1994330

# BLUBECKERS LIMITED

**Report and Accounts**

**31 December 2006**

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | Kevin Bacon<br>Stephen Critoph<br>Robert Morgan |
| **Company Secretary** | Robert Morgan |
| **Company Number** | 1994330 |
| **Registered Office** | 5-7 Marshalsea Road<br>Borough<br>London SE1 1EP |
| **Auditors** | BDO Stoy Hayward LLP<br>8 Baker Street<br>London<br>W1U 3LL |

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2006

**Results and dividends**
The profit on ordinary activities after taxation is £1,853,000 (11 months ended 1 January 2006 loss of £6,000)

The directors do not recommend the payment of a dividend

**Principal activity and future developments**
The principal activity of the company is the operation of restaurants The directors do not foresee any material changes to the activities of the company

**Operational and Financial Review**
Blubeckers delivered strong growth in like-for-like sales and delivered a very good level of EBITDA and operating profit in 2006 A rollout programme was begun in the year with 5 new units opening and since the year end, we have opened a further 6 units We are encouraged by the performance of these new sites where typically the build-up in trade takes approximately two to three years and we expect to earn good returns from these new openings Blubeckers is well placed to benefit from the trends towards increased eating out and its widespread appeal across most socio-economic and age groups makes it particularly attractive to much of the UK population

**Key Performance Indicators**
The Board of Directors and executive management receive a wide range of management information delivered in a timely manner Listed below are the principle measures of progress that are reviewed on a regular basis to monitor the development of the brand

*Like-for-like sales*
This measure provides an indicator of the underlying performance of our existing restaurants, and highlights successful developments of our offerings to best match changing consumer demands over time

*New sites opened*
The expansion of the brand is a key driver of profitability Potential new sites are subject to a rigorous appraisal process before they are presented to the Board for approval This process ensures we maintain the quality of openings as well as the quantity of sites opened During 2006, Blubeckers opened 5 new sites and has opened a further 6 sites since the year end

*EBITDA*
The ability of the company to finance its roll-out programme is aided by strong cash flows from the existing business EBITDA serves as a useful proxy for cash flows generated by operations and is closely monitored During 2006 the company generated £3 9m EBITDA

*Operating profit margin*
The Board and management closely monitor profit margins as an indicator of operating efficiency within restaurants and across the company During 2006, the company's adjusted operating margin improved by 230 basis points to 14 2%

**Fınancıal ınstruments**

The Board of the company regularly revıews the financıal requırements of the company wıthın the context of ıts financıng arrangements wıthın the group of companıes to whıch ıt belongs (The Restaurant Group plc) The company and group do not use complıcated financıal ınstruments, and wıthın the group, financıal ınstruments are used for reducıng ınterest rate rısk The company's financıng ıs arranged through ıntercompany transactıons wıthın the Group and the company does not have stand-alone financıng arrangements Due to the nature of the company's operatıonal and financıal structure the financıal rısks (ıncludıng credıt rısk and exposures to fluctuatıons ın currency and ınterest rates) are hıghly lınked to that of group The group operates a centralısed cash poolıng and payments system and the financıal arrangements of the group are prıncıpally transacted through The Restaurant Group plc and a subsıdıary of that company, namely Cıty Centre Restaurants (UK) Lımıted

**Dırectors**

The dırectors who served durıng the year were

R Brown (resıgned 12 March 2007)
S Crıtoph
R Morgan

K Bacon was appoınted as Dırector of the company wıth effect from 20 March 2007

**Employee ınvolvement**

The company's polıcy ıs to consult and dıscuss wıth employees, staff councıls and at meetıngs, matters lıkely to affect employees' ınterest

Informatıon of matters of concern to employees ıs gıven through ınformatıon bulletıns and reports whıch seek to achıeve a common awareness on the part of all employees of the financıal and economıc factors affectıng the group's performance

**Dısabled persons**

The company's polıcy ıs to recruıt dısabled workers for those vacancıes that they are able to fill All necessary assıstance wıth ınıtıal traınıng courses ıs gıven Once employed, a career plan ıs developed so as to ensure suıtable opportunıtıes for each dısabled person Arrangements are made, wherever possıble, for retraınıng employees who become dısabled, to enable them to perform work ıdentıfied as approprıate to theır aptıtudes and abılıtıes

**Credıtor payment polıcy**

The company's polıcy ıs to agree the terms of payment wıth ıts supplıers as and when a tradıng relatıonshıp ıs establıshed The company ensures that the terms of payment are clear and ıts polıcy ıs to abıde by the agreed terms provıded the supplıer meets ıts oblıgatıons The company's polıcy ıs to agree the terms of payment wıth ıts supplıers as and when a tradıng relatıonshıp ıs establıshed At 31 December 2006 the company had no trade credıtors (1 January 2006 £nıl)

