

EST EST EST RESTAURANTS LIMITED

Report and Accounts

31 December 2004



Est Est Est Restaurants Limited

Registered No. 2177931

DIRECTORS

Andrew Page
Stephen Critoph
Kevin J. Bacon
Patricia A. Corzine
Robert J. Morgan

COMPANY SECRETARY

Robert J. Morgan

AUDITORS

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

REGISTERED OFFICE

56-62 Wilton Road
London SW1V 1DE

Est Est Est Restaurants Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The group's principal activity continues to be that of restaurateurs. The directors expect the level of activity to be maintained in the foreseeable future.

RESULT AND DIVIDEND

The profit after taxation for the year amounted to £949,000 (2003 – profit of £1,033,000). The directors do not recommend the payment of a final dividend.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year ended 31 December 2004 were as follows:

Andrew Page
Stephen M.A. Critoph (appointed 17 September 2004)
Kevin J. Bacon
Patricia A. Corzine
Robert J. Morgan

None of directors held any beneficial interests in the share capital of the company.

Andrew Page, Stephen M.A. Critoph, Kevin J Bacon, and Patricia A. Corzine are also directors of the ultimate holding company The Restaurant Group plc. Their interests in that company are shown in its accounts. Robert J. Morgan held the following shares and share options in The Restaurant Group plc:

| | 31 December 2004 | 31 December 2003 |
|---|------------------|------------------|
| <i>Robert J. Morgan</i> | | |
| Shares held in The Restaurant Group plc | - | - |
| Options @ 60.2p | 50,244 | 50,244 |
| Options @ 67.4p | 100,487 | 100,487 |
| Options @ 97.7p | 100,000 | - |
| Mirror Options @ 67.4p* | 50,244 | 50,244 |

* Under the terms of the 2004 City Centre Restaurants plc Executive Mirror Option Scheme, an option holder may exercise either the mirror option or the original option over which the mirror option has been granted, but not both.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

DONATIONS

No donations for charitable or political purposes were made during the year (2003: £nil). Charitable events and fund raising are organised by restaurants for organisations in their localities.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through the weekly newsletter, in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Est Est Est Restaurants Limited

DIRECTORS' REPORT

SUPPLIER PAYMENT POLICY

The company agrees specific settlement terms with each of its suppliers, and has a policy to then abide by those terms. At 31 December 2004 the company had no trade creditors (31 December 2003: £Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 J. Morgan

Company Secretary

30 March 2005

REPORT OF THE INDEPENDENT AUDITORS

to the shareholders of Est Est Est Restaurants Limited

We have audited the financial statements of Est Est Est Restaurants Limited for the year ended 31 December 2004 on pages 5 to 15, which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

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.

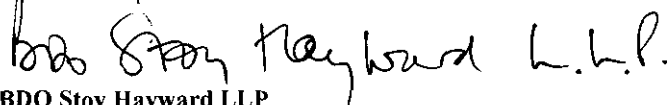
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

30 March 2005

Est Est Est Restaurants Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

| | <i>Note</i> | <i>2004</i> <i>£000</i> | <i>2003</i> <i>£000</i> |
|--|-------------|----------------------------|----------------------------|
| TURNOVER | | | |
| Cost of sales | 2 | 17,230 (15,462) | 18,552 (16,441) |
| GROSS PROFIT | | <u>1,768</u> | <u>2,111</u> |
| Administrative expenses | | (480) | (393) |
| OPERATING PROFIT | 3 | <u>1,288</u> | <u>1,718</u> |
| Interest payable and similar charges | 4 | - | (27) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>1,288</u> | <u>1,691</u> |
| Tax on profit on ordinary activities | 6 | (339) | (658) |
| RETAINED PROFIT FOR THE YEAR | 17 | <u>949</u> | <u>1,033</u> |

All amounts relate to continuing activities.

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

The notes on pages 8 to 15 form part of these financial statements.

Est Est Est Restaurants Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS for the year ended 31 December 2004

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Total recognised gains and losses | 949 | 1,033 |
| Dividends | - | - |
| Total movements during the year | 949 | 1,033 |
| Shareholders' funds at beginning of year | 6,754 | 5,721 |
| Shareholders' funds at end of year | 7,703 | 6,754 |

The notes on pages 8 to 15 form part of these financial statements.

