

**BrightReasons Restaurants Limited**

**Annual Report**

**For the seventeen months ended 28 February 1998**

**Registered No: 964194**



# **BrightReasons Restaurants Limited**

## **Annual Report**

**For the seventeen months ended 28 February 1998**

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## **BrightReasons Restaurants Limited**

### **Directors' report**

#### **For the seventeen months ended 28 February 1998**

The directors present their report and accounts for the seventeen months ended 28 February 1998.

#### **Principal Activities**

The principal activity of the company continued to be that of restaurateurs.

#### **Review of profits and dividends**

BrightReasons Group Limited was acquired by Whitbread PLC with effect from 27 November 1996 and as a result are presenting accounts for the seventeen months to 28 February 1998.

The period has been one of significant change for the company. The subsidiary, Pizza Piazza Limited was sold on 19 March 1997. Restaurants branded as Pizzaland have been converted into a variety of other brands, or closed for disposal. Our Bella Pasta restaurants, which have traded well during the period, are being extensively refurbished - a programme which will continue into 1998/9.

The loss after taxation for the period amounted to £17,005,000 (1996: £265,000). The directors do not recommend the payment of a dividend.

#### **Employees**

The company continually looks for effective ways to reward its employees, including a wide range of benefits. In addition, the parent company seeks to give group employees a direct stake in the business by means of the Share Ownership Scheme and granting options under the Sharesave Scheme, details of both schemes being disclosed in the accounts of Whitbread PLC. The company is committed to increasing employee involvement by means of meetings with management and opinion surveys. The company is committed to the principle that the sole criterion for selection or promotions is the suitability of an applicant for a job. Training and development are available to all levels and categories of staff. Disabled people are offered the same opportunities as all others in respect of recruitment, training, promotion and career development. Employees who become disabled will, wherever possible, be retained and, if necessary retrained.

#### **Directors**

The directors of the company during the period were as follows:

R R Clewley (appointed 28 February 1997)  
J S D Evans (appointed 27 November 1996)  
C D Green (appointed 27 November 1996)  
J W Lester (appointed 27 November 1996)  
R C Johnson (appointed 27 November 1996, resigned 29 August 1997)  
R B Simpson (appointed 27 November 1996, resigned 1 May 1997)  
S Dudley (resigned 27 November 1996)  
S Fernandez (resigned 27 November 1996)  
G M Guthrie (resigned 27 November 1996)  
Dr A W Henfrey (resigned 27 November 1996)  
C Hanna (resigned 27 November 1996)  
P C Stickland (resigned 27 November 1996)  
P Symonds (resigned 27 November 1996)  
G L Williams (resigned 27 November 1996)  
A K Twiddy (resigned 27 November 1996)

## BrightReasons Restaurants Limited

### Directors' interests

According to the register maintained as required under the Companies Act 1985, the beneficial interests of the directors in shares and options over the ordinary shares in the holding company, Whitbread PLC, including shares held under the Whitbread PLC Share Ownership Scheme are as follows:-

Ordinary shares	<u>28 February 1998</u>	<u>29 September 1996</u> <u>or date of appointment</u>
R R Clewley	170	133
J S D Evans	530	511
C D Green	-	-
J W Lester	1194	145

### Options over ordinary shares

During the period the following movements in options over the ordinary share capital of the holding company, Whitbread PLC, took place:-

		<u>Options held</u> <u>at 29.9.96 or</u> <u>appointment</u>	<u>Options granted</u>		<u>Options exercised</u>		<u>Options held</u> <u>at 28.2.98</u>
			<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	
R R Clewley	a	22,400	5,100	778.5p	0		27,500
	b	3,580	0		0		3,580
J S D Evans	a	0	13,100	778.5p	0		13,100
	b	0	1,526	638.6p	0		1,526
C D Green	a	57,500	1,700	778.5p	0		59,200
	b	0	2,701	638.6p	0		2,701
J W Lester	b	3,061	472	584.2p	1,006	357.8p	2,527

(a) the Executive Share Option Scheme

(b) the Savings Related Option Scheme

## **BrightReasons Restaurants Limited**

### **Changes in fixed assets**

The movements in fixed assets during the period are set out in note 7 to the financial statements.

### **Creditors payment policy and practice**

The company adheres to the payment terms which have been agreed with a supplier. Where payment terms have not been specifically agreed, it is the company's policy to settle invoices close to the end of the month following the month of invoicing. Adherence to these terms is dependant upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis.

At 28 February 1998 the company had an average of 21 days purchases outstanding in trade creditors.

### **Auditors**

Ernst & Young have expressed their willingness to continue in office as auditors of the company.

### **On behalf of the board**

A handwritten signature in black ink, appearing to read 'Robert G. Franklin', written over the printed name.

