Tasty plc

Report and Financial Statements

Year ended

31 December 2006

Tasty plc

Contents

Page:

Directors and information

Directors

Keith Lassman (Non-Executive Chairman)
Jonny Plant (Chief Executive Officer)
Samuel Kaye (Executive Director)
Adam Kaye (Non-Executive Director)

Secretary and registered office

Keith Lassman, 19 Cavendish Square, London, W1A 2AW

Company number

5826464

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Solicitors

Howard Kennedy, 19 Cavendish Square, London, W1A 2AW

Glovers, 115 Park Street, London, W1K 7DY

Bankers

Barclays Bank plc, 1 Churchill Place, London, E14 5HP

Nominated advisors and stockbrokers

Evolution Securities Limited, 100 Wood Street, London, EC2V 7AN

Registrars

Computershare Investor Services Plc, P O Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH

Tasty plc

Chairman's statement

I am delighted to be able to report on the Company's first full year results following its successful flotation on AIM in July last year, when the Company raised some £1.75m followed by a further placing in September raising £3m.

Results

Turnover for the year ended 31 December 2006 was up 33% to £2,676,000 (2005 - £2,016,000). Profits before tax and the exceptional costs of the flotation and share options costs were £80,000 (2005 - £141,000). During the year the Company adopted FRS 20 "Share-based payments" which gave rise to a charge to profits of £136,000 (2005 – nil) and also incurred exceptional costs with regard to its AIM flotation of £118,000 (2005 – nil). The loss for the year after these exceptional costs was £168,000 (2005 – profit of £230,000). Profitability has also been affected by the later than expected openings of new sites, including 2 which opened only in December.

The Board do not consider it appropriate to pay a dividend for the year.

The results incorporate the performance of the Company and its subsidiary, Took Us A Long Time Limited. The subsidiary is treated as if it had always been a member of the Group under the merger method of accounting. The merger of the two companies took place on 26 June 2006.

Openings

Since our AIM flotation, the Group has opened 3 new restaurants under the dim t brand and currently has 6 restaurants in operation, with a further 2 openings planned within the next 2 months. Contracts have been exchanged on a further 4 units, 2 of which are conditional on planning. Central Kitchen facilities in Park Royal are expected to be operational by June 2007.

Cashflows

Net cash outflow for the year before management of liquid resources and financing was £1,985,000 (2005 – inflow of £228,000). This is largely represented by capital expenditure on the expansion of the business.

Staff

As I mentioned in my Chairman's Statement accompanying the interim results in September we are continuing to invest in staff and training to support the Group's expansion. As with all growing businesses staff selection is key. We continue to attract a high calibre of motivated and skilled employees. Our staff have worked tirelessly over the period and I would like to thank them all for the contribution they have made to the Group's performance.

AGM

The Company's AGM will take place on 25 May 2007, and the notice of AGM is set out at the end of this document. Shareholders are asked to complete and post the accompanying Proxy Form relating to the AGM whether or not they intend to attend the AGM.

Outlook

The Group continues to make its mark in the high street, and I look forward to reporting to you again on our performance in the Autumn.

Keith Lassman
Chairman

16 April 2007

The Directors present their report together with the audited financial statements for the year ended 31 December 2006. The Company was incorporated as Dim Tea plc on 23 May 2006 and changed its name to Tasty plc on 19 June 2006. The merger method of accounting for the acquisition of Took Us A Long Time Limited on 26 June 2006 has been adopted so that these financial statements include the results of the subsidiary for the full year as if Tasty plc has always been in existence.

Results and dividends

The results of the Group for the year are set out on page 8. The loss for the year after taxation amounted to £168,000. The Directors do not recommend payment of a dividend.

Principal activities, review of business and future developments

The Company's principal activity is the operation of restaurants. During the year the Company opened 3 new restaurants with a further 2 openings planned within the next 2 months. Contracts have been exchanged on a further 4 units, 2 of which are conditional on planning.

For the year ended 31 December 2006 sales rose 33% to £2,676,000 (2005 - £2,016,000). The loss for the year was £168,000 (2005 – profit of £230,000) this loss was affected by exceptional costs during the year relating to the Company's AIM flotation of £118,000 (2005 – nil) and the adoption of FRS20 "Share-based payments" of £136,000 (2005 – nil).