**Informatıon provıded to audıtors**

All of the current Dırectors have taken all the steps they ought to have taken to make themselves aware of any ınformatıon needed by the Company's audıtors for the purpose of theır audıt and to establısh that the audıtors are aware of that ınformatıon The Dırectors are not aware of any relevant audıt ınformatıon of whıch the audıtors are unaware

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice Company law requires the directors to prepare accounts 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 accounts, 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 accounts, and
- Prepare the accounts 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 accounts comply with the Companies Act 1985 They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the board

Robert Morgan

Robert Morgan
**Company Secretary**
3 January 2008

**Independent Auditor's Report to the Shareholders of Blubeckers Limited**
We have audited the financial statements of Blubeckers Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

**Respective responsibilities of directors and auditors**
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the report of the Directors is consistent with the financial statements

BDO Stoy Hayward LLP

**BDO Stoy Hayward LLP**
**Chartered Accountants and Registered Auditors**
**London**
3 January 2008

## PROFIT AND LOSS ACCOUNT
For the year to 31 December 2006

| | Notes | Year ended 31 December 2006 £000 | Eleven months ended 1 January 2006 £000 |
|---|---|---|---|
| **Turnover** | 2 | 19,405 | 16,483 |
| Cost of sales | | (15,887) | (10,056) |
| **Gross profit** | | 3,518 | 6,427 |
| Administrative expenses | | (768) | (4,465) |
| **Operating profit** | 3 | 2,750 | 1,962 |
| Exceptional items | 4 | - | (1,493) |
| Interest payable and similar charges | 5 | - | (71) |
| **Profit on ordinary activities before taxation** | | 2,750 | 398 |
| Tax on profit on ordinary activities | 6 | (897) | (404) |
| **Profit / (loss) on ordinary activities after taxation** | | 1,853 | (6) |

There are no recognised gains and losses other than the profit for the year

The profit and loss account has been prepared on the basis that all operations are continuing operations

The notes on pages 9 to 17 form part of these financial statements

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year to 31 December 2006

| | Year ended 31 December 2006 | Eleven months ended 1 January 2006 |
|---|---|---|
| | £000 | £000 |
| **Profit / (loss) for the period** | 1,853 | (6) |
| Unrealised surplus on revaluation of properties | - | 1,075 |
| **Total recognised gains and losses relating to the period** | 1,853 | 1,069 |

The notes on pages 9 to 17 form part of these financial statements

**BALANCE SHEET**
As at 31 December 2006

| | Notes | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 7 | 23,472 | 19,721 |
| **Current assets** | | | |
| Stocks | 8 | 233 | 220 |
| Debtors | 9 | 465 | 186 |
| Cash at bank and in hand | | 26 | 9 |
| | | 724 | 415 |
| **Creditors: amounts falling due within one year** | 10 | (6,244) | (4,320) |
| **Net current liabilities** | | (5,520) | (3,905) |
| **Total assets less current liabilities** | | 17,952 | 15,816 |
| **Provisions for liabilities and charges** | 11 | (566) | (283) |
| | | 17,386 | 15,533 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 5 | 5 |
| Share premium account | 13 | 456 | 456 |
| Revaluation reserve | 13 | 10,684 | 10,684 |
| Profit and loss account | 13 | 6,241 | 4,388 |
| **Shareholder's funds – equity interests** | 14 | 17,386 | 15,533 |

The financial statements were approved by the board of directors and authorised for issue on 3 January 2008

Stephen Critoph
Director
3 January 2008

The notes on pages 9 to 17 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

**1 Accounting Policies**

**1 1 Accounting convention**

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

**1.2 Turnover**

Turnover represents amounts receivable for goods and services net of value added tax and trade discounts

**1 3 Tangible fixed assets and depreciation**

Freehold and leasehold land and buildings, landlords' fixtures and tenants' fixtures are stated at valuation, or subsequent cost, less depreciation The basis of valuation is set out in note 8 All other fixed assets are stated at cost less depreciation

*Land*

Freehold land is not depreciated

Leasehold land, on which restaurants, pubs or housing is situated, is not depreciated unless the unexpired period of the lease is less than 50 years, in which case it is written off over such period

Leasehold land, on which other property is situated, is not depreciated unless the unexpired period of the lease is less than 50 years, in which case it is written off over the shorter of the unexpired period of the lease or the expected useful life of the property thereon

*Buildings*

Freehold buildings, restaurants, pubs and housing are depreciated over 50 years at a rate of 2%

Leasehold buildings, restaurants, pubs or housing, are not depreciated unless the unexpired period of the lease is less than 50 years, in which case it is written off over such period