**R N C Franklin ACIS**  
Company Secretary

## **BrightReasons Restaurants Limited**

### **Statement of directors' responsibilities**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 6, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 7 to 16 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed. The financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Report of the auditors to the members of BrightReasons Restaurants Limited**

We have audited the financial statements on pages 7 to 16 which have been prepared under the historical cost convention as modified by the revaluation of properties and on the basis of the accounting policies set out on page 9 and 10.

### **Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on 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 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 financial statements give a true and fair view of the state of affairs of the company at 28 February 1998 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young**  
**Registered Auditor**  
London

10 SEP 1998

**BrightReasons Restaurants Limited****Profit and loss account****For the seventeen months ended 28 February 1998**

	Notes	1998 Seventeen months £'000	1996 Twelve months £'000
Turnover	1	77,778	65,285
Cost of sales		<u>(71,185)</u>	<u>(60,605)</u>
Gross profit		6,593	4,680
Other operating costs		<u>(6,235)</u>	<u>(2,223)</u>
Operating profit		358	2,457
Dividends received from subsidiaries		2,362	-
Loss on sale of subsidiary		(17,563)	-
Loss on disposal of tangible fixed assets		(960)	-
(Loss)/ profit on ordinary activities before interest		<u>(15,803)</u>	<u>2,457</u>
Interest payable and similar charges	5	(3,062)	(2,632)
Interest receivable		39	115
Loss on ordinary activities before taxation	2	<u>(18,826)</u>	<u>(60)</u>
Taxation	6	<u>1,821</u>	<u>(205)</u>
Retained deficit for the period	15	<u><u>(17,005)</u></u>	<u><u>(265)</u></u>

There is no difference between profit on ordinary activities before taxation and the loss for the period stated above, and their historical cost equivalents.

**Statement of total recognised gains and losses**

Loss earned for shareholders	(17,005)	(265)
Unrealised deficit on revaluation of fixed assets	(6,505)	-
Total losses recognised since previous year end	<u><u>(23,510)</u></u>	<u><u>(265)</u></u>



# BrightReasons Restaurants Limited

## Balance sheet at 28 February 1998

	Notes	28 February 1998 £'000	28 September 1996 £'000
<b>Fixed assets</b>			
Tangible assets	7	21,030	26,741
Investments	8	100	21,176
		<u>21,130</u>	<u>47,917</u>
<b>Current assets</b>			
Stocks	9	339	868
Debtors	10	8,405	4,612
Cash at bank and in hand		110	1,661
		<u>8,854</u>	<u>7,141</u>
<b>Creditors: amounts falling due within one year</b>	11	(36,495)	(30,059)
<b>Net current liabilities</b>		<u>(27,641)</u>	<u>(22,918)</u>
<b>Total assets less current liabilities</b>		<u>(6,511)</u>	<u>24,999</u>
<b>Creditors: amounts falling due after more than one year</b>	12	-	(8,000)
<b>Net (liabilities)/assets</b>		<u><u>(6,511)</u></u>	<u><u>16,999</u></u>
<b>Capital and reserves</b>			
Called-up share capital	13	795	795
Share premium account	14	20,823	20,823
Revaluation reserve	14	(8,121)	-
Profit and loss account	14	(20,008)	(4,619)
<b>Equity shareholders' funds</b>	15	<u><u>(6,511)</u></u>	<u><u>16,999</u></u>

The financial statements on pages 7 to 16 were approved by the board of directors on  
and were signed on its behalf by:



**J W Lester**  
Director

10 SEP 1998

## **BrightReasons Restaurants Limited**

**For the seventeen months ended 28 February 1998**

### **1. Principal accounting policies**

#### **Fundamental accounting concept**

The accounts have been prepared under the going concern concept because the ultimate holding company has agreed to meet all the company's liabilities as they fall due.

#### **Accounting convention**

The accounts are prepared under the historical cost convention as modified by the revaluation of property and in accordance with applicable Accounting Standards.

#### **Cash flow**

As permitted by Financial Reporting Standard No. 1 (revised), a cash flow statement has not been prepared as the company is a wholly owned subsidiary of a European Community parent.

#### **Turnover**

Turnover is the value of goods and services sold to third parties, within the UK, as part of the company's continuing ordinary activities after deducting trade discounts and sales based taxes.

#### **Deferred income**

Income received in respect of long term supply agreements is credited to the profit and loss account over the period to which the agreements relate.

#### **Tangible fixed assets**

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold properties	Lease term
Refurbishments	10 years
Fixtures and fittings	3 - 10 years
Motor Vehicles	4 years
Computer equipment and software	3 - 5 years

Where works are scheduled by the Environmental Health Officer which are considered to be of long term benefit, and are of a capital nature, such items are capitalised and depreciated.

