as a director.

3.8.12 Benefits

The board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits allowances or gratuities to any person who is or who has at any time been a director of the Company or of any Associated Company (as defined in the Articles) or in the employment or service of the Company or any Associated Company or of the predecessors in business of the Company or any Associated Company (or the relatives or dependants of any such person).

3.8.13 Powers of the board

The business of the Company will be managed by the board which may exercise all the powers of the Company, subject to the provisions of the Companies Act and, the Articles. No alteration of the Articles will invalidate any prior act of the board which would have been valid if the alteration had not been made.

3.8.14 Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The board will restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its Subsidiaries so as to secure (in relation to Subsidiaries only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (as defined in the Articles) (exclusive of intra-group borrowing) will not, without the previous sanction of the Company in general meeting, exceed three times adjusted capital and reserves or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

For this purpose, the adjusted capital and reserves means the aggregate of the amount paid up on the issued or allotted share capital of the Company and the amount standing to the credit of the reserves of the Group (as defined in the Articles) (including share premium account, capital redemption reserve fund, property revaluation reserve and unappropriated balance of investment or grants), after adding or deducting any balance standing to the credit or debit of the Group's profits and loss account, all as shown in the relevant balance sheet but adjusted as may be appropriate in respect of any variation in the amount of the paid up share capital, the share premium account or capital redemption reserve since the date of the relevant balance sheet, excluding amounts attributable to the share capital of any undertaking not owned by a Group Company (as defined in the Articles) and any sum set aside for taxation, and after deducting the amount of any distribution declared, recommended or made by any Group Company and after making such other adjustments (if any) as the board may consider appropriate or necessary and as are approved by the auditors.

3.8.15 Indemnity of officers

Subject to the provisions of and so far as may be permitted by and consistent with the Companies Act each current or former director or other officer (other than an auditor) of the Company or any Associated Company may be indemnified out of the assets of the Company against:

- (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company other than in the case of a current or former director:
 - (i) any liability to the Company or any Associated Company; and
 - (ii) any liability of the kind referred to in section 234(3) of the Companies Act; and
- (b) any liability incurred by or attaching to him in connection with the activities of the Company or any Associated Company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act) other than a liability of the kind referred to in section 235(3) of the Companies Act. and
- (c) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers.

For the purpose of this Article, references to "liability" will include all costs and expenses incurred by the current or former director or other officer (other than an auditor) in relation thereto.

Subject to the provisions of and so far as may be permitted by the Companies Act, the board may exercise all the powers of the Company to:

- (a) provide any current or former director or other officer (other than an auditor) of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or an Associated Company, or in connection with any application for relief under the provisions mentioned in section 205(5) of the Companies Act.;
- (b) do anything to enable any such person to avoid incurring expenditure; but
- (c) so that the terms set out in section 205(2) of the Companies Act will apply to any such provision of funds or other things so done. For the purpose of this Article references to "director" in section 205(2) of the Companies Act will be deemed to include references to a former director or other officer (other than an auditor) of the Company.

The board may purchase and maintain for or for the benefit of any person who holds or has at any time held a relevant office (as defined in the Articles), insurance against any liability or expense incurred by him in relation to the Company or any Associated Company or any third party in respect of any act or omission in the actual or purported discharge of his duties or otherwise in connection with holding his office.

3.8.16 *Delegation to individual directors*

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) on such terms and conditions as it thinks fit and may revoke or vary all or any of them, but no person dealing in good faith will be affected by any revocation or variation.

3.8.17 Committees

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are directors and that no meeting

of the committee will be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

3.8.18 Board meetings

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

3.8.19 Notice of board meetings

Notice of a board meeting will be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in hard copy form to him at his last known address or any other address given by him to the Company for this purpose or sent in electronic form to him at an address given by him to the Company for this purpose.

3.8.20 Quorum

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, will be two. Subject to the provisions of the Articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the Board meeting if no other director objects and if otherwise a quorum of directors would not be present.