Leasehold buildings, other properties, are not depreciated unless the unexpired period of the lease is less than 50 years, in which case it is written off over the shorter of the unexpired period of the lease or the expected useful life of the property thereon

*Other assets*

Tenant's fixtures are depreciated over 8 years in a straight line basis, commencing in the financial year after the expenditure is incurred

Landlords' fixtures are depreciated over 30 years on a straight line basis, commencing in the financial year after the expenditure is incurred

Plant, vehicles and other equipment are depreciated over periods ranging from 3-30 years on a straight line basis, commencing in the financial year after the expenditure is incurred

**1. Accounting policies** (continued)

**1 4 Leasing and hire purchase commitments.**

Assets held under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

All other lease are regarded as operating leases and the payments made under them are charged to the profit an loss account on a straight line basis over the lease term

**1.5 Stock**

Stock is valued at the lower of the cost and net realisable value

**1.6 Pensions**

The company operates a defined contribution pension scheme The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year in accordance with SSAP 24

**1.7 Deferred taxation**

Where material, deferred tax is provided in full, as required by FRS 19 – Deferred Tax, in respect of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is not discounted

**1.8 Grants**

Grants are credited to deferred revenue Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred

**1.9 Revaluation**

Surpluses arising from the professional valuations of properties are taken direct to revaluation reserve Deficits are eliminated against any existing revaluation reserve in respect of that property with any excess, to the extent that it represents an impairment or where the valuation falls below the greater of historical cost or recoverable amount, being charged to the profit and loss account Surpluses or deficits realised on the disposal of an asset are transferred from the revaluation reserve to the profit and loss account reserve

**1 10 Impairment**

Any impairment of fixed assets, other than an impairment which represents a consumption of economic benefit, is eliminated against any revaluation reserve in respect of that asset with any excess being charged to the profit and loss account

**2. Turnover**

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

## 3. Operating Profit

| | Year ended 31 December 2006 £000 | 11 months ended 1 January 2006 £000 |
|---|---|---|
| Operating profit is stated after charging | | |
| Depreciation of tangible assets | 860 | 694 |
| Operating lease rentals | 779 | 621 |
| Auditors' remuneration | - | - |

Auditors' remuneration for the year ended 31 December 2006 has been borne by a fellow subsidiary of The Restaurant Group plc, namely City Centre Restaurants (UK) Limited

## 4. Exceptional items

| | Year ended 31 December 2006 £000 | 11 months ended 1 January 2006 £000 |
|---|---|---|
| Exceptional items consists of the following items | | |
| Redundancy and restructuring costs | - | 221 |
| Impairment of working capital items | - | 161 |
| Impairment of fixed assets | - | 1,111 |
| | - | 1,493 |

## 5. Interest payable

| | Year ended 31 December 2006 £000 | 11 months ended 1 January 2006 £000 |
|---|---|---|
| On other loans wholly repayable within five years | - | 71 |
| | - | 71 |

## 6. Taxation

| | Year ended 31 December 2006 £000 | 11 months ended 1 January 2006 £000 |
|---|---|---|
| **Domestic current period tax** | | |
| U K Corporation tax at 30% (2005 30%) | 614 | 384 |
| Adjustment for prior years | - | (37) |
| **Corporation tax charge** | 614 | 347 |
| **Deferred tax** | | |
| Deferred tax charge current period | 283 | 57 |
| | 897 | 404 |

| | | |
|---|---|---|
| **Factors affecting the tax charge for the period** | | |
| Profit on ordinary activities before taxation | 2,750 | 398 |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2005 30%) | 825 | 119 |
| Effects of | | |
| Non deductible expenses | 145 | 358 |
| Capital allowances in excess of depreciation | (283) | (60) |
| Adjustments to previous periods | - | (37) |
| Other tax adjustments | (73) | (33) |
| | (211) | 228 |
| **Corporation tax charge** | 614 | 347 |

## 7 Tangible fixed assets

| | Land and buildings £000 | Fixtures, fittings and other equipment £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 2 January 2006 | 18,360 | 4,007 | 22,367 |
| Additions | 3,123 | 1,524 | 4,647 |
| Disposals | - | (139) | (139) |
| At 31 December 2006 | 21,483 | 5,392 | 26,875 |
| **Depreciation** | | | |
| At 2 January 2006 | 645 | 2,001 | 2,646 |
| Disposals | - | (103) | (103) |
| Charge for the period | 843 | 17 | 860 |
| At 31 December 2006 | 1,488 | 1,915 | 3,403 |
| **Net book value** | | | |
| At 31 December 2006 | 19,995 | 3,477 | 23,472 |
| At 1 January 2006 | 17,715 | 2,006 | 19,721 |

