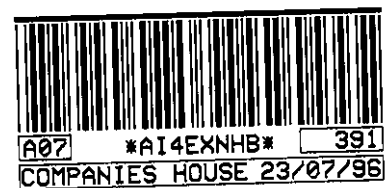


BrightReasons Group plc

Annual report

for the year ended 30 September 1995

Registered No: 2521829



BrightReasons Group plc

Annual report for the year ended 30 September 1995

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BrightReasons Group plc

Chairman's statement

I am pleased to present the report and accounts of BrightReasons Group plc. The company owns and directly operates 104 Pizzaland restaurants, 55 Bella Pasta , 20 Pizza Piazza and 2 Sweeney Todd restaurants, throughout Great Britain.

Results

1995 has been another important year in the development of the company. Sales grew by 5% to £79.8 million, aided by investment of £9 million in 11 new restaurants (mainly under the market-leading Bella Pasta brand) and refurbishing other Pizzaland and Pizza Piazza outlets. Sales and earnings in the base business were impacted by restrained consumer spending (exacerbated by the introduction of the National Lottery) together with the effects of the abnormally prolonged, extremely hot dry summer. Operating profit was £2.9 million (1993-94 £5.8 million).

Current Trading

Trading trends in the current year have shown clear signs of recovery with substantial like-for-like sales growth.

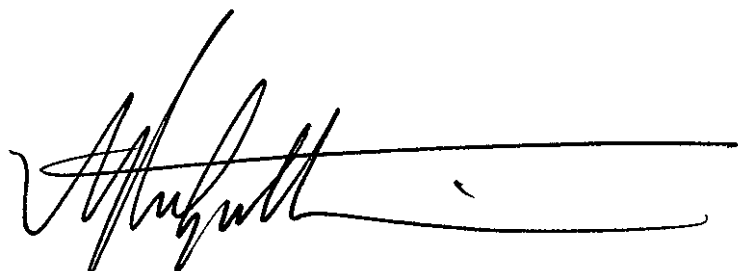
Reorganisation

Following the decision, at the end of 1994, not to proceed with the listing on the London Stock Exchange, the company has reorganised to produce a senior management structure more suited to its immediate needs. As a result of this process, a number of main board directors and other senior managers have left the company to pursue other interests. We wish them every success and thank them for their contribution to the company's successful development over the last five years.

The costs involved in the reorganisation have been treated as exceptional. In addition, costs incurred in the preparation for the flotation of the company at the end of 1994, totalling £1,320,000, have also been written off as an exceptional item.

Outlook

The economic backcloth for 1996 and 1997 looks promising and I know that all our employees will continue to meet the aim of exceeding customer expectations with consistent and quality products at competitive prices

A handwritten signature in black ink, appearing to read 'G M Guthrie', is written over a horizontal line.

G M Guthrie
Chairman

BrightReasons Group plc

Directors and advisers

G M Guthrie FHCIMA
Chairman

Dr A W Henfrey CFA
Deputy Chairman

Non-executive Directors

J Bullock FCA, FCMA, FIMC *+
I Armitage *+
R A F Heath *+

Secretary and Registered office

R E Sims FCIS
Bakers House
25 Bakers Road
Uxbridge
Middlesex
UB8 1RG

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

* member of audit committee

+ member of remuneration committee

Solicitors

Lovell White Durrant
65 Holborn Viaduct
London
EC1A 2DY

Bankers

Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

Midland Bank
PO Box 125
27-32 Poultry Lane
London
EC2P 2BX

BrightReasons Group plc

Directors' report for the year ended 30 September 1995

The directors present their report together with the financial statements for the company and group for the year ended 30 September 1995.

Principal activities

The group has traded through BrightReasons Restaurants Limited as restaurateurs and through BrightReasons International Limited as franchisors.

The consolidated profit and loss account for the year is set out on page 12.

Review of profits and dividends

Both the level of business and the year end position remain satisfactory, and the directors expect that the present level of activity will be at least sustained for the foreseeable future.

The consolidated loss for the year, after taxation, amounted to £2,879,000 (1994 profit £2,709,000 restated) after exceptional items of £3,752,000.

No dividends have been paid or declared in the year or are proposed (1994 £993,000). A dividend of £1,820,000 has been accrued to non-equity shareholders (1994 £1,652,000) leaving a deficit of £4,699,000 which has been transferred from reserves.