3.8.21 *Voting*

Questions arising at any meeting will be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting will have a second or casting vote, unless he is not, in accordance with the Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

3.8.22 Telephone and video conference meetings

A meeting of the board may consist of a conference between directors some or all of whom are in different places provided that each director who participates is able:

- (a) to hear each of the other participating directors addressing the meeting; and
- (b) if he wishes, to address all of the other participating directors simultaneously, whether by conference telephone or by video conference or by any other form of communications equipment (whether in use when the Articles are adopted or developed subsequently) or by a combination of any such methods.

A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

3.8.23 Resolutions in writing

Any director may propose a directors' written resolution and the secretary must propose a written resolution if a director so requests. A resolution in writing signed by all the directors who are entitled to notice of a meeting of the board, to attend such meeting and to vote on such resolution will be as valid and effective as if it had been passed at a meeting of the board duly called and constituted provided that the number of directors signing the resolution is not less than the number of directors required for a quorum necessary for the transaction of the business of the board. The resolution may be contained in one document or in several documents in like form, each signed or approved by one or more of the directors concerned.

4. SHARE OPTION PLAN

The Share Option Plan summarised below allows unapproved and tax advantaged Enterprise Management Incentive options to be granted. The remuneration committee will supervise the operation of the Share Option Plan.

4.1 Eligibility

Any employee of the Group is eligible to participate at the discretion of the remuneration committee.

4.2 Exercise price

The exercise price per Ordinary Share will not be less than the market value at the date of grant.

4.3 *Performance conditions*

The exercise of options will normally be conditional on the achievement of a specified performance target determined by the remuneration committee when options are granted. Options granted on or before Admission will not be subject to a performance condition.

4.4 Grant of options

Options may normally only be granted within 42 days of the announcement by the Company of its interim or final results each year or a change in legislation. Options may be granted outside these periods to new employees or if the remuneration committee considers that there are sufficiently exceptional circumstances to justify the grant of options at that time. No payment is required for the grant of an option. No option may be granted more than ten years after Admission.

4.5 Individual limit

The total market value (at the relevant grant date) of Ordinary Shares comprised in options granted to an employee in the any financial year of the Company under the Share Option Plan (and any other discretionary employee share plan of the Company) may not exceed 20 per cent. of his annual basic remuneration save that the remuneration committee may grant additional options in exceptional circumstances. Benefits under the Share Option Plan are not pensionable.

4.6 Exercise of options

An option may normally only be exercised (subject to the satisfaction of performance conditions and continuing employment) after three years and within ten years from its grant. An option will normally lapse if the participant ceases to be an employee or director of the Group. If a participant dies, his vested options may be exercised within 12 months after his death. Unvested options lapse save to the extent that the remuneration committee decides otherwise. On cessation of employment in other circumstances all options (whether vested or not) lapse save to the extent that the remuneration committee decides otherwise. In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of the Company, unvested options will vest, subject to the achievement of performance targets and the period of time elapsed since the date of grant.

4.7 Terms of options and issue of Ordinary Shares

Options are neither transferable nor assignable. Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing Ordinary Shares may be used to satisfy the exercise of options.

4.8 Variation of capital

In the event of a variation of share capital the number and option price of Ordinary Shares subject to options shall be adjusted in such manner as the remuneration committee considers appropriate.

4.9 Amendment

The Company's directors may make amendments to the Share Option Plan, but no amendment may be made which would adversely affect any rights already acquired by a participant. No alteration to the advantage of participants may be made to provisions relating to the persons to whom options may be granted, the limits on the total number of Ordinary Shares over which options may be granted, the limits on the number of options which may be granted to any participant, the adjustments to be made in the event of a variation of share capital and the periods during or circumstances in which Options may be exercised (except for minor alterations to benefit the administration of the Share Option Plan, to take account of a change in legislation or to obtain or maintain favourable exchange control or regulatory treatment for participants or any member of the Group).

4.10 Overall limit

In any ten year period the Company may not issue (or grant rights to issue) more than 10 per cent. of the issued ordinary share capital of the Company under the Share Option Plan and any other employee share plan adopted by the Company. Treasury shares will count as new issue shares for the purpose of this limit unless institutional guidelines cease to require such shares to be so counted. The options referred to in paragraph 4.3 above to be granted on Admission and options which lapse do not count for the purposes of the above limit.