Gross profit increased by £181,000 to £1,078,000 (2005 - £897,000). Gross profit margin was 40% (2005 – 44%). This reduction was mainly as a result of the initial costs of openings. Administrative costs excluding the AIM flotation and share based payment charges increased by 36%, primarily due to the new restaurant openings and the building of the infrastructure to enable future growth.

The Directors believe that following the implementation of enhanced management systems and the appointment of high calibre staff there is now a solid foundation within the business to support this future expansion.

We also recognise the importance of customer relations and staff are extensively trained in this regard. Performance is monitored by reference to the results of regular mystery diner visits and staff bonuses are calculated with the results and comments arising from these visits and other customer feedback as a significant factor.

A further review of the business is included in the Chairman's Statement on page 2.

Directors

The Directors of the Company during the year, together with their beneficial interests in the share capital of the Company as at the year end, were as follows:

		Ordinary shares of 10p each at 31 December 2006	Ordinary shares of 10p each at date of appointment
Executive			
Jonny Plant	(appointed 23 May 2006)	3,426,346	3,272,500
Samuel Kaye	(appointed 20 June 2006)	5,953,218	4,633,650
Non-Executive			
Keith Lassman	(appointed 20 June 2006)	29,982	-
Adam Kaye	(appointed 23 May 2006)	5,914,756	4,627,525

Directors *(continued)*

Executive share option scheme

	Date of grant	Number of shares	Exercise price per share	Exercisable between
Jonny Plant	26 June 2006	388,402	£0.18	June 2006 – June 2016
Keith Lassman	27 June 2006	19,230	£0.52	June 2008 – June 2016

There were no share options in the prior year.

No share options were exercised during the period.

Creditor payment policy

The Group has a standard code and also agrees specific individual terms with certain suppliers. Payment is normally made in accordance with those terms, subject to the suppliers' own performance. The creditor days of the Group and Company at the year end was 40 days (2005 - 42 days).

Donations

The Group made no charitable or political donations in the year.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertaking are contained in note 23 to the financial statements.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

K Lassman
Secretary

16 April 2007

To the shareholders of Tasty plc

We have audited the Group and parent company financial statements (the "financial statements") of Tasty plc for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 December 2006 and of its loss for the period then ended;

- the parent company's financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2006;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

16 April 2007

Tasty plc

Consolidated profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover	2	**2,676**	2,016
Cost of sales		**(1,598)**	(1,119)
Gross profit		**1,078**	897
Administrative expenses			
Exceptional flotation expenses		**(118)**	-
Share based payments		**(136)**	-
Other administrative expenses		**(1,075)**	(787)
Total administrative expenses		**(1,329)**	(787)
Operating (loss)/profit	4	**(251)**	110
Interest receivable		**77**	31
(Loss)/profit on ordinary activities before taxation		**(174)**	141
Taxation credit on (loss)/profit on ordinary activities	5	**6**	89
(Loss)/profit on ordinary activities after taxation	16	**(168)**	230
Earnings per share			
Basic and diluted earnings per share	6	(0.83p)	1.32p

All amounts relate to continuing activities
All recognised gains and losses for both years are included in the profit and loss account.

The notes on pages 12 to 27 form part of these financial statements.

Tasty plc

Consolidated balance sheet at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Intangible assets	8		**7**		-
Tangible assets	9		**3,517**		1,117
			3,524		1,117
Current assets					
Stocks	11	**82**		25	
Debtors – due within one year	12	**305**		87	
– due after more than one year	12	**298**		217	
		603		304	
Cash at bank and in hand		**4,003**		1,230	
		4,688		1,559	
Creditors: amounts falling due within one year	13	**(1,349)**		(328)	
Net current assets			**3,339**		1,231
Total assets less current liabilities			**6,863**		2,348
Capital and reserves					
Called up share capital	15		**2,601**		1,942
Share premium account	16		**3,732**		-
Profit and loss account	16		**(648)**		(480)
Merger reserve	16		**992**		886
Other reserve	16		**186**		-
Shareholders' funds			**6,863**		2,348

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2007.