Directors

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

G M Guthrie
Dr A W Henfrey (appointed 15 May 1996)
G Lane (resigned 31 May 1996)
M S Ludbrook (resigned 31 May 1996)
I Taylor (resigned 1 September 1995)
I S Baker (appointed 1 September 1995; resigned 31 May 1996)
Lord Sheppard (resigned 13 May 1996)
T O Thwaites (resigned 13 May 1996)
J Bullock
I Armitage (resigned 30 October 1994, reappointed 21 November 1994)
A L Thesen (resigned 30 October 1994)
R A F Heath (appointed 21 November 1994)

BrightReasons Group plc

BrightReasons Restaurants Limited had a contract with BrightReasons Management Limited (ManCo) for the supply of management services. This contract ended on 1 November 1994. The total amounts payable to ManCo in this respect amounted to £32,000. G M Guthrie, I S Baker and M S Ludbrook were all directors of ManCo.

Directors' interests

The interests, all beneficial, of the directors in the shares of the company and other group companies at 30 September 1995, together with their interests at 25 September 1994 and share options outstanding at 30 September 1995 were:

The company	Shares		Share Options		
	As at 25.09.94 or date of appointment if later	As at 30.09.95	As at 25.09.94 or date of appointment if later	Granted during year	As at 30.09.95
£1 "A" Preference shares					
G M Guthrie	149,516	149,516	-	-	-
M S Ludbrook	126,164	126,164	-	-	-
G Lane	13,440	13,440	-	-	-
I S Baker	74,000	74,000	-	-	-
£0.10 Ordinary shares					
G M Guthrie	10,001	10,001	-	-	-
M S Ludbrook	10,000	10,000	-	-	-
Lord Sheppard	928	928	-	-	-
I S Baker	10,000	10,000	-	-	-
£0.10 "A" Ordinary shares					
I Armitage	239	239	-	-	-
T O Thwaites	143	143	-	-	-
J Bullock	180	180	-	-	-
G M Guthrie	-	-	19,918	-	19,918
Lord Sheppard	-	-	1,500	-	1,500
M S Ludbrook	-	-	4,669	-	4,669
G Lane	-	-	8,437	-	8,437
£1 9% Preference shares					
Lord Sheppard	53,239	53,239	-	-	-
I Armitage	7,844	7,844	-	-	-
T O Thwaites	8,180	8,180	-	-	-
J Bullock	10,296	10,296	-	-	-
£1 10% Preference shares					
I Armitage	5,029	5,029	-	-	-

No director held any interest in the share capital of the company or its group subsidiaries at any time during the year, other than as indicated above.

No share options have been exercised during the year. The prices at which the options are exercisable range from 19p per share to £55 per share.

During the year, 6,720 £1 A Preference shares issued at par were repurchased by the Group at £1 each from an employee who had left the company.

BrightReasons Group plc

Changes in Fixed Assets

The movements in fixed assets during the year are set out in note 8 to the financial statements.

Substantial shareholdings

	No. of 10p equity shares held	% of equity
Montagu Private Equity Investments	28,606	9.98%
Morgan Grenfell Development Capital	28,606	9.98%
Mercury Asset Management	188,180	65.65%

With the exception of the directors listed above, the directors have not been advised of any individual interest, or group interests held by persons acting together, of 3% or more of the company's issued share capital at 30 September 1995.

Employees

The group's policy is to provide equal opportunities to all employees. This policy applies to existing employees and anyone seeking to join the group.

Training is encouraged and provided wherever possible to give employees the opportunity to acquire the skills and experience which enable them to fulfil their role and develop their future potential.

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Disabled persons share equally in the opportunities for training, career development and promotion.

The group endeavours to communicate speedily and effectively with its employees with information on matters of concern to them and to involve and consult them as closely as possible with regard to the activities and the performance of the group.

Communication is achieved by a variety of means, including bulletins and briefing sessions.

BrightReasons Group plc

Insurance of directors

The group maintains directors' and officers' liability insurance for BrightReasons Group plc in respect of their duties to the group.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the next annual general meeting.

Statement of directors' responsibilities

The directors are required by UK Company Law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going-concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and to detect fraud and other irregularities.

On behalf of the board



R E Sims FCIS
Company Secretary
28 June 1996

Report of the auditors to the members of BrightReasons Group plc

We have audited the financial statements on pages 12 to 29 in accordance with Auditing Standards.

Respective responsibilities of directors and auditors

As described on page 9 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 statements and to report our opinion to you.