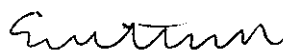
Est Est Est Restaurants Limited

BALANCE SHEET

at 31 December 2004

| | Note | 2004 £000 | 2003 £000 |
|--|--------|----------------|----------------|
| FIXED ASSETS | | | |
| Intangible assets | 7 | 158 | 172 |
| Tangible assets | 8 | 14,579 | 15,180 |
| Investments | 9 | 693 | 693 |
| | | <u>15,430</u> | <u>16,045</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 199 | 199 |
| Debtors | 11 | 627 | 597 |
| Cash at bank and in hand | | 12 | 11 |
| | | <u>838</u> | <u>807</u> |
| CREDITORS: amounts falling due within one year | 12 | (6,606) | (8,006) |
| NET CURRENT LIABILITIES | | <u>(5,768)</u> | <u>(7,199)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>9,662</u> | <u>8,846</u> |
| CREDITORS: amounts falling due after more than one year | | | |
| Convertible loan stock | 13 | (207) | (207) |
| PROVISION FOR LIABILITIES AND CHARGES | 14 | (1,752) | (1,885) |
| | | <u>7,703</u> | <u>6,754</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15, 16 | 8 | 8 |
| Share premium account | 16 | 92 | 92 |
| Profit and loss account | 16 | 7,603 | 6,654 |
| Shareholders' funds | 16 | <u>7,703</u> | <u>6,754</u> |
| Equity shareholders' funds | | <u>7,695</u> | <u>6,746</u> |
| Non equity shareholders' funds | | <u>8</u> | <u>8</u> |
| | | <u>7,703</u> | <u>6,754</u> |

Approved by the board on 30 March 2005



Stephen Critoph

Director

The notes on pages 8 to 15 form part of these financial statements.

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been drawn up using the historical cost convention and have been prepared in accordance with applicable accounting standards.

The company is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group. The company has taken advantage of the exemption in FRS 1 (Revised) not to prepare a cash flow statement.

Goodwill

Goodwill is written off over its estimated useful life of 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, over its expected useful life, as follows:

| | | |
|---|---|--------------------------------------|
| Freehold land | – | indefinite |
| Freehold buildings | – | 50 years |
| Short leasehold property | – | shorter of 25 years or life of lease |
| Building improvements | – | shorter of 25 years or life of lease |
| Fixtures, fittings and office equipment | – | 10% straight line |
| Motor vehicles | – | 25% straight line |

Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Pre-opening costs

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

Deferred taxation

Deferred tax is recognised on a full provision basis (with certain exceptions required by Financial Reporting Standard 19).

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation, except where the gain on sale of an asset has been rolled over into replacement assets. Deferred tax balances are not discounted.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Pensions

The company makes contributions for selected employees into defined contribution Group Personal Pension Plans and these contributions are charged to the profit and loss account as they become payable.

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

2. TURNOVER

Turnover comprises the invoiced value of goods and services stated net of value added tax. Turnover derives from the principal activity of the company, all of which arises in the United Kingdom and is continuing.

3. OPERATING PROFIT

This is stated after charging:

| | 2004 | 2003 |
|--|-------|-------|
| | £000 | £000 |
| Amortisation of goodwill | 14 | 14 |
| Depreciation of owned assets | 1,617 | 1,580 |
| Operating lease rental – land and building | 1,508 | 1,467 |

During 2004 and 2003 costs relating to the auditors have been borne by a fellow subsidiary undertaking of The Restaurant Group plc, namely City Centre Restaurants (UK) Limited.

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2004 | 2003 |
|-----------------------------|------|------|
| | £000 | £000 |
| On bank loans and overdraft | - | 27 |
| | - | 27 |

5. EMPLOYEES

| | 2004 | 2003 |
|-----------------------|-------|-------|
| | £000 | £000 |
| Wages and salaries | 5,122 | 5,461 |
| Social security costs | 463 | 475 |
| | 5,585 | 5,936 |

The number of employees at 31 December 2004 was 582 (2003: 446). The directors received no remuneration in respect of services for Est Est Est Restaurants Limited during the year (31 December 2003: £nil).