D J Plant

The notes on pages 12 to 27 form part of these financial statements.

Tasty plc

Company balance sheet at 31 December 2006

		Note	2006 £'000
Fixed assets			
Investments		10	**1,942**
Current assets			
Debtors	– due within one year	12	**4,303**
	– due after more than one year		**28**
			4,331
Total assets less current liabilities			**6,273**
Capital and reserves			
Called up share capital		15	**2,601**
Share premium account		16	**3,732**
Profit and loss account		16	**(246)**
Other reserve		16	**186**
Shareholders' funds			**6,273**

The financial statements were approved by the Board of Directors and authorised for issue on 16 April 2007.

D J Plant

The notes on pages 12 to 27 form part of these financial statements.

Tasty plc

Consolidated cash flow statement for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	19	**462**	218
Returns on investments and servicing of finance			
Interest received		**77**	31
Taxation			
UK corporation tax paid		**(6)**	-
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(8)**	-
Purchase of tangible fixed assets		**(2,510)**	(21)
		(2,518)	(21)
Cashflow before management of liquid resources and financing		**(1,985)**	228
Management of liquid resources			
Increase in short term cash deposits		**(2,904)**	(1,018)
Financing			
Issue of share capital (net of share issue costs of £359,000 – 2005 - £nil)		**4,531**	822
(Decrease)/increase in cash	20, 21	**(358)**	32

The notes on pages 12 to 27 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The Group has adopted FRS 20 “Share-based payments” for the first time in these financial statements. Under FRS20 the cost of equity settled transactions is measured by reference to the fair value at the date at which they are granted and then recognised over the vesting period. Further details of the calculation are provided in note 24. As a result of the adoption of FRS20 there is an additional charge in 2006 of £152,000, together with a related deferred tax credit of £35,000. No adjustment to prior year’s figures arose from the adoption of FRS20. The principal accounting policies are:

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiary, Took Us A Long Time Limited. The parent company has taken advantage of the exemption in S230 of the Companies Act 1985 not to publish its own profit and loss account. The accounting period of the subsidiary is co-terminous with that of the parent undertaking.

The merger method of accounting is used to consolidate the results of the subsidiary undertaking because the transaction has been deemed to be a group reconstruction. The merger of the two companies took place on 26 June 2006. The shares issued are recorded in the Company's balance sheet at nominal value of the shares issued plus fair value of any additional consideration. The difference between the nominal value of the shares issued and the nominal value of the shares acquired is taken to a merger reserve in the consolidated accounts.

In the Group accounts the subsidiary undertaking is treated as if it had always been a member of the Group. Therefore the consolidated results for 2006 comprise the results of Took Us A Long Time Limited for the full year, together with the results of Tasty plc since it was incorporated on 23 May 2006. The consolidated comparative results only comprise the results of Took Us A Long Time Limited as Tasty plc was not incorporated during that period.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. Turnover is recognised when the services are provided

Depreciation, amortisation and impairments

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives and it is calculated at the following rates:-

Trade Marks	10% per annum straight line
Leasehold property	over the period of the lease
Fixtures, fittings and equipment	10% per annum straight line

Restaurants under construction are included in tangible fixed assets. No depreciation is provided on restaurants under construction until the asset is brought into use.

The need for any fixed asset impairment is assessed annually by comparison of the carrying value of the asset against the higher of the value in use and net realisable value.

1 Accounting policies *(Continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Pre-opening costs

Property rentals and related costs incurred up to the date of opening a new restaurant are written off to the profit and loss account in the period in which they arise. Promotional and training costs are written off to the profit and loss account as and when incurred.

Lease incentives

The benefit of rent free periods from the first day of trading until rent is due to commence is treated as deferred income and written back to the profit and loss account evenly over the period to the next rent review.

Lease premiums

The cost of lease premiums payable to landlords are capitalised in fixed assets and amortised over the remaining period of the respective lease.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Liquid resources

Management of liquid resources in the cash flow statement comprises movement in short term bank deposits.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored in the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

1 Accounting policies *(Continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss is charged with the fair value of goods and services received.