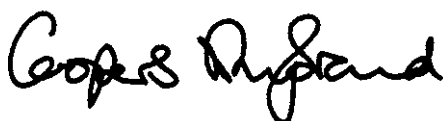
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosure 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 and the group at 30 September 1995 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
28 June 1996

BrightReasons Group plc

Consolidated profit and loss account for the year ended 30 September 1995

	Notes	Before exceptional items £000	1995 Exceptional items £000	Total £000	1994 As restated (Note 1) £000
Turnover		79,822	-	79,822	75,978
Cost of Sales		<u>(72,686)</u>	<u>-</u>	<u>(72,686)</u>	<u>(65,158)</u>
Gross Profit		7,136	-	7,136	10,820
Other Operating Costs	3	<u>(4,151)</u>	<u>(3,752)</u>	<u>(7,903)</u>	<u>(4,953)</u>
Operating Profit		<u>2,985</u>	<u>(3,752)</u>	<u>(767)</u>	<u>5,867</u>
(Loss)/Profit on ordinary activities before interest		2,985	(3,752)	(767)	5,867
Interest payable and similar charges	5	(1,822)	-	(1,822)	(1,895)
Interest receivable		<u>90</u>	<u>-</u>	<u>90</u>	<u>133</u>
(Loss)/Profit on ordinary activities before taxation	2	1,253	(3,752)	(2,499)	4,105
Taxation	6	<u>(380)</u>	<u>-</u>	<u>(380)</u>	<u>(1,396)</u>
(Loss)/Profit on ordinary activities after taxation		873	(3,752)	(2,879)	2,709
Appropriations for non-equity shares (including dividends and other appropriations)	7	<u>(1,820)</u>	<u>-</u>	<u>(1,820)</u>	<u>(1,811)</u>
(Loss)/Profit accruing to equity shareholders and transferred (from)/to reserves	16	<u>(947)</u>	<u>(3,752)</u>	<u>(4,699)</u>	<u>898</u>

The results of both periods are wholly attributable to the continuing operations of the group.

There were no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

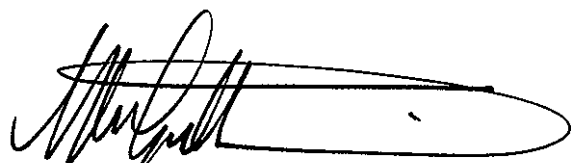
There is no difference between the (loss)/profit on ordinary activities before taxation and the profit accruing to equity shareholders and transferred (from)/to reserves for the year stated above, and their historical cost equivalents.

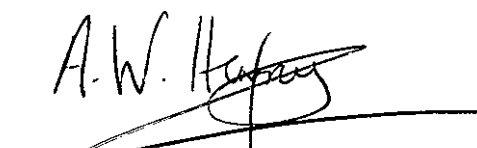
BrightReasons Group plc

Balance sheets at 30 September 1995

	Notes	Group 1995 £000	1994 As restated £000	Company 1995 £000	1994 £000
Fixed assets					
Tangible assets	8	36,152	31,349	-	-
Investments	9	-	-	20,893	20,893
		<u>36,152</u>	<u>31,349</u>	<u>20,893</u>	<u>20,893</u>
Current assets					
Stocks	10	801	690	-	-
Debtors: amounts falling due within one year	11	2,136	2,089	2,730	767
Cash at bank and in hand		375	4,117	14	1
		<u>3,312</u>	<u>6,896</u>	<u>2,744</u>	<u>768</u>
Creditors: amounts falling due within one year	12	<u>(18,579)</u>	<u>(16,459)</u>	<u>(2,071)</u>	<u>(260)</u>
Net current (liabilities)/assets		<u>(15,267)</u>	<u>(9,563)</u>	<u>673</u>	<u>508</u>
Total assets less current liabilities		<u>20,885</u>	<u>21,786</u>	<u>21,566</u>	<u>21,401</u>
Creditors: amounts falling due after more than one year	13	(14,000)	(12,000)	-	-
Provision for liabilities and charges	14	(49)	(71)	-	-
		<u>(14,049)</u>	<u>(12,071)</u>	<u>0</u>	<u>0</u>
Net assets		<u>6,836</u>	<u>9,715</u>	<u>21,566</u>	<u>21,401</u>
Capital and reserves					
Called-up share capital	15	12,539	12,546	12,539	12,546
Capital redemption reserve	15	7	-	7	-
Share premium account	16	8,839	8,839	8,839	8,839
Profit and loss account	16	(14,549)	(11,670)	181	16
Equity interests	17	<u>(10,282)</u>	<u>(5,583)</u>	<u>4,448</u>	<u>6,103</u>
Non-equity interests	17	<u>17,118</u>	<u>15,298</u>	<u>17,118</u>	<u>15,298</u>
		<u>6,836</u>	<u>9,715</u>	<u>21,566</u>	<u>21,401</u>