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

6. TAXATION

| | 2004 | 2003 |
|--|--------------|------------|
| | £000 | £000 |
| a) The taxation charge comprises: | | |
| <i>Current taxation</i> | | |
| UK corporation tax at 30% (2003: 30%) | 488 | 657 |
| Adjustments in respect of previous periods | (16) | (2) |
| | <u>472</u> | <u>655</u> |
| <i>Deferred taxation</i> | | |
| Origination and reversal of timing differences | (60) | 3 |
| Adjustment in respect of previous periods | (73) | - |
| | <u>(133)</u> | <u>3</u> |
| Net taxation charge | <u>339</u> | <u>658</u> |

b) Factors affecting the corporation tax charge for the year

The tax assessed for the year is higher than the standard UK corporation tax rate of 30% due to the following factors:

| | 2004 | 2003 |
|--|------------|------------|
| | £000 | £000 |
| Profit on ordinary activities before taxation | 1,288 | 1,691 |
| Profit on ordinary activities before taxation multiplied by the standard UK corporation tax rate of 30% (2003: 30%) | 386 | 507 |
| <i>Effects of:</i> | | |
| Capital allowances for period in excess of depreciation | 50 | 13 |
| Expenses not deductible for tax purposes (including depreciation on non-qualifying assets) | 52 | 137 |
| Movement in respect of prior years | (16) | (2) |
| | <u>472</u> | <u>655</u> |

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

7. INTANGIBLE FIXED ASSETS

| | <i>Goodwill £000</i> |
|--|--------------------------|
| <i>Cost:</i> | |
| At 1 January 2004 and 31 December 2004 | 327 |
| <i>Amortisation:</i> | |
| At 1 January 2004 | 155 |
| Charge for the year | 14 |
| At 31 December 2004 | 169 |
| <i>Net book value:</i> | |
| At 31 December 2004 | 158 |
| At 31 December 2003 | 172 |

8. TANGIBLE FIXED ASSETS

| | <i>Land and buildings £000</i> | <i>Fixtures, fittings equipment & motor vehicles £000</i> | <i>Total £000</i> |
|-------------------------|--|---|-----------------------|
| <i>Cost:</i> | | | |
| At 1 January 2004 | 15,452 | 8,135 | 23,587 |
| Additions | 648 | 415 | 1,063 |
| Disposals | - | (100) | (100) |
| At 31 December 2004 | 16,100 | 8,450 | 24,550 |
| <i>Depreciation:</i> | | | |
| At 1 January 2004 | 4,080 | 4,327 | 8,407 |
| Charge for the year | 820 | 797 | 1,617 |
| Disposals | - | (53) | (53) |
| At 31 December 2004 | 4,900 | 5,071 | 9,971 |
| <i>Net book values:</i> | | | |
| At 31 December 2004 | 11,200 | 3,379 | 14,579 |
| At 31 December 2003 | 11,372 | 3,808 | 15,180 |

All land and buildings are held on short leaseholds.

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

9. INVESTMENTS

£000

At 31 December 2003 and 31 December 2004

693

Cost represents the acquisition cost of share capital held by the company.

On 1 June 1996 the company acquired 100% of the issued share capital of Factmulti Limited for a cost of £991,959. The company is incorporated in England and Wales and traded as a restaurateur until October 2000. This investment was written down to £692,171, the net assets of the company at 31 December 2004 and 31 December 2003, as the company has ceased to trade.

In addition, the company holds the following proportion of the nominal value of the ordinary share capital of the following companies, all of which are incorporated in Great Britain and were dormant throughout the period.

| <i>Company</i> | <i>Proportion held</i> |
|-----------------------------|------------------------|
| Merrycrown Limited | 100% |
| Introdyne Limited | 100% |
| Denhall Restaurants Limited | 100% |
| Worksize Limited | 100% |
| Sidemet Limited | 100% |
| Ultraexpand Limited | 100% |

10. STOCK

2004 2003
£000 £000

| | | |
|-------------------|-----|-----|
| Wet and dry stock | 199 | 199 |
|-------------------|-----|-----|

The replacement cost of stock is not materially different from the cost stated above.