5. DIRECTORS' AND OTHER INTERESTS

5.1 As at 19 November 2013 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission, the interests (all of which are beneficial) of the Directors (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the Companies Act) in the Company's issued share capital are or are expected to be as follows:

					Number of
	Before Admission		Following Admission		Ordinary
	Number of	Percentage	Number of	Percentage	Shares
	Ordinary	of issued	Ordinary	of issued	under
Director	Shares	share capital	Shares	share capital	Option
Reuben Jonathan Harley*	1,853,795	29.4	1,856,920	14.4	65,625
John Anthony Smith	1,103,719	17.5	1,103,719	8.6	65,625
James Fallon	361,875	5.7	361,875	2.8	_
Clive Royston Watson	_	_	31,250	0.2	_

^{*}Reuben Harley's beneficial interests include 3,125 Ordinary Shares owned by his wife, Helen Harley.

5.2 As at 19 November 2013 (being the latest practicable date prior to the date of this document) the Company is aware of the following existing Shareholders (other than any Director) who by virtue of the notifications made to it pursuant to the Companies Act, are or will be immediately following Admission be interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital:

	Before	Before Admission		Following Admission	
	Number of		Number of		
	Ordinary	Percentage of	Ordinary	Percentage of	
Name	Shares	voting rights	Shares	voting rights	
Avanti Capital plc	2,835,861	45.0	_	_	

- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.4 The persons including the Directors, referred to in paragraphs 5.1 and 5.2 above, do not have voting rights that differ from those of other Shareholders.
- 5.5 None of the Company or the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 5.7 Other than in respect of the Company, the Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

Name	Current directorships/partnerships	Previous directorships/partnerships
James Fallon	Graybridge Solutions Limited Newman Bars Limited	McQueen Limited
	Chalice Bars Ltd	McQueen Holdings Limited Lowlander Grand Cafe Limited
	Barclub Trading Limited Eclectic Bars Limited	
Reuben Jonathan	Creative Retail Limited	Flashback (Club) Limited
Harley	Barvest Limited	Barclub (Chelsea) Limited

Barvest Limited
Barclub Trading Limited
Barclub (Bath) Limited
Barclub (Embargo) Limited
Barclub (Sidney Street) Limited
Barclub (Brighton) Limited
Barclub (Norwich) Limited
Barclub (Manchester) Limited

Sakura Bars Limited

Barclub (Cambridge) Limited

HSB Clubs Limited

Barclub (East Street) Limited Barclub (Peter Street) Limited Barclub (Deansgate Locks) Limited

Eclectic Bars Limited

Flashback (Club) Limited
Barclub (Chelsea) Limited
Barclub (Hammersmith) Limited
Barclub (Reading) Limited
Barvest (Wimbledon) Limited

John Anthony Smith Barvest Limited
Eclectic Bars Limited
Barclub Trading Limited
Barclub (Bath) Limited
Barclub (Embargo) Limited
Barclub (Sidney Street) Limited
Barclub (Brighton) Limited
Barclub (Norwich) Limited
Barclub (Manchester) Limited

Sakura Bars Limited

Barclub (Friar Street) Limited Barclub (Cambridge) Limited

HSB Clubs Limited

Barclub (East Street) Limited Barclub (Peter Street) Limited Barclub (Deansgate Locks) Limited

Cherwell Films LLP Clyde Films LLP Flashback (Club) Limited

Name
Clive Royston
Watson

Current directorships/partnerships

Abbeyheath Limited Bar & Kitchen Limited

Kayfold Limited

The City Pub Company (East) PLC The City Pub Company (West) PLC

Ace High Enterprises Limited
The Fat Pheasant Pub Company

Limited Epsom College Previous directorships/partnerships

The Capital Pub Company Limited Capital Pub Company Trading

apital Pub Company Tradii Limited

Cerisco Limited

Convivial London Pubs PLC

Tartancastle Limited
Tomahawk Pubs Limited
Puzzle Pub Holdings Limited

Puzzle Sub Limited

Food and Wine Traders Limited

Tayvin 360 Limited LNL Estates Limited

- 5.8 None of the Directors has any unspent convictions in relation to indictable offences.
- 5.9 None of the Directors has been the subject of any public criticism and/or investigation by any statutory or regulatory authority (including a recognised professional body).
- 5.10 Save as provided below, none of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors:

Reuben Harley and John Smith were directors of Barvest Limited which had an administrative receiver appointed on 28 June 2006. The deficit to creditors is expected to be in the region of £1.5 million.

