

**PAN EUROPEAN RESTAURANTS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**



**PAN EUROPEAN RESTAURANTS LIMITED**  
**COMPANY INFORMATION**

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**PAN EUROPEAN RESTAURANTS LIMITED**  
**COMPANY INFORMATION**

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**DIRECTORS**

Z Godik  
C McLean

**SECRETARY**

C McLean

**COMPANY NUMBER**

4278268

**REGISTERED OFFICE**

335 and 337 Fulham Road,  
Chelsea  
London  
SW10 9TW

**AUDITORS**

Horwath Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH, UK

**BANKERS**

Royal Bank of Scotland  
62/63 Threadneedle Street  
London  
EC2R 8LA

**PAN EUROPEAN RESTAURANTS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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The directors present their report and financial statements for the year ended 31 December 2005.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the company during the year was that of an intermediate holding company and provider of services to its subsidiaries.

The directors believe that the company will continue to trade profitably in the future.

**RESULTS AND DIVIDENDS**

The results for the year are set out on page 5.

**DIRECTORS**

The following directors have held office since 1 January 2005:

Z Godik	
C McLean	(appointed 15 December 2005)
S Coulthard	(resigned 28 February 2006)
D Storey	(resigned 30 September 2005)
R Davies	(resigned 17 January 2005)

**DIRECTORS' INTERESTS**

As described below, none of the directors had any direct interest in the share capital of the company at any time during the year. The interests of the directors in the parent companies are disclosed in the accounts of those companies.

	Ordinary shares in £1 each	
	31 December 2005	01 January 2005
Z Godik	-	-
C McLean	-	-
S Coulthard	-	-
D Storey	-	-

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish the company's auditors are aware of that information.

**AUDITORS**

In accordance with section 385 of the Companies Act 1985 a resolution proposing the reappointment of Horwath Clark Whitehill LLP as auditors to the company will be put to the Annual General Meeting.

By order of the Board

Director



28 July 2006

**PAN EUROPEAN RESTAURANTS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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*Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group at the end of the year and of the profit or loss of the group for the 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 assume that the group 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PAN EUROPEAN RESTAURANTS LIMITED**

We have audited the accounts of Pan European Restaurants Limited for the period ended 31 December 2005 set out on pages 5 to 11. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 opinion we have formed.

### **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 accounts 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 accounts, 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.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the accounts, 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.

### **Unqualified 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 2005 and of its loss for the year then ended and
- have been properly prepared in accordance with the Companies Act 1985.

*Horwath Clark Whitehill LLP*  
**Horwath Clark Whitehill LLP**  
Chartered Accountants and  
Registered Auditors  
28 July 2006

**PAN EUROPEAN RESTAURANTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
<b>TURNOVER</b>	2	<b>49,275</b>	24,179
Administrative expenses		<b>(47,203)</b>	(23,027)
<b>OPERATING PROFIT</b>		<b>2,072</b>	1,152
Fundamental reorganisation	5	<b>1,329,575</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>1,331,647</b>	1,152
Other interest receivable and similar income		-	-
Interest payable and similar charges	4	<b>(5,086)</b>	(640,548)
<b>PROFIT/(LOSS ) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,326,561</b>	(639,396)
Tax on loss on ordinary activities	7	-	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<b>1,326,561</b>	(639,396)

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

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

The notes on page 7 to 11 form part of these financial statements.

**PAN EUROPEAN RESTAURANTS LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments		13,186,419	13,186,419
<b>CURRENT ASSETS</b>			
Debtors:	9	221,007	5,754,555
Cash at bank and in hand		-	32,186
		<u>221,007</u>	<u>5,786,741</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(6,006,104)</u>	<u>(9,512,690)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(5,785,097)</u>	<u>(3,725,949)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,401,322	9,460,470
<b>CREDITORS: amounts falling due after more than one year</b>	11	<u>(7,996,519)</u>	<u>(11,382,228)</u>
		<u>(595,197)</u>	<u>(1,921,758)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	65,403	65,403
Profit and loss account	13	<u>(660,600)</u>	<u>(1,987,161)</u>
<b>EQUITY DEFICIT</b>	14	<u>(595,197)</u>	<u>(1,921,758)</u>

Approved by the Board on  
and signed on its behalf:

- Director



28 July 2006

**The notes on pages 8 to 11 form part of these financial statements.**



**PAN EUROPEAN RESTAURANTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**1. ACCOUNTING POLICIES**

**a) Accounting Convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The directors have taken advantage of the exemption provided by S.228 of the Companies Act 1985 not to prepare group accounts, on the grounds that the company itself a subsidiary undertaking and the results are included in the consolidated accounts of the ultimate parent undertaking, Gaucho Grill Holdings Limited. The accounts present information about the company as an individual undertaking and not as a group.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cashflow statement on the grounds that its parent company prepares consolidated financial statements.

**b) Going Concern**

The financial statements have been prepared on a going concern basis. In forming this opinion the directors have considered the working capital forecasts of the business and the group it is part of along with the future profitability of Gioma (UK) Limited.

**c) Turnover**

Turnover comprises admission charges and revenues from management services provided to its subsidiaries during the period.

**d) Deferred Taxation**

FRS 19 (Deferred Taxation) has been adopted for these accounts. In accordance with the standard full provision is made, at the rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts. Deferred tax is measured on a non-discounted basis.