11. DEBTORS

2004 2003
£000 £000

Amounts falling due within one year:

| | | |
|--|-----|-----|
| Prepayments | 599 | 569 |
| Amounts owed by fellow subsidiary undertakings | 28 | 28 |
| | 627 | 597 |

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 | 2003 |
|-----------------------------------|--------------|--------------|
| | £000 | £000 |
| Accruals | 614 | 636 |
| Amounts due to group undertakings | 5,736 | 6,815 |
| Corporation tax | 256 | 555 |
| | <u>6,606</u> | <u>8,006</u> |

13. CREDITORS: amounts falling due after more than one year

| | 2004 | 2003 |
|----------------------------|------------|------------|
| | £000 | £000 |
| 15% convertible loan stock | 207 | 207 |
| | <u>207</u> | <u>207</u> |

The 15% convertible loan stock is owned by Est Est Est Group Limited, the immediate parent undertaking. Interest on the 15% convertible loan stock was payable quarterly at an annual interest rate of 15% commencing on 30 September 1996. Interest has now been frozen on these notes from 1 January 1998 onwards, and there are no longer any formal repayment terms. These can be converted to preference shares as long as any part of the notes remains outstanding.

14. DEFERRED TAXATION

| | £000 | |
|---|--------------|--------------|
| Balance at 1 January 2004 | | 1,885 |
| Released to profit and loss account | | (133) |
| Balance at 31 December 2004 | | <u>1,752</u> |
| | 2004 | 2003 |
| | £000 | £000 |
| <i>Deferred tax consists of:</i> | | |
| Capital allowances in advance of depreciation | 1,752 | 1,812 |
| Capital gains held over | - | 73 |
| | <u>1,752</u> | <u>1,885</u> |

Est Est Restaurants Limited

NOTES TO THE ACCOUNTS at 31 December 2004

15. SHARE CAPITAL

| | <i>Authorised</i> | | <i>Allotted, called up and fully paid</i> | |
|--------------------------------------|-------------------|---------------|---|--------------|
| | <i>2004</i> | <i>2003</i> | <i>2004</i> | <i>2003</i> |
| | <i>No.</i> | <i>No.</i> | <i>£</i> | <i>£</i> |
| Ordinary shares of 1p each | 30,200 | 30,200 | 302 | 302 |
| Preferred Ordinary shares of £1 each | 7,550 | 7,550 | 7,550 | 7,550 |
| | <u>37,750</u> | <u>37,750</u> | <u>7,852</u> | <u>7,852</u> |

The preferred ordinary shares have priority over the ordinary shares with respect to dividend payments. All historical preferred ordinary dividends have been waived.

On a return of assets, the preferred ordinary shares are entitled in priority to all other shareholders to be repaid their subscription price. After all subscription prices have been repaid, they shall rank pari passu with other ordinary shares.

All shares carry equal voting rights.

Est Est Est Restaurants Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENT IN RESERVES

| | <i>Called up share capital</i> | <i>Share premium</i> | <i>Profit and loss account</i> | <i>Total share- holders' funds</i> |
|---------------------|------------------------------------|--------------------------|------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| At 1 January 2004 | 8 | 92 | 6,654 | 6,754 |
| Profit for the year | - | - | 949 | 949 |
| At 31 December 2004 | 8 | 92 | 7,603 | 7,703 |

17. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 December 2004 the company had annual commitments under operating leases in respect of rental agreement of land and buildings as follows:

| Leases expire: | 2004 £000 | 2003 £000 |
|----------------------------|--------------|--------------|
| Within one year | - | - |
| Between one and five years | 25 | 25 |
| After more than five years | 1,510 | 1,433 |
| | <u>1,535</u> | <u>1,458</u> |

Capital commitments

At 31 December 2004 and 31 December 2003 the company had no unprovided capital commitments.

Cross guarantee

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 2004, the borrowings held by City Centre Restaurants (UK) Limited under this guarantee amounted to £7,000,000 (31 December 2003: £35,000,000).

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption as a 100% subsidiary of The Restaurant Group plc from disclosing related party transactions and balances with other members of The Restaurant Group plc group.

19. ULTIMATE PARENT UNDERTAKING

At 31 December 2004 Est Est Est Group Limited, a company incorporated in Great Britain, held 80% of the allotted, called up and fully paid share capital. The ultimate holding company is The Restaurant Group plc, a company incorporated in Scotland which ultimately owns 100% of the called up and fully paid share capital. The accounts of this company may be obtained from the Company Secretary, 56-62 Wilton Road, London SW1V 1DE.