Reuben Harley and John Smith were directors of Barclub (Chelsea) Limited which was compulsorily wound up by an order of the High Court on 9 May 2007. There was no deficit to creditors.

Reuben Harley and John Smith were directors of Barclub (Leicester) Limited, a company which was the subject of a voluntary creditors winding up commenced on 21 December 2006. The deficit to creditors was £30,323.

John Smith was a director of certain companies in the First Leisure group of companies which went

into insolvency procedures in 2004. The aggregate deficit to creditors was estimated at approximately £360,295,000. A large proportion of the deficit arose from the acceleration of amounts payable under leases of historic properties where the liability had reverted to the group. Details of the procedures are:

- (a) First Leisure Corporation plc had an administrative receiver appointed on 11 May 2004 and was compulsorily wound up by an order of the High Court on 15 December 2004. The company was restored to the register and was the subject of a company voluntary arrangement dated 9 February 2009;
- (b) First Leisure Trading Limited had an administrative receiver appointed on 11 May 2004 and was subsequently compulsorily wound up on 15 December 2004; and
- (c) First Leisure Holding Limited had an administrative receiver appointed on 11 May 2004.

Reuben Harley was a director of The Nightclub Company (UK) Limited within twelve months of the company being placed into administration on 22 December 2005. The company was subsequently placed into voluntary creditors winding up on 21 December 2006. At the conclusion of the winding up there was a deficit to unsecured creditors of £2,235,311.

Jim Fallon was a director of Lowlander Grand Cafe Limited, a company that was placed into administration on 26 October 2009 and was subsequently placed into voluntary creditors winding up on 9 July 2010. At the conclusion of the winding up there was a deficit to unsecured creditors of approximately £51,500.

- 5.11 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 5.12 No asset of any Director has at any time been the subject of a receivership.
- 5.13 None of the Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 5.14 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.15 Save as disclosed, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

6. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

6.1 Executive Directors

The following agreements have been entered into between the Directors and the Company, in each case conditional on and commencing from Admission:

- (a) a service agreement dated 20 November 2013 between the Company and Reuben Harley pursuant to which Reuben Harley is employed as Chief Executive of the Company, terminable by either party on 12 months' written notice, at a salary (subject to annual review) of £180,000 per annum and other benefits commensurate with his position including permanent health insurance, life assurance, a car allowance and a contribution of ten per cent. of base salary towards pension fund; and
- (b) a service agreement dated 20 November 2013 between the Company and John Smith pursuant to which John Smith is employed as Finance Director of the Company, terminable by either party on 12 months' written notice, at a salary (subject to annual review) of £155,000 per annum and other benefits commensurate with his position including permanent health insurance, life assurance, a car allowance and a contribution of ten per cent. of base salary towards pension fund.

6.2 Non-Executive Directors

The following agreements have been entered into between James Fallon and Clive Watson, respectively, and the Company, in each case conditional on and commencing from Admission:

- (a) a letter of appointment dated 20 November 2013 pursuant to which James Fallon is to be appointed as chairman of the Company, the appointment being for an initial period of three years but is terminable by either party on 3 months' written notice to expire at any time at an annual fee (exclusive of VAT) of £60,000; and
- (b) a letter of appointment dated 20 November 2013 pursuant to which Clive Watson is to be appointed as a non-executive director of the Company with effect from Admission. The appointment is for an initial period of three years but is terminable by either party on three months' written notice to expire at any time. The agreement provides a gross annual fee of £30,000.
- 6.3 The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors by members of the Group in respect of the year ended 30 June 2013 was approximately £660,000. It is estimated that the aggregate remuneration (including proposed fees for new non-executive directors, pension fund contributions and benefits in kind but excluding bonuses payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £662,000.