While it is the company's policy to depreciate relevant fixed assets, the nature of the restaurant trade requires that, in order to protect that trade, properties are maintained in a good state of repair such that the aggregate of the residual value is at least equal to the book amount. In the opinion of the directors depreciation of freehold land and buildings would not be material.

Any permanent diminution in value is charged to the profit and loss account.

## **BrightReasons Restaurants Limited**

### **1. Principal accounting policies (continued)**

#### **Investments**

Investments are stated at cost less provision for any permanent diminution in value.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

#### **Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

#### **Leases**

Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease.

#### **Pension costs**

Pension costs are charged to the profit and loss account over the expected service lives of current employees.

## BrightReasons Restaurants Limited

### Notes to the accounts

#### 2. Loss on ordinary activities before taxation

	1998 £'000	1996 £'000
Loss on ordinary activities before taxation is stated after crediting:		
Rent receivable	1,029	912
Amortisation of deferred income	<u>264</u>	<u>186</u>
And after charging:		
Depreciation (note 7)	3,069	4,007
Loss on disposal of fixed assets	960	-
Operating lease payments - properties	12,700	10,211
Auditors' remuneration:		
Audit	35	82
Other	<u>70</u>	<u>96</u>

#### 3. Directors and employees

The average monthly number of persons (including executive directors) employed by the company during the period was 3,089 (1996: 4,152)

##### Staff costs

Wages and salaries	25,055	22,989
Social security costs	2,153	1,560
Other pension costs	251	228
	<u>27,459</u>	<u>24,777</u>

The directors of the company (after acquisition by Whitbread PLC on 26 November 1996) are all employees of the parent company, Whitbread PLC, and their costs are charged to the company as a management charge.

The remuneration paid to the directors of BrightReasons Restaurants Limited prior to acquisition by Whitbread PLC was:

Salary payments (including benefits in kind and bonus payments)	272	628
Pension contributions	22	58
	<u>294</u>	<u>686</u>

The Chairman received remuneration of £141,913 and pension of £18,555 (1996 : £122,000, £42,000) in the period prior to acquisition by Whitbread PLC and was the highest paid director.

## BrightReasons Restaurants Limited

### 4. Pension costs

Company employees are eligible to join the Whitbread Group Pension Fund, details of which are available in the accounts of Whitbread PLC.

Contributions to the BrightReasons Group and Executive pension schemes ceased in June 1997. These schemes were defined contribution schemes and assets were held separately from those of the group and managed by Mercury.

### 5. Interest payable and similar charges

	1998 £'000	1996 £'000
Interest payable on bank loans and overdrafts	270	1,892
Other interest payable	2,792	645
Amortisation of debt issue costs	-	95
	<u>3,062</u>	<u>2,632</u>

### 6. Taxation

United Kingdom Corporation Tax at 31.7% (1996; 33%)

Current	(1,821)	523
Over provided in previous years	-	(318)
	<u>(1,821)</u>	<u>205</u>

The potential amount of deferred taxation not provided in these accounts is £10,224 (1996: £1,324,000) in respect of accelerated capital allowances. No provision has been made for any chargeable gains which might arise in the event of a property being sold at its revalued amount, as in the ordinary course of business the property will be retained indefinitely.

# BrightReasons Restaurants Limited

## 7. Tangible fixed assets

	Land and buildings £'000	Fixtures fittings plant & equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 28 September 1996	27,191	14,071	78	41,340
Additions	5,222	3,910	-	9,132
Surplus on revaluation	(6,505)	-	-	(6,505)
Transfer	4,035	3,715	-	7,750
Disposals	(4,503)	(6,036)	(50)	(10,589)
<b>At 28 February 1998</b>	<b>25,440</b>	<b>15,660</b>	<b>28</b>	<b>41,128</b>
<b>Depreciation</b>				
At 28 September 1996	7,654	6,899	46	14,599
Charge for period	1,321	1,745	3	3,069
Transfer	1,027	2,248	-	3,275
Disposals	1,940	(2,757)	(28)	(845)
<b>At 28 February 1998</b>	<b>11,942</b>	<b>8,135</b>	<b>21</b>	<b>20,098</b>
<b>Net book value</b>				
At 28 February 1998	<b>13,498</b>	<b>7,525</b>	<b>7</b>	<b>21,030</b>
Net book value				
At 28 September 1996	19,537	7,172	32	26,741

The net book value of land and buildings comprises:

	1998 £'000	1996 £'000
Freehold	391	145
Short leasehold	13,107	19,392
	<b>13,498</b>	<b>19,537</b>

A valuation of the company's properties was carried out by the directors at 26 November 1996. The properties were valued at open market value for the purpose of their existing use by chartered surveyors employed by the parent company. If this and previous revaluations had not taken place, the values of fixed assets would have been:

