

BRIGHTREASONS RESTAURANTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Year ended 29 May 2005

Registered number: 964194



BRIGHTREASONS RESTAURANTS LIMITED

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BRIGHTREASONS RESTAURANTS LIMITED

COMPANY INFORMATION

DIRECTORS: G Turner (Appointed 17 January 2005)
M Mansigani (Appointed 14 July 2004)
J Parsons (Appointed 17 January 2005)
H M C Morley (Resigned 17 January 2005)
G L Williams (Resigned 17 January 2005)

SECRETARY: M Mansigani (Appointed 17 January 2005)
H M C Morley (Resigned 17 January 2005)

AUDITORS: KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

REGISTERED OFFICE: 1st Floor
163 Eversholt Street
London
NW1 1BU

REGISTERED NUMBER: 964194

BRIGHTREASONS RESTAURANTS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 29 May 2005.

Principal activity

The principal activity of the company is that of operating restaurants. There has been no change in this activity during the year.

Results and dividends

The profit after tax for the year amounted to £1,471,000 (year ended 30 May 2004 - £2,368,000). The directors do not recommend the payment of a dividend.

Review of developments and future prospects

On 17 January 2005 the entire share capital of the existing ultimate parent undertaking, Tragus Holdings Limited, was purchased by Tragus Group Holdings Limited.

The company will continue to operate restaurants for the foreseeable future.

Directors and their interests

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

G Turner (Appointed 17 January 2005)
M Mansigani (Appointed 14 July 2004)
J Parsons (Appointed 17 January 2005)
H M C Morley (Resigned 17 January 2005)
G L Williams (Resigned 17 January 2005)

None of the directors who held office at the end of the year had any interests in the share capital of the company or subsidiary companies. The interests of the directors in the shares of the ultimate parent company are disclosed in the Directors Report and Financial Statements of Tragus Group Holdings Limited.

Employee involvement

The board recognises the importance of employees being fully informed of events which directly affect them and their working conditions and to this end regular meetings are held with them.

Employment of disabled persons

The company's policy is that, wherever it is practicable and reasonable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion. Every effort is made to retain and assist any individuals disabled during their employment. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Auditors

During the year KPMG LLP resigned as auditors. PricewaterhouseCoopers LLP were appointed as auditors to fill the vacancy arising and subsequently resigned. KPMG LLP have been re-appointed as auditors.

Pursuant to section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. KPMG LLP, who were appointed by the directors during the year and have indicated their willingness to continue in office will be deemed to be re-appointed each year unless a resolution to terminate their appointment is made under section 386.

On behalf of the Board of Directors



DIRECTOR

27 September

2005

1st Floor
163 Eversholt Street
LONDON NW1 1BU

BRIGHTREASONS RESTAURANTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Report of the independent auditors to the members of Brightreasons Restaurants Limited

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 the company's affairs as at 29 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

KPMG- LLP

24/09/05

BRIGHTREASONS RESTAURANTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 29 May 2005

	Notes	Before exceptional items Year ended 29 May 2005 £'000	Exceptional items Year ended 29 May 2005 (note 3) £'000	Total Year ended 29 May 2005 £'000	Year ended 30 May 2004 £'000
TURNOVER		44,669	-	44,669	38,418
Cost of sales		<u>(10,277)</u>	<u>-</u>	<u>(10,277)</u>	<u>(8,889)</u>
GROSS PROFIT		34,392	-	34,392	29,529
Administrative expenses		<u>(30,238)</u>	<u>(578)</u>	<u>(30,816)</u>	<u>(25,944)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST	2	4,154	(578)	3,576	3,585
Interest payable and similar charges	5	<u>(1,618)</u>	<u>-</u>	<u>(1,618)</u>	<u>(527)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,536	(578)	1,958	3,058
Taxation on ordinary activities	6			<u>(487)</u>	<u>(690)</u>
RETAINED PROFIT FOR THE YEAR	13			<u>1,471</u>	<u>2,368</u>

There were no recognised gains or losses other than those reported above, which relate entirely to continuing activities.

BRIGHTREASONS RESTAURANTS LIMITED

BALANCE SHEET

As at 29 May 2005

	Notes	29 May 2005 £'000	30 May 2004 £'000
FIXED ASSETS			
Tangible fixed assets	7	9,448	8,053
Investments	8	<u>204</u>	<u>204</u>
		9,652	8,257
CURRENT ASSETS			
Stock - finished goods and goods for resale		279	260
Debtors - amounts falling due within one year	9	25,440	25,979
Debtors - amounts falling due after more than one year	9	<u>56</u>	<u>265</u>
		25,775	26,504
CREDITORS - amounts falling due within one year	10	<u>(28,642)</u>	<u>(29,180)</u>
NET CURRENT LIABILITIES		<u>(2,867)</u>	<u>(2,676)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,785	5,581
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(1,034)</u>	<u>(1,301)</u>
NET ASSETS		<u><u>5,751</u></u>	<u><u>4,280</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	111	111
Special reserve	13	1,476	1,476
Profit and loss account	13	<u>4,164</u>	<u>2,693</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u><u>5,751</u></u>	<u><u>4,280</u></u>

These financial statements were approved by the Board of Directors on 27 September 2005.
Signed on behalf of the Board of Directors.