Financial instruments

Short term debtors and creditors are not treated as financial assets or financial liabilities for FRS13 disclosure purposes, and the Company does not hold or issue derivative financial instruments for trading purposes.

2 Turnover, profit before tax and net assets

The turnover, profit before tax and net assets for the year are attributable to the principal activity of the Group, which is carried on entirely within the United Kingdom.

3 Employees

	2006 £'000	2005 £'000
Group		
Staff costs for all employees, including Directors, consist of:		
Wages and salaries	**938**	668
Social security costs	**94**	71
Equity settled share-based payment schemes (note 24)	**136**	-
	1,168	739

The average number of employees of the Group during the period, including Directors, was as follows:	**Number**	**Number**
Restaurant staff	**73**	50
Administration	**4**	4
	77	54

3 Employees *(Continued)*

Company

The Company had no employees during the year except for the four Directors. No emoluments were paid by the parent company. The emoluments of each of the Directors are set below:

	Salary and fees £'000	Salary and fees £'000
J Plant	**58**	50
S Kaye	**1**	-
K Lassman	**7**	-
A Kaye	**1**	-
	67	50

The details of Directors' share interests are set out in the Directors' report on pages 3 to 5.

Of the share based payment charge (see note 24), £129,000 relates to share-based payments to Directors.

The Company does not have a pension scheme and does not pay any pension contributions.

4 Operating (loss)/ profit

	2006 £'000	2005 £'000
This is arrived at after charging:		
Depreciation and amortisation	**111**	79
Auditors' remuneration - audit	**15**	9
- non audit – other services relating to taxation	**9**	3
Operating lease rentals	**273**	202
Equity settled share-based payments	**136**	-
Professional fees in respect of flotation - exceptional	**118**	-

In addition to the above the auditors received £103,000 (2005 - £nil) for corporate finance advisory services provided in relation to share placings undertaken by the Company which has been charged to the share premium.

5 Taxation on (loss)/ profit from ordinary activities

	2006 £'000	2005 £'000
UK corporation tax on (loss)/ profits of the year	**-**	6
Deferred tax		
Origination and reversal of timing differences (note 14)	**(6)**	(95)
Total credit	**(6)**	(89)

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £'000	2005 £'000
(Loss)/profit on ordinary activities before tax	**(174)**	141
(Loss)/profit on ordinary activities multiplied at the standard rate of corporation tax in the UK of 19% (2005 - 19%)	**(33)**	27
Effects of:		
Expenses not deductible for tax purposes	**48**	4
Capital allowances for year in excess of depreciation	**(37)**	(9)
Utilisation of tax losses	**-**	(16)
Increase in tax losses carried forward	**22**	-
Current tax charge for year	**-**	6

6 Earnings per share

Basic earnings per ordinary share is based on the loss for the year of £168,000 (2005 – profit of £230,000) and on 20,221,212 (2005 – 17,472,855) ordinary shares of 10p each being the weighted average number of ordinary shares in issue during the year.

Basic and diluted earnings per share are the same as there is no dilution.

The 1,071,531 (2005 – nil) share options that have been granted in the year have not been included in the calculation of the loss per share as they are anti-dilutive.

7 Mergers

On 26 June 2006 Tasty plc acquired Took Us A Long Time Limited. The acquisition has been treated as a group reconstruction and merger accounting used to account for it as the ultimate shareholders in the Group remained the same and the rights of each shareholder relative to the other was unchanged.

Tasty plc issued 19,420,689 ordinary shares of 10p each to acquire 2,774,387 ordinary shares of £1 each in Took Us A Long Time Limited, giving rise to a merger reserve of £991,687.

8 Intangible assets

	Trademarks £'000
Group	
Cost	
At 1 January 2006	-
Additions	8
At 31 December 2006	**8**
Amortisation	
At 1 January 2006	-
Provision for year	1
At 31 December 2006	**1**
Net book value	
At 31 December 2006	**7**

Company

The Company has no intangible fixed assets.