7. THE COMPANY AND ITS SUBSIDIARIES

7.1 The Company is the holding company of the Group and has the following principal subsidiaries (each of which is wholly-owned, directly or indirectly, by the Company):

	Country of registration	
Name	or incorporation	Principal activity
Eclectic Bars Limited	England & Wales	Intermediate holding company
Barclub Trading Limited	England & Wales	Trading company
Barclub (Bath) Limited	England & Wales	Property holding company
Barclub (Brighton) Limited	England & Wales	Property holding company
Barclub (Embargo) Limited	England & Wales	Property holding company
Barclub (Norwich) Limited	England & Wales	Property holding company
Barclub (Sidney Street) Limited	England & Wales	Property holding company
Sakura Bars Limited	England & Wales	Property holding company
Barclub (Manchester) Limited	England & Wales	Property holding company
Barclub (Friar Street) Limited	England & Wales	Property holding company
Barclub (Cambridge) Limited	England & Wales	Property holding company
HSB Clubs Limited	England & Wales	Property holding company
Barclub (Lincoln) Limited	England & Wales	Property holding company
Barclub (East Street) Limited	England & Wales	Property holding company
Barclub (Peter Street) Limited	England & Wales	Property holding company
Barclub (Deansgate Locks)		
Limited	England & Wales	Property holding company

7.2 Each of the subsidiaries has their registered office at Tetcott Road Offices, 533b Kings Road, London, SW10 0TZ. Each company operates principally within the UK.

8. PRINCIPAL ESTABLISHMENTS

The principal establishments of the Group are leasehold properties and one freehold property and are as follows:

Unit	Location	Tenure
Coyote Wild	Victoria Street, Derby, DE1 LEQ	Freehold
Bath Po Na Na	North Parade, Bath, Avon, BA2 4AL	Leasehold
Bournemouth Lola Lo	Unit 8 Ground & Lower Ground Floors, Bristol & West House, 3 Richmond Hill, Bournemouth	Leasehold
Brighton Madame Geisha	Unit 3, 75/79 East Street, Brighton, BN1 1NF	Leasehold
Brighton Lola Lo	75/79 East Street, Brighton, BN1 1NF	Leasehold
Bristol Po Na Na	Queen's Road, Bristol, Avon, BS8 1QL	Leasehold
Brighton Coalition	171–181 Kings Road Arches, Brighton	Leasehold
Cambridge Lola Lo	Guildhall Chambers, Guildhall Street, Cambridge CB2 3NH	Leasehold
Cambridge Fez	Unit E, 59 Sidney Street, Cambridge, CB2 3HX	Leasehold
Edinburgh Lola Lo	43B Frederick Street, Edinburgh, EH2 1EP	Leasehold
Embargo 59	533b Kings Road, London, SW10 0TZ	Leasehold
Lincoln Lola Lo	280-281 High St., Lincoln, LN2 1JG	Leasehold
Manchester Lola Lo	Arches 9–10, Deansgate Locks, Manchester, M1 5LH	Leasehold
Manchester Sakura	Arch 2, Deansgate Lock, Manchester, M1 5LH	Leasehold
Norwich Lola Lo	23 Bank Plain, Norwich, NR2 4SF	Leasehold
Oxford Lola Lo	13–15 Magdalen Street, Oxford, OX1 3AE	Leasehold
Putney Fez	Zeeta House, 167/173 and 200 Upper Richmond Road, Putney, London SW15 2SH	Leasehold

UnitLocationTenureReading Sakura5-6 Gun Street,Leasehold

Reading, RG1 2JR

Reading Lola Lo 126/127 Friar Street, Leasehold

Reading, RG1 1EP

Swindon Unit 9b, Station Leasehold

(warehouse premises) Industrial Estate,

Swindon, SN1 5BD

Wimbledon 82 The Broadway, Leasehold

Po Na Na Wimbledon, SW19 1RH

9. PLACING, LOCK-IN, ORDERLY MARKET AND WARRANT ARRANGEMENTS

Under the Placing Agreement, Panmure Gordon has agreed (conditionally, *inter alia*, on Admission taking place not later than 13 December 2013) to act as agent for the Company to use its reasonable endeavours to procure subscribers for the new Placing Shares and as agent for Avanti to use its reasonable endeavours to procure purchasers for the Sale Shares, in each case at the Placing Price.