The financial statements on pages 12 to 29 were approved by the board of directors on 28 June 1996 and were signed on its behalf by:


G M Guthrie
Chairman


Dr A W Henfrey
Director

BrightReasons Group plc

Consolidated cash flow statement for the year ended 30 September 1995

	Notes	1995 £000	1994 As restated £000
Operating activities			
Net cash inflows from operating activities	19	<u>4,331</u>	<u>9,724</u>
Returns on investments and servicing of finance			
Dividends paid		-	(993)
Interest received		100	129
Interest paid		<u>(1,598)</u>	<u>(1,219)</u>
Net cash outflows from returns on investments and servicing of finance		<u>(1,497)</u>	<u>(2,083)</u>
Taxation			
UK Corporation tax paid		<u>(1,051)</u>	<u>(381)</u>
Investing activities			
Purchase of tangible fixed assets		(9,126)	(5,164)
Net proceeds on disposal of tangible fixed assets		415	256
Reorganisation costs		(22)	(359)
Payment of deferred consideration relating to the acquisition of Pizza Piazza Limited		(1,250)	-
Purchase of The Pizza Gallery Limited assets (net of cash acquired)		<u>-</u>	<u>(1,875)</u>
Net cash outflows from investing activities		<u>(9,983)</u>	<u>(7,142)</u>
Net cash (outflows)/inflows before financing		<u>(8,200)</u>	<u>118</u>
Financing			
Net proceeds from issue of share capital		-	1,093
Purchase of own shares		(7)	-
Repayment of loan		(1,500)	(500)
Net proceeds from new loans		<u>3,965</u>	<u>1,904</u>
Net cash inflows from financing		<u>2,458</u>	<u>2,497</u>
(Decrease)/Increase in cash and cash equivalents	22	<u>(5,742)</u>	<u>2,615</u>

BrightReasons Group plc

Notes to the financial statements for the year ended 30 September 1995

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The financial statements of the company and its subsidiaries are made up to the last Saturday in September each year. A summary of the more important group accounting policies, which have been applied consistently except as noted, is set out below.

Change in accounting policy

Costs associated with the opening or refurbishment of restaurants are written off fully in the financial year in which they arise. In previous years such costs were held on the balance sheet and amortised on a straight line basis in the twelve months after the opening of the related restaurants. The accounting policy has been changed because the directors consider the new policy gives a fairer presentation of the group's assets and results.

Had there been no change in accounting policy, the asset carried forward would have been £620,511 (1994 £170,264). The financial impact of the change in accounting policy is a charge to the profit and loss account in 1995 of £450,247. An adjustment has been made to the profit for the year ended 24 September 1994, writing off the assets held at that time.

Consolidated financial statements

The financial statements of the company and its subsidiaries have been prepared in the form of group accounts consolidated up to 30 September 1995. The holding company's investments have been included at historical cost less any provision for permanent diminution. As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year dealt with within the accounts of the holding company was £165,000 (1994 £1,068,000) prior to accruing for non-equity appropriations payable but not declared of £1,820,000 (1994 £1,652,000).

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the identifiable net tangible assets acquired. Goodwill arising on the acquisition of subsidiaries is written off immediately against reserves.

Turnover

Turnover represents the invoiced value of sales, excluding intercompany sales and value added tax.

BrightReasons Group plc

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 costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets 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	4 - 10 years
Motor vehicles	4 years
Computer equipment and software	3 - 5 years

It is the company's policy to maintain its properties in a state of good repair to prolong their useful lives. In the case of freehold properties, the directors consider that the life of these properties and their residual values, as determined at the date of acquisition, is such that depreciation is not material and accordingly no depreciation has been provided.

Expenditure on repairs, renewals and minor items of equipment is written off in the year in which it is incurred.

Stocks

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

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that an asset or liability will crystallise in the foreseeable future. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

Leases

Rental costs arising under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Franchise income

Territory and opening fees are recognised on receipt subject to the group having fulfilled its obligations. Royalties are accounted for on an accruals basis.