9 Tangible fixed assets

Group	Leasehold property and improvements £'000	Restaurants under construction £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 January 2006	806	-	467	1,273
Additions	1,283	318	909	2,510
At 31 December 2006	**2,089**	**318**	**1,376**	**3,783**
Depreciation				
At 1 January 2006	65	-	91	156
Charge for the period	44	-	66	110
At 31 December 2006	**109**	**-**	**157**	**266**
Net book value				
At 31 December 2006	**1,980**	**318**	**1,219**	**3,517**
At 31 December 2005	741	-	376	1,117

Company

The Company has no fixed assets.

10 Fixed asset investments

Company	**£'000**
Subsidiary undertaking	
Addition and at 31 December 2006 (see note 7)	**1,942**

The Company has investments in the following subsidiary undertaking:

Name	Country of incorporation	Principal activity	Holding	%
Took Us A Long Time Limited	England	Operation of Restaurants	Ordinary	100

11 Stocks

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000
Food and beverages for resale	**37**	11	**-**
Crockery, cutlery and utensils	**45**	14	**-**
	82	25	**-**

In the Directors opinion there is no material difference between the replacement cost of stocks and the amounts stated above.

12 Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000
Due within one year:			
Amounts due from subsidiary undertaking	**-**	-	**4,303**
Trade debtors	**27**	-	**-**
Other debtors	**176**	10	**-**
Prepayments and accrued income	**102**	77	**-**
	305	87	**4,303**
Due in more than one year:			
Other debtors	**197**	122	**-**
Deferred taxation (note 14)	**101**	95	**28**
	298	217	**28**

13 Creditors: amounts falling due within one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000
Bank overdraft	**227**	-	**-**
Trade creditors	**741**	162	**-**
Corporation tax	**-**	6	**-**
Other taxation and social security costs	**39**	44	**-**
Other creditors	**77**	12	**-**
Accruals	**265**	104	-
	1,349	328	**-**

14 Deferred taxation

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000
Balance at beginning of year	**95**	-	-
Deferred tax credit in profit and loss account for period (note 5)	**6**	95	28
Balance at end of year	**101**	95	28
Accelerated capital allowances	**(120)**	(75)	-
Short-term timing differences	**35**	-	28
Tax losses carried forward	**186**	170	-
	101	95	28

A deferred tax asset has been recognised on the basis that suitable taxable profits will be available in the foreseeable future.

15 Share capital

	2006 £'000
Authorised	
50,000,000 ordinary shares of 10p each	**5,000**
Allotted, called up and fully paid	
26,011,900 ordinary shares of 10p each	**2,601**

	Number	Amount £'000
Issued on incorporation	20	-
Issued as consideration for the merger with Took Us A Long Time Limited on 26 June 2006	19,420,689	1,942
Issue of shares at 52p on 4 July 2006	3,365,385	336
Issue of shares at 93p on 28 September 2006	3,225,806	323
	26,011,900	**2,601**

The share capital at 31 December 2005 represents the shares issued as consideration for Took Us A Long Time Limited, which under merger accounting is treated as if they had always been in issue.

At incorporation 2 £1 ordinary shares were issued, which were subsequently sub-divided into 20 ordinary shares of 10p each.

16 Reserves

Group

	Share premium account £'000	**Profit and loss account £'000**	**Merger reserve £'000**	**Other reserve £'000**
At 1 January 2006	-	(480)	886	-
Shares issued (net of costs of £359,000)	3,732	-	-	-
Loss for the period	-	(168)	-	-
Movements on merger reserve	-	-	106	-
Share-based payment charge	-	-	-	186
At 31 December 2006	**3,732**	**(648)**	**992**	**186**

The movements on the merger reserve arise as a result of the shares issued by the merged subsidiary between 1 January 2006 and the date of the merger.

Company

	Share premium account £'000	**Profit and loss account £'000**	**Other reserve £'000**
Shares issued (net of costs of £359,000)	3,732	-	-
Loss for the period	-	(246)	-
Share-based payment charge	-	-	186
At 31 December 2006	**3,732**	**(246)**	**186**

As permitted by S230 Companies Act 1985, the Company has not presented its own profit and loss account.