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| *Net book value of land and buildings* | | |
| Freehold | 12,131 | 12,215 |
| Long leasehold | - | - |
| Short leasehold | 7,864 | 5,500 |
| | 19,995 | 17,715 |

In May 2005 the freehold land and buildings of the company were revalued by independent professional advisers, based on market value for existing use This resulted in an increase in the book value of the land and buildings by £1,075,000 which has been credited against the revaluation reserve Had the freehold land and buildings not been subject to revaluations, the net book value of tangible fixed assets at 31 December 2006 would be £12,788,000 (1 January 2006 £9,037,000)

## 8. Stock

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Finished goods and goods for resale | 233 | 220 |

## 9. Debtors

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Other debtors | 29 | 29 |
| Prepayments and accrued income | 436 | 157 |
| | 465 | 186 |

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

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Amounts owed to group undertakings | 5,192 | 3,599 |
| Corporation tax | 614 | 307 |
| Accruals and deferred income | 438 | 414 |
| | 6,244 | 4,320 |

## 11. Provisions for liabilities and charges

| | Deferred tax liability £000 |
|---|---|
| Balance at 2 January 2006 | 283 |
| Profit and loss account | 283 |
| Balance at 31 December 2006 | 566 |

The deferred tax liability is made up as follows

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Accelerated capital allowances | 566 | 283 |
| | 566 | 283 |

## 12. Share capital

| | 31 December 2006 £ | 1 January 2006 £ |
|---|---|---|
| **Authorised** | | |
| 10,000 Ordinary Shares of £1 each | 10,000 | 10,000 |
| **Allotted, called up and fully paid** | | |
| 5,219 Ordinary Shares of £1 each | 5,219 | 5,219 |

## 13. Statement of movements on reserves

| | Share premium account £000 | Revaluation reserve £000 | Profit and loss account £000 |
|---|---|---|---|
| Balance at 2 January 2006 | 456 | 10,684 | 4,388 |
| Profit for the period | - | - | 1,853 |
| Balance at 31 December 2006 | 456 | 10,684 | 6,241 |

## 14. Reconciliation of movements in shareholders' funds

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Profit / (loss) for the financial period | 1,853 | (6) |
| Other recognised gains and losses | - | 1,075 |
| Net increase in shareholders' funds | 1,853 | 1,069 |
| Opening shareholders' funds | 15,533 | 14,464 |
| Closing shareholders' funds | 17,386 | 15,533 |

## 15. Contingent liabilities

The company has given a cross guarantee to City Centre Restaurants (UK) Limited, a fellow subsidiary of The Restaurant Group plc, for borrowings held by that company At 31 December 2006, the borrowings held by City Centre Restaurants (UK) Limited under this guarantee amounted to £47,000,000 (1 January 2006 £11,000,000)

## 16. Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in respect of land and buildings

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Operating leases which expire | | |
| Within one year | - | 42 |
| Between two and five years | 114 | - |
| In over five years | 902 | 501 |
| | 1,016 | 543 |

## 17. Capital commitments

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| At 31 December 2006 the company had capital commitments as follows | | |
| Contracted for but not provided in the financial statements | 963 | - |

## 18 Directors' emoluments

| | 31 December 2006 £000 | 1 January 2006 £000 |
|---|---|---|
| Emoluments for qualifying services | 119 | 282 |
| Company pension contributions to money purchase schemes | 10 | 18 |
| | 129 | 300 |

Emoluments disclosed above include the following amounts paid to the highest paid director

| | | |
|---|---|---|
| Emoluments for qualifying services | 119 | 131 |
| Company pension contributions to money purchase schemes | 10 | 10 |

Emoluments are in respect of R Brown The other directors are not remunerated by Blubeckers Limited in respect of their services to the company

## 19 Employees

The average number of employees (ıncludıng dırectors) durıng the year was 544 (2005 348)

| Employment Costs | Year ended 31 December 2006 £000 | 11 months to 1 January 2006 £000 |
|---|---|---|
| Wages and salarıes | 6,265 | 5,062 |
| Socıal securıty costs | 474 | 338 |
| Other pensıon costs | 28 | 16 |
| Redundancy costs | - | 221 |
| | 6,767 | 5,637 |

## 20. Related party transactıons

The company has taken advantage of the exemptıon as a 100% subsıdıary of The Restaurant Group plc from dısclosıng related party transactıons and balances wıth other members of The Restaurant Group plc group

## 21. Ultımate Parent Undertakıng

The Restaurant Group plc, whıch ıs regıstered ın Scotland (Regıstratıon No SC30343) ıs the ultımate parent undertakıng and ıs the parent undertakıng of the smallest and largest group for whıch group accounts are prepared Copıes of accounts of The Restaurant Group plc can be obtaıned from the Company Secretary at 5-7 Marshalsea Road, Borough, London SE1 1EP