BrightReasons Group plc

Pension costs

The group operates two pension schemes, the Executive scheme and the Group scheme. Both schemes are of the defined contribution type, however, the Group scheme has guaranteed a minimum minimum level of benefits payable to certain members of the scheme. The funds are valued every three years by an independent qualified actuary. The costs of providing these benefits are charged to the profit and loss account so as to spread the costs over the estimated average remaining service lives of the employees in question.

2. Profit on ordinary activities before taxation

	1995 £000	1994 £000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	918	1,099
Amortisation of deferred income	204	210
Profit on sale of fixed assets	<u>139</u>	<u>113</u>
And after charging:		
Depreciation charge for the year on tangible fixed assets	4,259	3,402
Operating lease payments:		
Properties	11,676	11,659
Other	-	241
Auditors' remuneration:		
Audit (company : £11,000)	111	85
Other (company : £nil)	<u>37</u>	<u>108</u>

Further remuneration paid to the auditors in respect of acquisition and equity share issue costs and charged to profit on ordinary activities before taxation through exceptional items amounted to £375,000 (1994 £nil).

3. Exceptional items

	1995 £000	1994 £000
Reorganisation costs	2,432	-
Costs incurred primarily in preparation for flotation of the company at the end of 1994	<u>1,320</u>	<u>-</u>
	<u>3,752</u>	<u>-</u>

BrightReasons Group plc

4. Directors and employees

The average weekly number of persons (including executive directors) employed by the group during the year was 4,417 (1994 3,812)

	1995 £000	1994 £000
Staff costs (for the above persons)		
Wages and salaries	23,359	20,940
Social security costs	1,256	1,457
Other pension costs	254	196
	<u>24,869</u>	<u>22,593</u>

The remuneration paid to directors of BrightReasons Group plc was:

	1995 £000	1994 £000
Fees	103	60
Salary payments (including benefits in kind, pension contributions and bonus payments)	593	529
	<u>696</u>	<u>589</u>

Not included in the above figure are payments for compensation for loss of office made to a former director amounting to £131,200

The chairman at the year end who was appointed on 1 September 1995 and resigned on 13 May 1996, received remuneration of £42,000 for his services during the year. His predecessor was paid £164,000 (£150,000 in the prior year) and was the highest paid director in both years.

The number of directors (including the chairman) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995	1994
£0 to £5,000	1	-
£5,001 to £10,000	1	-
£10,001 to £15,000	2	6
£15,001 to £20,000	2	-
£20,001 to £25,000	-	1
£40,001 to £45,000	1	-
£50,001 to £55,000	-	1
£85,001 to £90,000	-	1
£90,001 to £95,000	1	-
£115,001 to £120,000	1	1
£120,001 to £125,000	1	-
£145,001 to £150,000	-	1
£160,001 to £165,000	1	-

The company had a service agreement with BrightReasons Management Limited under which it paid a management charge for the services of G M Guthrie, I S Baker and M S Ludbrook. G M Guthrie, I S Baker and M S Ludbrook were all directors of both companies. The agreement ceased on 1 November 1994.

Included in the above table are fees in respect of three directors who represented the providers of equity to the company that have been paid to their employing companies.

On 9 September 1994, the Company issued a guarantee in favour of Samuel Montagu in respect of a loan facility provided by Samuel Montagu to a director. This loan which was limited to £20,000 has now been discharged.

BrightReasons Group plc

5. Interest payable and similar charges

	1995 £000	1994 £000
On bank loans, overdrafts and other loans, all repayable within 5 years by instalments	1,742	1,476
Amortisation of debt issue costs	80	419
	<u>1,822</u>	<u>1,895</u>

6. Taxation

	1995 £000	1994 £000
United Kingdom corporation tax at 33%		
Current	380	1,343
Deferred	-	53
	<u>380</u>	<u>1,396</u>

7. Appropriations for non-equity shares

	1995 £000	1994 £000
10% Cumulative redeemable preference shares	756	689
9% Cumulative redeemable preference shares	1,064	963
Amortisation of non-equity share issue costs	-	159
	<u>1,820</u>	<u>1,811</u>

In accordance with the Articles of Association the dividends payable include additional elements over and above the stated coupon rate.

Note 16 to these financial statements shows the effect of the above on the reserves and shareholders' funds of the Company.