Under the Placing Agreement and subject to it becoming unconditional:

- (a) the Company has agreed to pay Panmure Gordon commissions aggregating to 4.0 per cent. of the value at the Placing Price of the Placing Shares together with corporate finance fees; and
- (b) the Selling Shareholder has agreed to pay Panmure Gordon commissions aggregating to 2.3 per cent. of the value at the Placing Price of the Sale Shares,

together in each case with any applicable VAT.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses, except that the Selling Shareholder will be responsible for any stamp duty or stamp duty reserve tax arising in respect of the Sale Shares sold by it.

The Placing Agreement contains representations and warranties given by the Company and the Directors and indemnities given by the Company to Panmure Gordon as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Panmure Gordon is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

Under the Placing Agreement, each of the Directors has agreed with Panmure Gordon that they will not, and that they will procure that their connected persons will not, dispose of any Ordinary Shares (or interest in them) held by them following Admission, for a period of 12 months from the date of Admission except in certain limited circumstances including with the consent of Panmure Gordon.

Each of the Directors has further agreed that for a further period of 12 months, in order to preserve an orderly market in the Ordinary Shares, that they will not dispose of any Ordinary Shares (or interest in them) held by them following Admission except in certain limited circumstances other than through Panmure Gordon.

In addition, under a deed dated 20 November 2013, Leigh Nicolson has agreed with Panmure Gordon that he will not, and that he will procure that his connected persons will not, dispose of any Ordinary Shares (or interest in them) held by him following Admission, for a period of 12 months from the date of Admission except in certain limited circumstances including with the consent of Panmure Gordon.

Leigh Nicolson has further agreed that for a further period of 12 months, in order to preserve an orderly market in the Ordinary Shares, that he will not dispose of any Ordinary Shares (or interest in them) held by him following Admission except in certain limited circumstances other than through Panmure Gordon.

In addition, the Company has granted the Warrant to Panmure Gordon pursuant to a warrant instrument dated 20 November 2013. Under the terms of the warrant instrument, Panmure Gordon has the right to subscribe

for such number of Ordinary Shares as is equal to 0.5 per cent. of the Enlarged Share Capital at a 30 per cent. premium per Ordinary Share to the Placing Price. This right is exercisable from the date one year following Admission and is exercisable for a period of two years thereafter.

10. THE TAKEOVER CODE AND COMPANIES ACT

10.1 Mandatory takeover bids

The Takeover Code applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The Takeover Code provides an orderly framework within which takeovers are conducted.

The Takeover Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the Takeover Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent. or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

10.2 Squeeze out

Section 979 of the Companies Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration available under the takeover offer.

10.3 Sell out

Section 983 of the Companies Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less than 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

10.4 Pre-emption rights

The Company is subject to the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) which apply to the unissued share capital of the Company which is not subject to an existing disapplication as referred to in paragraph 2.6 of this Part V.

11. NOTIFICATIONS OF SHAREHOLDINGS

The provisions of DTR 5 will apply to the Company and its Shareholders once its shares are admitted to AIM. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter up to 100 per cent. DTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a regulatory information service as soon as possible following receipt of a notification.

12. UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders, ordinarily resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

Any person who is in any doubt about his taxation position or who may be subject to tax in a jurisdiction other than the UK is strongly recommended to consult his own professional advisers.

12.1 Taxation of chargeable gains

12.1.1 UK tax resident Shareholders

Shares qualifying for EIS income tax relief or VCT relief are not subject to capital gains, tax on disposal. The following comments are only applicable if relief is not available or is withdrawn.

Disposals

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

HMRC have confirmed that securities dealt with on AIM will not be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on their availability should consult an appropriate professional adviser.

12.1.2 Non-UK tax resident Shareholders

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs.

12.2 Taxation of dividends

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

Dividends will not be subject to UK income tax if the holding of Ordinary Shares qualifies for VCT relief. The following comments are therefore only relevant if VCT relief is not available or is withdrawn.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate dividend received and the tax credit (the "gross dividend"), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. A Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate (currently) of 32.5 per cent. to the extent that such sum, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate income tax. After taking into account the 10 per cent.tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend. Where the tax credit exceeds the Shareholder's tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual Shareholder who is resident for tax purposes in the UK and who is liable to tax at the "additional" rate will be liable to tax on the gross dividend at the rate of 37.5 per cent., equal to 30.6 per cent. of the net dividend.