U. Manj

Director

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below:

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is the value of goods and services sold through restaurants, solely within the UK, as part of the company's continuing ordinary activities after deducting sales based taxes. Turnover is recognised on customer payment.

Leases

Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease. Rental income in respect of operating lease is released to profit on a straight line basis over the period of the lease. Rent free periods are released to profit and loss account over the period to the first rent review.

Pension costs

The company provides for employee pensions through a group stakeholder pension scheme which is independently managed and the company will continue to contribute to this fund in future accounting periods. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

Pre-opening costs

Property rentals and other pre-opening costs incurred up to the date of opening a new restaurant are all written to the profit and loss account in the year in which they arise.

Tangible fixed assets

The cost of fixed assets is their purchase price, together with any incidental costs of acquisition. Depreciation is calculated 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 are depreciated to their estimated residual values over the shorter of 50 years, their estimated useful lives and their remaining lease periods.
- Retail furniture, fixtures and equipment are depreciated over 4 to 25 years.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account. Profits and losses on disposal of fixed assets reflect the difference between net selling price and net book value at the date of disposal.

Investments

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

Stocks

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

Vacant properties

An onerous contract provision is made for the future net rental costs of leasehold properties which are vacant, loss-making or sub-let below passing rent. The provision is based on estimated future net cash outflows discounted to net present value.

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred taxation is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred taxation are not discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Cash flow

As permitted by Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated accounts.

2. OPERATING PROFIT

	Year ended 29 May 2005 £'000	Year ended 30 May 2004 £'000
Operating profit is stated after charging:		
Depreciation of fixed assets	1,256	952
Rentals under operating leases:		
Land and buildings	5,872	5,527
Plant and machinery	<u>34</u>	<u>22</u>

Audit fees are borne by Tragus Holdings Limited.

3. EXCEPTIONAL ITEMS

	Year ended 29 May 2005 £'000	Year ended 30 May 2004 £'000
Fixed asset impairment and onerous contract expense	<u>578</u>	<u>-</u>

Following its acquisition on 17 January 2005, Brightreasons Restaurants Limited's new management team reviewed the performance of its operating units. Restaurants which were loss making at EBITDA level where management considered these restaurants were unlikely to recover to profitability were treated as onerous contracts and as such provisions were made against certain future lease payments and fixed assets were impaired.

4. STAFF COSTS

	Year ended 29 May 2005 Number	Year ended 30 May 2004 Number
The average number of persons employed by the company in their restaurants during the year was:		
Restaurant staff	<u>1,389</u>	<u>1,308</u>

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

4. STAFF COSTS (continued)

	Year ended 29 May 2005 £'000	Year ended 30 May 2004 £'000
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	12,318	10,480
Social security costs	871	690
Pension costs	55	62
	<u>13,244</u>	<u>11,232</u>

None of the directors received any remuneration in respect of their services for the company during the year.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 29 May 2005 £'000	Year ended 30 May 2004 £'000
Interest payable on bank loans and overdrafts	<u>1,618</u>	<u>527</u>

Interest is incurred by the ultimate parent company, Tragus Group Holdings Limited and is recharged to operating companies within the group on the basis of turnover.

6. TAXATION

	Year ended 29 May 2005 £'000	Year ended 30 May 2004 £'000
Current taxation on profits for the year		
UK corporation tax	(13)	74
Total current taxation	<u>(13)</u>	<u>74</u>
Deferred tax		
Timing differences	505	869
Prior year	(5)	(253)
Total deferred taxation	<u>500</u>	<u>616</u>
Total taxation charge	<u>487</u>	<u>690</u>
Factors affecting the tax charge for the year		
Profit before tax	<u>1,958</u>	<u>3,058</u>
Tax at current UK corporation tax rate of 30% (2004: 30%)	587	917
Effect of:		
Capital allowances in excess of depreciation	(309)	(374)
Capital gain	114	-
Expenses not deductible for tax purposes	56	60
Group relief	(242)	(23)
Losses utilised	(282)	(506)
Profit on sale of fixed assets to group companies	76	-
Credit relating to prior year	(16)	-
Overseas taxation	3	-
Current tax charge for the year	<u>(13)</u>	<u>74</u>