17 Reconciliation of movements in shareholders' funds

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000
(Loss)/profit for the year	**(168)**	230	(246)
Issue of shares (net of issue costs of £359,000; 2005 - £nil)	**6,333**	821	6,333
Movement on merger reserve	**106**	-	-
Shares issued in respect of the merger	**(1,942)**	-	-
Share-based payment charge	**186**	-	186
Net additions to shareholders' funds	**4,515**	1,051	6,273
Opening shareholders' funds	**2,348**	1,297	-
Closing shareholders' funds	**6,863**	2,348	6,273

18 Commitments under operating leases

As at 31 December 2006, the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2006 £'000	Land and buildings 2005 £'000
Operating leases which expire:		
After five years	**525**	190

Leases for land and buildings are subject to rent reviews.

19 Reconciliation of operating (loss)/profit to net cash flow from operating activities

	2006 £'000	2005 £'000
Operating (loss)/ profit	**(251)**	110
Depreciation and amortisation	**111**	79
(Increase) in stocks	**(57)**	(10)
(Increase) in debtors	**(293)**	(13)
Increase in creditors	**800**	52
Share-based payment charge	**136**	-
Share-based payment charge included within exceptional flotation expenses	**16**	-
Net cash inflow from operating activities	**462**	218

20 Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
(Decrease)/ increase in cash in the period	**(358)**	32
Cash outflow from increase in liquid resources	**2,904**	1,018
Change in net funds resulting from cash flows	**2,546**	1,050
Opening net funds	**1,230**	180
Closing net funds	**3,776**	1,230

21 Analysis of changes in net funds

	At 1 January 2006 £'000	Cash flow £'000	At 31 December 2006 £'000
Cash at bank and in hand	212	**(131)**	**81**
Bank overdrafts	-	**(227)**	**(227)**
	212	**(358)**	**(146)**
Liquid resources - cash on short term deposits	1,018	**2,904**	**3,922**
Total	1,230	**2,546**	**3,776**

22 Related party transactions

During the period leasehold premiums of £186,000 (2005 – Nil) and rent of £66,711 (2005 – Nil) were paid to KLP, a limited liability partnership in which A Kaye and S Kaye are members. All premiums and rents were paid at a commercial rate. No rent remains outstanding at the period end (2005 – Nil).

23 Financial instruments

a) Fair value of financial instruments

In the Directors' opinion, there is no material difference between the book value and the current value of any of the Group's financial instruments.

b) Cash deposits/borrowings

The Group invests surplus funds for seven day periods at prevailing money market rates. At the period end the amount held in fixed term deposits was £3.922m (2005: £1.018m). Interest is earned on fixed term deposits at a rate between 4% and 5% per annum. The maturity date of the amount on deposit at the year end was 4 January 2007.

c) Undrawn committed bank facilities

The Group has a revolving credit facility of £1,500,000 which reduces by £175,000 on the first anniversary of drawdown and a further £75,000 on the second anniversary and nil on the third anniversary. As at the year end no drawdown had yet been made.

d) Currency exposure

The Group had no material currency exposure in the year.

e) Hedges

The Group had no material hedged transactions or positions in the period.

f) Treasury policy

The Group treasury is operated by the Executive Directors as a centralised service managing interest rates and financing. Operations are financed by share issues. The Group does not trade in financial instruments. The Group is exposed to interest rate risk mainly to the extent that changes in base rates affect the amount of interest earned on its financial assets. The Group also incurs interest to the extent that the current account is overdrawn. As a primarily cash based business the Group has no material credit risk.

24 Share based payment

The Company believes that share ownership by Directors and key staff strengthens the link between their personal interests and those of the shareholders. It therefore operates an approved share option scheme under which options have been granted. These share options are granted to assist in the incentivisation and recruitment of key staff.

At 31 December 2006 outstanding executive share options for Directors and employees to subscribe for ordinary shares of 10p each were:-

Exercise Price (pence)	**Date granted**	**Number of options**	**Exercisable between**
18	27 June 2006	388,402	June 2006 – June 2016
18	27 June 2006	144,669	June 2009 – June 2016
52	27 June 2006	57,691	June 2008 – June 2016
52	27 June 2006	480,769	July 2006 – July 2009

Share options granted

	2006 Number	**2005 Number**
Outstanding at the beginning of the year	-	-
Granted during the year	**1,072**	-
Outstanding at the end of the year	**1,072**	-
Weighted average exercise price	**35p**	-

The exercise price of options outstanding at the end of the year ranged between 18p and 52p and their weighted average contractual life was 6 years.