Corporate Shareholders who are UK resident should note that legislation has been enacted that has made significant changes to the corporation tax treatment of dividends. The legislation removes the previous blanket exemption from corporation tax that generally applied to dividends paid by one UK resident company to another and replaces it with more limited classes of exemption. Although it is likely that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividend received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

12.3 UK stamp duty and SDRT

12.3.1 No stamp duty or SDRT will arise on the issue or allotment of new Ordinary Shares by the Company pursuant to the Placing. Stamp duty or SDRT arising on the sale of the Sale Shares will be paid by the Selling Shareholders.

12.3.2 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable).

However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

12.3.3 Shares held through CREST

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under CREST, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

13. MATERIAL CONTRACTS

Other than leases of properties described in paragraph 8 of this Part V, the following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

- 13.1 the Placing Agreement and the instrument constituting the Warrant, details of which are set out in paragraph 9 above;
- 13.2 the Nominated Adviser and Broker Agreement dated 20 November 2013, pursuant to which the Company has appointed Panmure Gordon to act as its nominated adviser to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Panmure Gordon an annual retainer of £60,000 (payable quarterly in advance). The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable regulations. The agreement has an initial minimum term of 12 months and will automatically be renewed annually for further 12 month terms save that following the initial 12 month term, the agreement may be terminated by either the Company or Panmure Gordon on 30 days' written notice to expire at any time without cause;
- 13.3 the following agreements have been entered into with Barclays Bank PLC ("Barclays"):
 - (a) a revolving loan agreement dated 7 September 2012 providing Eclectic Bars Limited with a facility of £1,500,000 of which £750,000 has been drawn down. The facility is repayable on 7 September 2015 and interest is charged at LIBOR plus 5.25 per cent;
 - (b) a tailored term loan agreement dated 7 September 2012 providing Eclectic Bars Limited with a facility of £1,950,051 of which £1,300,034 has been drawn down on the facility. The facility is repayable in instalments with the final payment due on 7 September 2015 and interest is charged at LIBOR plus 5.25 per cent; and
 - (c) a business overdraft facility of £600,000 repayable on demand on which interest is charged at 3.5 per cent. above Barclays base rate.

The above facilities are secured by cross guarantees and debentures given by members of the Group and an all monies security in favour of Barclays.

- 13.4 a revolving credit facility of up to £8,300,000 (of which approximately £7.3 million is currently drawn) (the "Shareholder Loan") on 28 June 2006 with Avanti as amended by (i) a supplemental letter dated 1 September 2009, (ii) an extension letter dated 1 October 2012, which, *inter alia*, extended the Shareholder Loan until 31 August 2013, and (iii) a letter further extending the Shareholder Loan until 31 August 2014. The Shareholder Loan will be repaid in full out of the proceeds of the Placing;
- 13.5 an agreement dated 19 November 2013 between Eclectic Bars Limited and the Shareholders of the Company prior to Admission. The agreement provided for a capital reorganisation of Eclectic Bars Limited in accordance with the terms of a shareholder agreement in relation to Eclectic Bars Limited dated 28 June 2006 and the articles of association of Eclectic Bars Limited;

Prior to the reorganisation the issued share capital of Eclectic Bars Limited was held:

Shareholders name Number and class of share

Avanti Capital plc 240 A ordinary shares of 25p each Reuben Jonathan Harley 71 B ordinary shares of 25p each

1 D ordinary share of £1

John Anthony Smith

James Fallon

Leigh Nicolson

BW SIPP JA Smith

50 B ordinary shares of 25p each
20 B ordinary shares of 25p each
8 B ordinary shares of 25p each
11 B ordinary shares of 25p each

On 19 November 2013 pursuant to the agreement:

- (i) the A, B and D ordinary shares in Eclectic Bars Limited were subdivided into ordinary shares of £0.0001 each;
- (ii) Eclectic Bars Limited repurchased 145,362 A ordinary shares of £0.0001 at nominal value;
- (iii) Eclectic Bars Limited issued 64,119 B ordinary shares of £0.0001 and 81,243 D ordinary shares of £0.0001 at nominal value to the existing holders of that class of shares;
- (iv) the A, B and D ordinary shares in Eclectic Bars Limited were then reclassified as ordinary shares of £0.0001, all with the same rights and ranking equally; and
- (v) a further 5,290,000 ordinary shares of £0.0001 were then issued at nominal value *pro rata* to existing holders.

