

TRAGUS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Year ended 27 May 2007

Registered number 04349917



TRAGUS HOLDINGS LIMITED

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COMPANY INFORMATION

DIRECTORS:	M Mansigani J M Parsons G Turner
SECRETARY:	M Mansigani
AUDITORS:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
BANKERS:	Barclays Bank PLC 1 Churchill Place London E14 5HP
SOLICITORS:	Ashurst Broadwalk House 5 Appold Street London EC2A 2AH
REGISTERED OFFICE:	1st Floor 163 Eversholt Street London NW1 1BU
REGISTERED NUMBER:	04349917

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 27 May 2007

Principal activity

The principal activity of the company is to operate as a holding company to a group of companies that operate restaurants

Results and dividends

The profit after tax for the year amounted to £2,198,000 (2006 £760,000) The directors do not propose the payment of a dividend (2006 £nil)

Review of developments and future prospects

On 15 December 2006 the entire share capital of the existing ultimate parent undertaking, Tragus Limited, was purchased by Tragus Bidco Limited, registered in England and Wales The highest group company which is registered in England and Wales and for whom group accounts are prepared is Tragus Group Limited

The company will continue to be a holding company for the foreseeable future

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately Accordingly, the principal risks and uncertainties of Tragus Group Holdings Limited, which include those of the company, are disclosed in the group's annual report which does not form part of this report

Key performance indicators

The Directors of Tragus Group Holdings Limited manage the group's operations on a divisional basis For this reason, the Company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Tragus Holdings Limited The development, performance and position of the business of the group, which includes the company, is discussed within the Directors' Report of the Tragus Group Holdings Limited's financial statements which does not form part of this report

Directors

The directors who held office during the year were as follows

M Mansigan
J M Parsons
G Turner

Employee involvement

The board recognises the importance of employees being fully informed of events which directly affect them and their working conditions and to this end regular meetings are held with them Senior employees receive a bonus based upon business performance

Employment of disabled persons

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

On behalf of the Board of Directors



DIRECTOR

13 September 2007

1st Floor
163 Eversholt Street
LONDON
NW1 1BU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAGUS HOLDINGS LIMITED

We have audited the financial statements of Tragus Holdings Limited for the year ended 27 May 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

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 judgments 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 27 May 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

13/9/07

PROFIT AND LOSS ACCOUNT

Year ended 27 May 2007

	Notes	Before exceptional items 27 May 2007 £'000	Exceptional items 27 May 2007 (note 3) £'000	Total Year ended 27 May 2007 £'000	Total Year ended 28 May 2006 £'000
TURNOVER	1	10,435	-	10,435	7 991
Administrative expenses		<u>(9,198)</u>	<u>-</u>	<u>(9,198)</u>	<u>(6,860)</u>
OPERATING PROFIT	2	1,237	-	1,237	1,131
Exceptional items	3	-	612	612	-
Interest payable and similar charges	5	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,236</u>	<u>612</u>	<u>1,848</u>	<u>1,131</u>
Taxation	6			<u>350</u>	<u>(371)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				<u>2,198</u>	<u>760</u>

All activities are in respect of continuing operations

The Company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been prepared

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historic cost equivalent

TRAGUS HOLDINGS LIMITED

BALANCE SHEET

As at 27 May 2007

	Notes	27 May 2007 £'000	28 May 2006 £'000
FIXED ASSETS			
Tangible fixed assets	7	671	839
Investments	8	<u>37,285</u>	<u>37,285</u>
		<u>37,956</u>	<u>38,124</u>
CURRENT ASSETS			
Debtors	9	-	2
CREDITORS - amounts falling due within one year	10	<u>(736)</u>	<u>(322)</u>
NET CURRENT LIABILITIES		<u>(736)</u>	<u>(320)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		37,220	37,804
CREDITORS - amounts falling due after more than one year	11	(34,319)	(37,108)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(119)</u>	<u>(112)</u>
NET ASSETS		<u>2,782</u>	<u>584</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,403	1,403
Share premium account	14	850	850
Profit and loss account	14	<u>529</u>	<u>(1,669)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2,782</u>	<u>584</u>

These financial statements were approved by the Board of Directors and authorised for issue on 13th September 2007 and signed on its behalf by

H. Mansy -

Director

NOTES TO THE ACCOUNTS
Year ended 27 May 2007

1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Companies Act 1985 and applicable accounting standards. The accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared on the going concern basis and under the historical cost convention.