The tax effect of the exceptional items during the year is a credit of £89,000

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

7. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Furniture, fixtures & equipment £'000	Total £'000
<u>Cost</u>			
At 30 May 2004	23,701	15,706	39,407
Additions	1,066	1,891	2,957
Disposals	(755)	(1,070)	(1,825)
Fixed asset write-off	(536)	(286)	(822)
At 29 May 2005	23,476	16,241	39,717
<u>Accumulated depreciation</u>			
At 30 May 2004	(18,765)	(12,589)	(31,354)
Charge for the year	(496)	(760)	(1,256)
Impairment (see note 3)	(93)	(92)	(185)
Disposals	708	996	1,704
Fixed asset write-off	536	286	822
At 29 May 2005	(18,110)	(12,159)	(30,269)
<u>Net book value</u>			
At 29 May 2005	5,366	4,082	9,448
At 30 May 2004	4,936	3,117	8,053

8. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost at 29 May 2005 and 30 May 2004	204

The principal undertakings in which the company's interest at the year end is more than 20% are as follows:

Subsidiary undertaking	Activity	Country of registration and incorporation	% of ordinary shares held
UB Restaurants (C.I.) Limited	Dormant	Jersey	100%
Associated Restaurants (Overseas) Limited	Dormant	Jersey	100%
Pizzaland Limited	Dormant	England and Wales	100%
Bella Pasta Restaurants Limited	Dormant	England and Wales	50%
Prima Pasta Limited	Dormant	England and Wales	100%
The Pizza Gallery Limited	Dormant	England and Wales	99%
Ampleflow Limited	Dormant	England and Wales	100%

Group accounts have not been prepared as the company has taken advantage of the exemptions under section 228 of the Companies Act 1985 available to companies with an EC parent.

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

9. DEBTORS

	29 May 2005 £'000	30 May 2004 £'000
Trade debtors	95	125
Amounts owed by group and parent undertakings	24,206	24,206
Prepayments and accrued income	770	963
Other debtors	125	150
Deferred tax debtor	300	800
	<u>25,496</u>	<u>26,244</u>

The deferred tax debtor includes £56,000 (year ended 30 May 2004: £265,000) due after more than one year.

	Deferred tax £'000
At 30 May 2004	800
Charge for the year	<u>(500)</u>
At 29 May 2005	<u>300</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	Provided 29 May 2005 £'000	Unprovided 29 May 2005 £'000	Provided 30 May 2004 £'000	Unprovided 30 May 2004 £'000
Depreciation in excess of capital allowances	300	151	554	161
Tax losses	<u>-</u>	<u>-</u>	<u>246</u>	<u>-</u>
	<u>300</u>	<u>151</u>	<u>800</u>	<u>161</u>

Deferred tax assets have been recognised to the extent that the directors consider it is more likely than not that they will be recovered. In performing this assessment, the directors have considered the period over which the assets are expected to crystallise.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 May 2005 £'000	30 May 2004 £'000
Amounts owed to group undertakings	26,134	27,498
Other taxation and social security	-	1
Other creditors	303	276
Accruals and deferred income	<u>2,205</u>	<u>1,405</u>
	<u>28,642</u>	<u>29,180</u>

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £'000
At 30 May 2004	1,301
Additional amount provided	297
Utilised	(564)
	<hr/>
At 29 May 2005	<u>1,034</u>

Provisions for liabilities and charges relate primarily to the future cost of vacant leasehold properties which have ceased to be used for a business purpose. These are discounted at 8% being the company's weighted average cost of financing.

12. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	29 May 2005 £'000	30 May 2004 £'000	29 May 2005 £'000	30 May 2004 £'000
111,000 Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>	<u>111</u>	<u>111</u>

13. STATEMENT OF MOVEMENTS ON RESERVES

	Special reserve £'000	Profit and loss account £'000	Total £'000
At 30 May 2004	1,476	2,693	4,169
Profit retained for the year	<u>-</u>	<u>1,471</u>	<u>1,471</u>
At 29 May 2005	<u>1,476</u>	<u>4,164</u>	<u>5,640</u>

14. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	29 May 2005 £'000	30 May 2004 £'000
Shareholders' funds at beginning of year	4,280	1,912
Profit for the year	<u>1,471</u>	<u>2,368</u>
Shareholders' funds at end of year	<u>5,751</u>	<u>4,280</u>

BRIGHTREASONS RESTAURANTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 29 May 2005

15. LEASE COMMITMENTS

At year end, the company was committed to making the following payments during the next year in respect of operating leases on properties which expire:

	29 May 2005 £'000	30 May 2004 £'000
Within one year	279	404
Between two and five years	1,096	1,502
After five years	<u>5,019</u>	<u>4,356</u>
	<u>6,394</u>	<u>6,262</u>

16. PENSION COSTS

The company contributes to a stakeholder pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable in respect of the accounting period and amounted to £54,602 (2004: £61,590). There were no outstanding contributions at the end of the financial year (2004: £nil).

17. RELATED PARTIES

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

18. PARENT UNDERTAKING

The ultimate parent undertaking is Tragus Group Holdings Limited, registered in England and Wales. The smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Tragus Holdings Limited, the largest is Tragus Group Holdings Limited, both are companies registered in England and Wales. Copies of group accounts can be obtained from 1st Floor, 163 Eversholt Street, London, NW1 1BU.