BrightReasons Group plc

8. Tangible fixed assets

Group

	Land and buildings £000	Fixtures fittings plant & equipment £000	Motor vehicles £000	Total £000
Cost				
At 24 September 1994	26,146	13,601	176	39,923
Additions	6,503	2,799	36	9,338
Disposals	(242)	(171)	(36)	(449)
At 30 September 1995	32,407	16,229	176	48,812
Depreciation				
At 24 September 1994	4,354	4,130	90	8,574
Charge for period	2,340	1,873	46	4,259
Disposals	(67)	(75)	(31)	(173)
At 30 September 1995	6,627	5,928	105	12,660
Net book value				
At 30 September 1995	25,780	10,301	71	36,152
Net book value				
At 24 September 1994	<u>21,792</u>	<u>9,471</u>	<u>86</u>	<u>31,349</u>

The net book value of land and buildings comprises:

	1995 £000	1994 £000
Freehold	1,266	1,266
Short leasehold	24,514	20,526
	<u>25,780</u>	<u>21,792</u>

Company

The company has no tangible assets.

BrightReasons Group plc

9. Investments

	1995 £000
Balance at 24 September 1994 and 30 September 1995	<u>20,893</u>

The company held the entire issued share capital of the following principal subsidiary undertakings at 30 September 1995, all of which have been consolidated in the group's financial statements.

	Country of incorporation or registration	Activity
BrightReasons Restaurants Limited	England & Wales	Restaurateurs
Pizza Piazza Limited	England & Wales	Restaurateurs
UB Restaurants (C.I.) Limited	Jersey	Service Company
BrightReasons International Limited	England & Wales	Franchisor
Associated Restaurants (Overseas) Limited	Jersey	Dormant
Pizzaland Limited	England & Wales	Dormant
Bella Pasta Restaurants Limited	England & Wales	Dormant
Prima Pasta Limited	England & Wales	Dormant
The Pizza Gallery Limited	England & Wales	Dormant
Bella Pasta Limited	England & Wales	Dormant

Bella Pasta Limited was acquired on 21 October 1994 and has remained dormant since that date.

10. Stocks

	Group	
	1995 £000	1994 £000
Raw materials and consumables	<u>801</u>	<u>690</u>

The company had no stocks at 30 September 1995 (1994 £nil).

11. Debtors

	Group		Company	
	1995 £000	1994 As restated £000	1995 £000	1994 £000
Amounts falling due within one year:				
Trade debtors	1,005	493	-	-
Other debtors	29	504	2	246
Prepayments and accrued income	1,102	844	-	-
Amounts due from subsidiary undertakings	-	-	2,728	273
ACT recoverable	-	248	-	248
	<u>2,136</u>	<u>2,089</u>	<u>2,730</u>	<u>767</u>

There are no debtors due after more than one year (1994 £nil).

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12. Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Bank loans	4,965	4,500	-	-
Bank overdraft	2,000	-	-	-
Corporation tax	607	1,278	10	12
Trade creditors	3,436	2,961	-	-
Other taxation and social security	1,392	1,269	-	-
Other creditors	627	784	3	-
Accruals and deferred income	5,552	4,169	-	-
Amounts due to subsidiary undertakings	-	-	2,058	-
Deferred consideration	-	1,250	-	-
ACT payable	-	248	-	248
	<u>18,579</u>	<u>16,459</u>	<u>2,071</u>	<u>260</u>

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

	Group	
	1995	1994
	£000	£000
Bank loans	14,000	12,000
	<u>14,000</u>	<u>12,000</u>

The company had no bank loans at 30 September 1995 (1994 £nil)

Bank loans

	Group	
	1995	1994
	£000	£000
Bank loans are repayable as follows:		
In one year or less	4,965	4,500
Between one and two years	6,000	5,000
Between two and five years	8,000	7,000
	<u>18,965</u>	<u>16,500</u>

The bank loans are secured by two fixed and floating charges over the assets of the group, bear interest at LIBOR plus 1.75% to 3%, and are repayable in instalments to October 1998.

Bank loans repayable in one year or less are stated net of unamortised debt issue costs of £35,000 (1994 nil)

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14. Provisions for liabilities and charges

	Deferred taxation £000	Reorg- anisation costs £000	Total £000
At 25 September 1994	-	71	71
Provided from current year profits	-	0	0
Utilised	-	(22)	(22)
At 30 September 1995	-	49	49

Deferred taxation

Deferred taxation provided in the financial statements, and the amount not provided of the total potential liability, are as follows:

	Amount provided		Amount not provided	
	1995 £000	1994 £000	1995 £000	1994 £000
Tax effect of timing differences due to:				
Excess of capital allowances over depreciation	-	-	920	772
Other	-	-	-	(104)
	-	-	920	668

The company's medium term plans show that the amount of tax allowances in respect of eligible assets will exceed the charge for depreciation. Accordingly, deferred tax has not been provided in respect of the excess capital allowances over depreciation.