Tangible fixed assets

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives as follows:

- Leasehold improvements are depreciated to their estimated residual values over the shorter of 50 years, their estimated useful lives or their remaining lease periods.
- Retail furniture, fixtures and equipment are depreciated over 4 to 25 years.
- IT systems and equipment are depreciated over 5 to 8 years.

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

Investments

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

Taxation

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

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. This includes proposals to reduce the standard corporation tax rate to 28%. The changes had not been substantively enacted at the balance sheet date and, therefore, are not quantified in these financial statements.

Turnover

Turnover is the value of management fees recharged to other group companies solely within the UK. Turnover is recognised on upon the delivery of the services.

Leases

Rental payments in respect of operating leases are charged against operating profit over the period of the lease. Rental income in respect of operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease.

Rent free periods are recognised in the profit and loss account over the period to the first rent review.

Pension costs

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

Cash flow

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

NOTES TO THE ACCOUNTS
Year ended 27 May 2007

2 OPERATING PROFIT

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
<i>Operating Profit is stated after charging</i>		
Depreciation of fixed assets	69	68
Rentals under operating leases		
Land and buildings	163	163
Other operating leases	38	34
	<u>270</u>	<u>265</u>
	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Audit services		
Fees payable to company auditor for the audit of company accounts	6	10
Non Audit services		
Tax services	4	6
	<u>10</u>	<u>16</u>

The company bears the audit and non audit fees for the company and subsidiaries of the company

3 EXCEPTIONAL ITEMS

	Year ended 27 May 2007 £'000	Year ended 29 May 2005 £'000
Exceptional items	612	-

In October 2006, the Company recovered £612,000 from HM Revenue and Customs as a result of the withdrawal of Guidance E24. This guidance previously obliged the Company to pay an element of Employer's National Insurance contributions on gratuities received by restaurant staff. Upon the removal of this ruling the Company recovered the amount as disclosed above representing the total Employer's National Insurance contributions made by the Company during the period in which Guidance E24 was enforced.

4 STAFF COSTS

During the year ended 27 May 2007 the company and group employed the following average number of employees

	27 May 2007 Number	28 May 2006 Number
Administration	83	78

The aggregate payroll costs of these persons were as follows

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Wages and salaries	4,248	3,769
Social security costs	397	362
Other pension costs	101	102
	<u>4,746</u>	<u>4,233</u>

5 NET INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Other interest payable	1	-

NOTES TO THE ACCOUNTS
Year ended 27 May 2007

6. TAXATION

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Current taxation on profits for the year		
UK Corporation Tax	-	357
Credit relating to prior year	(357)	-
Total current taxation	(357)	357
Deferred tax		
Timing differences	6	11
Prior year	0	3
Total deferred taxation	7	14
Total taxation (credit) / charge	(350)	371
Factors affecting the tax charge for the year		
Profit before tax	1,848	1,131
Tax at current UK Corporation Tax rate of 30% (2006 30%)	554	339
The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (2007 30%, 2006 30%). The differences are		
Effect of		
Capital allowances in excess of depreciation	1	(11)
Expenses not deductible for tax purposes	34	29
Credit relating to prior year	(357)	-
Group relief	(589)	-
Current tax (credit) / charge for the year	(357)	357

The taxation effect of the exceptional items during the year is a credit of £184,000 (2006 credit of £695,000)

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Total £'000
Cost			
At 29 May 2006	384	615	999
Disposals	(113)	-	(113)
Additions	-	14	14
At 27 May 2007	271	629	900
Accumulated depreciation			
At 29 May 2006	(97)	(63)	(160)
Charge for the year	(48)	(21)	(69)
At 27 May 2007	(145)	(84)	(229)
Net book amount			
At 27 May 2007	126	545	671
At 28 May 2006	287	552	839