Of the total number of options outstanding at the end of the year 869,171 had vested and were exercisable at the end of the year.

The weighted average fair value of each option granted during the year was 22.65p.

No options were exercised during the year.

24 Share based payment *(Continued)*

The equity settled charge for share based payment in the year comprises:

	2006 £'000	2005 £'000
Share-based payments charge for the year	**136**	-
Share-based payments charge included under exceptional flotation expenses	**16**	-
	152	-

In addition, a share-based payment charge of £34,000 has been debited to the share premium account as part of the professional charges incurred in respect of share placings during the year.

The following information is relevant in the determination of the fair value of options granted during the year under the equity settled share based remuneration scheme operated by Tasty plc.

	2006	2005
Equity – settled		
Option pricing model used	Binomal	-
Weighted average share price at grant date (pence)	52	-
Exercise price (pence)	35	-
Weighted average contractual life (days)	1,095	-
Expected volatility	31%	-
Expected dividend growth rate	0%	-
Risk free interest rate	4.8%	-

The volatility assumption measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over the last 3 years.

In accordance with FRS20 a charge to the profit and loss account in respect of the options granted will be recognised over the vesting period based on the fair value of the options at the date of grant. This charge has no cash impact

NOTICE OF ANNUAL GENERAL MEETING
TASTY PLC
(Registered in England and Wales with no. 5826464)

Notice is hereby given that the first Annual General Meeting of Tasty plc will be held at dim t, 2a More London Place, Tooley Street, London SE1 2JP on 25 May 2007 at 9.30 a.m. for the transaction of the following business:

ORDINARY BUSINESS
As ordinary business to consider and, if thought fit, to pass the following resolutions, each of which will be proposed as ordinary resolutions:

1 **THAT,** the Company's annual accounts for the year ended 31 December 2006, together with the report of the auditors and the directors thereon, be received and adopted.

2 **THAT,** Adam Kaye, who was appointed as a director by the Board, be re-elected as a director.

3 **THAT,** Keith Lassman, who was appointed as a director by the Board, be re-elected as a director.

4 **THAT,** Jonny Plant who retires in accordance with the Company's articles of association, be re-elected as a director.

5 **THAT,** BDO Stoy Hayward LLP be re-appointed as auditors to the Company until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and the directors be authorised to fix their remuneration.

SPECIAL BUSINESS
As special business to consider and, if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolution 7 as a special resolution:

6 **THAT,** the directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £2,398,810 during the period commencing on the passing of this resolution and expiring on the date of the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.

7 **THAT,** the directors be and they are empowered during the period commencing on the passing of this resolution and expiring on the date of the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting) pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) wholly for cash pursuant to the authority conferred by resolution 6 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities for cash up to an aggregate nominal amount of 30 per cent. of the issued share capital of the Company as at the date of the passing of this resolution;

(ii) the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange,

but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

By order of the Board

K Lassman
Secretary
Date 16 April 2006

Registered Office: 19 Cavendish Square, London W1A 2AW

Notes:

(i) A Member entitled to attend and vote at the Meeting convened by this Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his or her stead. A proxy need not be a Member of the Company.

(ii) In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first names on the register of members will be accepted to the exclusion of other joint holders.

(iii) To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 9.30 a.m. on 23 May 2007 at the offices of the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB.

(iv) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the register of members of the Company at the close of business on the day which is two days before the day of the Annual General Meeting (or any adjourned meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of such shares registered in their name at the relevant time. Changes to entries on the register of members after that time shall be disregarded in determining the right of any person to attend and vote at the meeting.

(v) The following documents will be available for inspection at the Company's registered office at

19 Cavendish Square
London W1A 2AW

during normal business hours on any weekday (public holidays excepted) from the date of this Notice until the date of the Annual General Meeting and at the Annual General Meeting for 15 minutes prior to and during the Meeting:

(a) the register of Directors' interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985;

(b) copies of the service contracts and letters of appointment of all Directors of the Company; and

(c) a copy of the memorandum and Articles of Association of the Company.