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15. Called-up share capital

	1995 £000	1994 £000
Authorised		
40,929 Ordinary shares of 10p each	4	4
316,891 "A" ordinary shares of 10p each	32	32
6,000,000 10% cumulative redeemable preference shares of £1 each	6,000	6,000
6,053,138 9% cumulative redeemable preference shares of £1 each	6,053	6,053
464,000 "A" preference shares of £1 each	464	464
	<u>12,553</u>	<u>12,553</u>
Allotted, called-up and fully paid		
40,929 Ordinary shares of 10p each	4	4
245,715 "A" ordinary shares of 10p each	25	25
6,000,000 10% cumulative redeemable preference shares of £1 each	6,000	6,000
6,053,138 9% cumulative redeemable preference shares of £1 each	6,053	6,053
457,280 "A" preference shares of £1 each	457	464
	<u>12,539</u>	<u>12,546</u>

Following the repurchase by the group of its own shares at par, a capital redemption reserve has been created:

	1995 £000	1994 £000
Capital redemption reserve	<u>7</u>	<u>-</u>

Under the terms of the Executive Share Option Schemes, options have been granted to eligible Directors and Executives enabling them to subscribe for 61,805 "A" Ordinary shares at prices ranging between 19p (exercisable by 2003) and £55 per share (exercisable by 2004).

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16. Share premium account and reserves

	Capital redemption reserve £000	Share premium account £000	Profit and loss account £000
Group			
At 25 September 1994 (as restated)	-	8,839	(11,670)
Deficit for the year	-	-	(4,699)
Purchase of own shares	7	-	-
Current year non-equity appropriation payable but not declared	-	-	1,820
At 30 September 1995	<u>7</u>	<u>8,839</u>	<u>(14,549)</u>
Company			
At 25 September 1994 (as restated)	-	8,839	16
Deficit for the year	-	-	(1,655)
Purchase of own shares	7	-	-
Current year non-equity appropriation payable but not declared	-	-	1,820
At 30 September 1995	<u>7</u>	<u>8,839</u>	<u>181</u>

The cumulative amount of goodwill resulting from acquisitions which has been written off at 24 September 1994 and 30 September 1995 is £13,950,000.

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17. Capital and reserves

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Equity				
Ordinary share capital	29	29	29	29
Share premium	8,839	8,839	8,839	8,839
Profit and loss account	(14,549)	(11,670)	181	16
	<u>(5,681)</u>	<u>(2,802)</u>	<u>9,049</u>	<u>8,884</u>
Accrued preference dividends	(4,601)	(2,781)	(4,601)	(2,781)
	<u>(10,282)</u>	<u>(5,583)</u>	<u>4,448</u>	<u>6,103</u>
Non-equity				
Preference share capital	12,510	12,517	12,510	12,517
Capital redemption reserve	7	-	7	-
Accrued preference dividends	4,601	2,781	4,601	2,781
	<u>17,118</u>	<u>15,298</u>	<u>17,118</u>	<u>15,298</u>
	<u>6,836</u>	<u>9,715</u>	<u>21,566</u>	<u>21,401</u>

The 10% and the 9% cumulative preference shares are redeemable at par by agreement in equal instalments on the following dates: 31 March 1998; 30 September 1998; 31 March 1999; 30 September 1999; 31 March 2000 and 30 September 2000. Payment of the 10% Preference Shares is subject to prior redemption of the 9% Preference Shares.

Samuel Montagu & Co Ltd have a right to subscribe as lender under a mezzanine facility for warrants for 6,138 "A" Ordinary shares in the capital of BrightReasons Group plc, representing 2% of the total diluted equity share capital of the company, which are exercisable on sale or flotation of the company or on the latter of 30 September 2000 or the final redemption of the company's preference shares.