Following the capital reorganisation, the share capital in Eclectic Bars Limited consisted of 6,300,000 ordinary shares of £0.0001 held by the existing Shareholders in the same proportions that they hold Ordinary Shares prior to Admission.

The agreement provided for the termination of the shareholders agreement in relation to Eclectic Bars Limited on Admission;

- 13.6 a share for share exchange agreement dated 19 November 2013 between the Company and the shareholders of Eclectic Bars Limited pursuant to which the Company acquired the entire issued share capital of Eclectic Bars Limited in consideration of the issue of 6,299,996 Ordinary Shares; and
- 13.7 a letter of engagement with Graybridge Solutions Limited ("Graybridge"), a company owned by James Fallon, dated 19 April 2012 under which fees were payable to Graybridge in respect of consultancy services and in respect of Jim Fallon's non-executive directorship of Eclectic Bars Limited. The agreement provided for the payment of (i) a monthly fee of £5,000 plus VAT for the non-executive role. This agreement has been terminated with effect from Admission. In addition under the terms of a letter dated 29 May 2013 Graybridge has been paid a monthly fee of £7,000 plus VAT in relation to Admission and will be paid a fee of £75,000 plus VAT on Admission.

14. RELATED PARTY TRANSACTIONS

Save as set out in note 23 of the Financial Information on the Group in Part III of this document and paragraphs 13.5, 13.6 and 13.7 above, there are no related party transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period covered by historical financial information and up-to-date of this document.

15. WORKING CAPITAL

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the financing facilities available and the net proceeds of the Placing, the working capital of the Group will be sufficient for its present requirements, that is, for at least the period of 12 months from the date of Admission.

16. LITIGATION

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

17. GENERAL

- 17.1 There has been no significant change in the financial or trading position of the Group since 30 June 2013, the date to which the last audited accounts of the Group were prepared.
- 17.2 The estimated costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 9 above) payable by the Company are estimated to amount to approximately £1.4 million (excluding VAT). The total net proceeds of the Placing, after settling fees, will be £9.1 million.
- 17.3 The Company's net proceeds from the Placing are expected to be approximately £9.1 million which will be applied as follows:
 - (a) Repayment of money borrowed in respect of paragraph 13.4 £7.3 million
 - (b) For the purposes set out in paragraph 12 of Part I of this document and for working capital £1.8 million
- 17.4 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 434 of the Companies Act. EY, chartered accountants of 1 More London Place, London, SE1 2AF have been the auditors of the Group for the three financial years ended 30 June 2013 and have given unqualified audit reports on the statutory accounts of the Group for those financial years within the meaning of section 495 of the Companies Act. None of those reports contained any statements under sub-section 498(2) or (3) of the Companies Act. Statutory accounts of each member of the Group for each of the three financial years ended 30 June 2013 have been delivered to the registrar of Companies in England and Wales pursuant to section 441 of the Companies Act.
- 17.5 EY have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their reports in Parts III and IV and the references to their reports and to their name in the form and in the context in which it is included and have authorised the contents of Parts III and IV of this document. EY have no material interest in the Company.
- 17.6 To the extent that information in this document has been sourced from third parties, has been accurately reproduced and as far as the Company is aware and has been able to ascertain from information published by third party, no facts have been omitted which render the reproduced information inaccurate or misleading.

- 17.7 Panmure Gordon is registered in England and Wales under number 04915201 and its registered office is at One New Change, London, EC4M 9AF. Panmure Gordon is regulated by the FCA and is acting in the capacity as nominated adviser, financial adviser and broker to the Company.
- 17.8 Panmure Gordon has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 17.9 Save for the licences required to operate its bars there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 17.10 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
 - (a) received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
 - (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.11 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares have been made eligible for settlement in CREST by means of a resolution of the Board passed on 20 November 2013, with the necessary notice having been given to all members of the Company at that time, as contemplated by the CREST Regulations. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.
- 17.12 Assuming the Placing becomes unconditional, the Existing Ordinary Shares will be diluted by 51.0 per cent.
- 20 November 2013