**e) Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

**PAN EUROPEAN RESTAURANTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**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**

	2005 £	2004 £
Operating profit is stated after charging:		
Auditors' remuneration	16,182	20,000
Remuneration of auditors for non-audit work	<u>-</u>	<u>2,750</u>

**4. INTEREST PAYABLE**

On amounts payable to group companies	-	421,992
On bank loans and overdrafts	5,086	98,556
Other interest	<u>-</u>	<u>120,000</u>
	<u>5,086</u>	<u>640,548</u>

**5. FUNDAMENTAL REORGANISATION**

As part of the group restructuring, a loan was written off which was due payable to Gaucho Grill Limited of £1,223,760 plus the interest unpaid on the loan of £105,815.

**6. DIRECTORS' EMOLUMENTS**

The serving directors are remunerated via the parent company, Gaucho Grill Holdings Ltd, for services to the company.

**PAN EUROPEAN RESTAURANTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**7. TAXATION**

	2005 £	2004 £
<b>a) Analysis of tax charge for the period</b>		
Based on the assessable profit for the year:		
U.K. corporation tax at 30% (2003: 30%)	-	-
In respect of prior years	-	-
Deferred tax	-	-
	-	-

**b) Factors affecting the tax charge**

The tax charge for the period differs to the standard rate of corporation tax in the UK (30%) as explained below:

Profit on ordinary activities before tax	<b>1,326,561</b>	<b>(639,396)</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	<b>397,968</b>	<b>(191,819)</b>
Effects of:		
Group relief claimed		
Capital allowances in excess of depreciation	<b>17,412</b>	<b>191,819</b>
Permanent differences	<b>(55,416)</b>	-
In respect of prior years	<b>(359,964)</b>	-
	-	-

**8. FIXED ASSET INVESTMENTS**

				Shares in subsidiary undertakings £
Cost				
At 1 January 2005 and 31 December 2005				<b>13,186,419</b>
	Country of registration and of operation	Holding	Proportion of voting rights and shares held	Nature of business
Gaucha Grill Limited	England	Ordinary shares	100%	Intermediate Holding Company

**PAN EUROPEAN RESTAURANTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005 £	2004 £
<b>9. DEBTORS</b>		
Amounts owed by fellow subsidiary undertakings	96,062	5,754,555
Other debtors	<u>124,945</u>	<u>-</u>
	<u><b>221,007</b></u>	<u><b>5,754,555</b></u>
<b>10. CREDITORS: amounts falling due within one year</b>	2005 £	2004
Bank Loan	-	555,556
Amounts owed to parent and fellow subsidiary undertakings	5,483,859	7,561,192
Corporation tax	-	-
Amounts owed to related companies	-	645,776
Accruals and deferred income	<u>522,245</u>	<u>750,166</u>
	<u><b>6,006,104</b></u>	<u><b>9,512,690</b></u>
<p>Debentures and cross guarantees are given by all companies within the group to support the bank funding provided to the group – Gaucho Grill Holdings Limited, Inhoco 4065 Limited, Gaucho Grill Limited, Lundi Finance BV and Gioma (UK) Limited.</p>		
<b>11. CREDITORS: amounts falling due after more than one year</b>	2005 £	2004 £
Bank loans	-	833,332
Group Loan	7,991,676	-
Unsecured subordinated loan notes	<u>4,843</u>	<u>10,548,896</u>
Analysis of loans	7,996,519	11,382,228
Wholly repayable within five years	<u>7,996,519</u>	<u>11,937,784</u>
Loan maturity analysis		
In more than one year but not more than two years	-	1,388,888
In more than two years but not more than five years	<u>7,996,519</u>	<u>10,548,896</u>
<b>12. SHARE CAPITAL</b>	2004 £	2003 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
65,403 Ordinary shares of £1 each	<u>65,403</u>	<u>65,403</u>

**PAN EUROPEAN RESTAURANTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**13. STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT**

	Profit and loss account
	£
At 1 January 2005	(1,987,161)
Retained profit for the year	<u>1,326,561</u>
Balance at 31 December 2005	<u>(660,600)</u>

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	2005 £	2004 £
Profit for the financial year	1,326,561	(639,396)
Opening shareholders' funds	<u>(1,921,758)</u>	<u>(1,282,362)</u>
Closing shareholders' funds	<u>(595,197)</u>	<u>(1,921,758)</u>

**15. CONTROL**

The ultimate parent company and controlling entity is Gaucho Grill Holdings Limited, a company incorporated in England and Wales. During the year the company's was acquired by Inhoco 4065 Limited, a company owned by Gaucho Grill Holdings Limited (formerly Inhoco 4070 Limited). In January 2005 the group carried out a major restructuring exercise prior to its change in ownership to Gaucho Grill Holdings Limited. This included the sale, repayment and writing off of various inter-company balances of companies that were leaving the group. In addition, the group was the refinanced in 2005.

Copies of the financial statements of Gaucho Grill Holdings Limited are available from the company's registered office, 335 and 337 Fulham Road, London, SW10 9TW

**16. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption granted by paragraph 3(c) of the Financial Reporting Standard No. 8 not to disclose related party transactions.