	Land and buildings £'000	Fixtures fittings plant & equipment £'000	Motor vehicles £'000	Total £'000
Gross amounts	33,561	15,660	28	49,249
Depreciation	(11,942)	(8,135)	(21)	(20,098)
Net book amounts at 28 February 1998	<b>21,619</b>	<b>7,525</b>	<b>7</b>	<b>29,151</b>
Net book value at 29 September 1996	19,537	7,172	32	26,741

## BrightReasons Restaurants Limited

### 8. Investments

	£'000
Balance at 29 September 1996	21,176
Disposals	(21,076)
Balance at 28 February 1998	<u>100</u>

The company held the issued share capital of the following subsidiary undertakings at 28 February 1998

	Activity	Country of incorporation or registration	% of equity holding
UB Restaurants (CI) Limited	Dormant	Jersey	100
Associated Restaurants (Overseas) Limited	Dormant	Jersey	100
Pizzaland Limited	Dormant	England & Wales	100
Bella Pasta Restaurants Limited	Dormant	England & Wales	50
Prima Pasta Limited	Dormant	England & Wales	100
The Pizza Gallery Limited	Dormant	England & Wales	100

On 19 March 1997 the company sold its entire holding in Pizza Piazza Limited.

### 9. Stocks

	1998 £'000	1996 £'000
Finished goods	<u>339</u>	<u>868</u>

### 10. Debtors

Trade debtors	380	621
Amounts due from group and parent undertakings	3,537	2,532
Other debtors	1,559	189
Prepayments and accrued income	1,479	1,270
Tax debtor	1,450	-
	<u>8,405</u>	<u>4,612</u>

## BrightReasons Restaurants Limited

### 11. Creditors: amounts falling due within one year

	1998 £'000	1996 £'000
Bank loans	-	10,000
Bank overdraft	1,005	2,000
Amounts due to group and parent undertakings	29,864	7,282
Trade creditors	2,071	3,559
Corporation tax	-	261
Other taxation and social security	244	1,412
Other creditors	140	426
Accruals and deferred income	3,171	5,119
	<u>36,495</u>	<u>30,059</u>

Amounts due to group companies are included in amounts falling due within one year where there are no specified terms as to their repayment or recoverability. While amounts due to group companies are technically repayable on demand and hence are included in creditors falling due within one year, the directors are of the opinion that, in the ordinary course of business, repayment within such a timescale would not be required.

### 12. Creditors: amounts falling due after more than one year

Bank loans	-	8,000
	<u>-</u>	<u>8,000</u>

#### Bank loans

Bank loans are repayable as follows:

In one year or less	-	10,000
Between one and two years	-	4,000
Between two and five years	-	4,000
	<u>-</u>	<u>18,000</u>

### 13. Share capital

#### Authorised

792,000 Deferred ordinary shares of £1 each	792	792
8,000 Ordinary shares of £1 each	8	8
	<u>800</u>	<u>800</u>

#### Allotted, called-up and fully paid

792,000 Deferred ordinary shares of £1 each	792	792
2,892 Ordinary shares of £1 each	3	3
	<u>795</u>	<u>795</u>



## BrightReasons Restaurants Limited

### 14. Reserves

	Share premium account £'000	Revaluation reserve account £'000	Profit and loss account £'000
At 28 September 1996	20,823	-	(4,619)
Loss for the period	-	-	(17,005)
Revaluation of properties during the period	-	(6,505)	-
Transfer to revaluation reserve on disposal of properties	-	(1,616)	1,616
At 28 February 1998	<u>20,823</u>	<u>(8,121)</u>	<u>(20,008)</u>

### 15. Reconciliation of shareholders' funds

	1998 £'000	1996 £'000
Loss for the financial period	(17,005)	(265)
Revaluation of tangible fixed assets	(6,505)	-
Opening shareholders' funds	16,999	17,264
Closing shareholders' funds	<u>(6,511)</u>	<u>16,999</u>

### 16. Capital Commitments

Contracted but not provided for	<u>662</u>	<u>205</u>
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### 17. Operating lease commitments

Operating lease commitments payable in the following year, analysed according to the period in which the lease expires, are as follows:

<b>Land and buildings</b>		
Expiring within 1 year	2,491	373
Expiring in 2 to 5 years	491	1,128
Expiring thereafter	5,123	9,003
	<u>8,105</u>	<u>10,504</u>
<b>Other</b>		
Expiring within 1 year	47	64
Expiring in 2 to 5 years	99	143
	<u>146</u>	<u>207</u>

### 19. Related parties

The company is a wholly owned subsidiary of Whitbread PLC and has taken advantage of the exemption given in Financial Reporting Standard No. 8 not to disclose transactions with other group companies.

### 20. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Whitbread PLC, registered in England and Wales. Copies of Whitbread PLC's accounts can be obtained from Chiswell Street, London EC1Y 4SD.