The non-equity interest in shareholders funds can be analysed:

	Preference share capital £000	Accrued dividends £000	Total £000
10% cumulative preference shares	6,000	2,122	8,122
9% cumulative preference shares	6,053	2,479	8,532
"A" preference shares	457	-	457
Capital redemption reserve	7	-	7
	<u>12,517</u>	<u>4,601</u>	<u>17,118</u>

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17. Capital and reserves (continued)

Non-equity dividends payable have accrued over the following periods:

	Period ended					Total
	30 Sept 1991 £000	26 Sept 1992 £000	25 Sept 1993 £000	24 Sept 1994 £000	30 Sept 1995 £000	
10% Cumulative redeemable preference shares:						
Dividend accrued	300	600	770	689	756	3,115
Less: Crystallised fixed dividend paid	(300)	(600)	(93)	-	-	(993)
Accrued at 30 Sept 1995	0	0	677	689	756	2,122
9% Cumulative redeemable preference shares:						
Dividend accrued	-	-	452	963	1,064	2,479
	0	0	1,129	1,652	1,820	4,601

18. Reconciliation of movements in shareholders' funds

Group	1995 £000	1994 £000
(Loss)/Profit for the financial year	(2,879)	2,709
Dividends paid	-	(993)
Net proceeds of issue of share capital	-	1,093
Goodwill written off during the year	-	(616)
	<u>(2,879)</u>	<u>2,193</u>
Opening shareholders' funds	9,715	7,522
Closing shareholders' funds	<u>6,836</u>	<u>9,715</u>
Company		
Profit for the financial year	165	1,068
Dividends paid	-	(993)
Net proceeds of issue of share capital	-	1,093
	<u>165</u>	<u>1,168</u>
Opening shareholders' funds	21,401	20,233
Closing shareholders' funds	<u>21,566</u>	<u>21,401</u>

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19. Net cash inflows from operating activities

	1995 £000	1994 £000
Operating profit	(767)	5,867
Prior year adjustment (Note 1)	-	170
Depreciation of tangible fixed assets	4,259	3,402
(Profit) on sale of fixed assets	(139)	(113)
(Increase)/Decrease in stocks	(323)	60
(Increase) in debtors	(283)	(188)
(Decrease)/Increase in creditors	1,584	498
Increase in provisions	-	28
	<u>4,331</u>	<u>9,724</u>

20. Analysis of changes in financing during the year

	Share capital (Including premium) £000	Loans £000
At 25 September 1994	21,385	16,500
Net cash inflow from refinancing	-	4,000
Loan repayment	-	(1,500)
Accrual for finance cost	-	(35)
Purchase of own shares	(7)	-
At 30 September 1995	<u>21,378</u>	<u>18,965</u>

21. Analysis of changes in cash and cash equivalents during the year

	1995 £000	1994 £000
At 25 September 1994	4,117	1,502
Net cash inflow/(outflow)	(5,742)	2,615
At 30 September 1995	<u>(1,625)</u>	<u>4,117</u>

22. Analysis of changes in cash and cash equivalents as shown in the balance sheets

	Cash £000	Overdraft £000	1995 £000	1994 £000	Change in year £000
Cash at bank and in hand	<u>375</u>	<u>(2,000)</u>	<u>(1,625)</u>	<u>4,117</u>	<u>(5,742)</u>

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23. Capital commitments

	Group	
	1995	1994
	£000	£000
Contracted but not provided for	<u>560</u>	<u>221</u>
Authorised by the directors but not yet contracted	<u>638</u>	<u>277</u>

The company had no capital commitments (1994 £nil)

24. Operating lease commitments

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

	1995	1994
	£000	£000
Land and buildings		
Expiring within 1 year	790	178
Expiring in 2 to 5 years	1,359	1,417
Expiring thereafter	9,949	9,798
	<u>12,098</u>	<u>11,393</u>
Other		
Expiring within 1 year	63	39
Expiring in 2 to 5 years	146	168
	<u>209</u>	<u>207</u>

The company had no operating lease commitments (1994 £nil)

25. Pension costs

The total pension cost for the group was £254,000 (1994 £128,000). There are two pension schemes, the Executive scheme which is entirely defined contribution and was formed in the year (explaining the increase in the pension cost). The Group scheme is defined contribution in nature but has a guaranteed minimum level of benefits payable to certain members of the scheme. The assets of the schemes are held separately from those of the group and are invested with Mercury Asset Management plc who manage the funds on behalf of the schemes' trustees. The pension cost relating to the Group scheme is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit Credit Method. The latest actuarial valuation was at 6 April 1994. This showed that the value of the assets was sufficient to cover 125% of the benefits which had accrued to members after allowing for expected future increases in earnings. This surplus is being spread over the estimated future working lives of the members of the scheme whose benefits are defined. This treatment follows the recommendation of the actuary.

26. Post balance sheet events

On 13 May, 1996, Lord Sheppard and T O Thwaites resigned as directors of the Group. On 31 May, 1996, G Lane, M S Ludbrook and I S Baker resigned as directors of the Group. Dr A W Henfrey was appointed a director on 15 May 1996.