NOTES TO THE ACCOUNTS

Year ended 27 May 2007

8 INVESTMENTS

Shares in
subsidiary
undertakings

£'000

Cost and net book amount at 27 May 2007 and 29 May 2006

37,285

At 27 May 2007 the principal undertakings in which the company's interest at the year end is more than 20% are as follows

Subsidiary undertaking	Activity	Country of registration and incorporation	% of ordinary shares held
Cafe Rouge Restaurants Limited *	Restaurateur	England and Wales	100%
Oriel Restaurants Limited	Restaurateur	England and Wales	100%
Café Rouge Limited	Dormant	England and Wales	100%
Handyminster Limited	Non-trading	England and Wales	100%
Heathgate Restaurants Limited	Restaurateur	England and Wales	98%
Ortega Bars Limited	Restaurateur	England and Wales	100%
Abbaye Restaurants Limited	Restaurateur	England and Wales	100%
Mamma Amalfi Restaurants Limited #	Restaurateur	England and Wales	100%
Bella Italia Group Limited *	Non-trading	England and Wales	100%
Bella Italia Restaurants Limited	Restaurateur	England and Wales	100%
Ortega Restaurants Limited	Restaurateur	England and Wales	100%
Novaside Limited	Dormant	Republic of Ireland	100%

* These subsidiaries are held directly by Tragus Holdings Limited. All other investments are held by subsidiary undertakings

Preference and ordinary shares held

9 DEBTORS

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Prepayments and accrued income	<u>-</u>	<u>2</u>

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Trade creditors	-	79
Accruals and deferred income	<u>736</u>	<u>243</u>
	<u>736</u>	<u>322</u>

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Year ended 27 May 2007 £'000	Year ended 28 May 2006 £'000
Amounts owed to group undertakings	<u>34,319</u>	<u>37,108</u>

Amounts owed to group undertakings are interest free, unsecured and have no fixed repayment date. It is not expected that these amounts will be repaid in less than twelve months.

NOTES TO THE ACCOUNTS

Year ended 27 May 2007

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax 27 May 2007 £'000
Opening balance	112
Charged during the year	7
Closing balance	119

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

	Provided Year ended 27 May 2007 £'000	Provided Year ended 28 May 2006 £'000
Difference between depreciation and capital allowances	112	109
Provisions	7	3
	119	112

13 SHARE CAPITAL

	Authorised 27 May 2007 £'000	Authorised 28 May 2006 £'000
63 048,246 'A' ordinary shares of 2p each	1,261	1 261
222,950 'B' ordinary shares of 2p each	5	5
1 250,000 ordinary shares of 2p each	25	25
5,614,034 deferred shares of 2p each	112	112
	1,403	1 403
	<u>Called up, allotted and fully paid 27 May 2007 £'000</u>	<u>Called up, allotted and fully paid 28 May 2006 £'000</u>
63,048,246 "A" ordinary shares of 2p each	1,261	1,261
222 950 "B" ordinary shares of 2p each	5	5
1,250 000 ordinary shares of 2p each	25	25
5,614,034 deferred shares of 2p each	112	112
	1,403	1,403

All ordinary shares (A ordinary 'B" ordinary and ordinary) and deferred shares have no rights to dividends other than those recommended by directors have no redemption rights and have one vote per share

14 STATEMENT OF MOVEMENTS ON RESERVES

Company	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 28 May 2006	850	(1,669)	(819)
Profit retained for the year	-	2 198	2 198
At 27 May 2007	850	529	1,379

NOTES TO THE ACCOUNTS**Year ended 27 May 2007****15 LEASE COMMITMENTS**

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

Between one and two years
Between two and five years

<u>Land and Buildings</u>	<u>Land and Buildings</u>
<u>27 May 2007</u>	<u>28 May 2006</u>
<u>£'000</u>	<u>£'000</u>
163	-
-	163
<u>163</u>	<u>163</u>

16 PENSIONS COSTS

The company contributes to a stakeholder pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable in respect of the accounting period and amounted to £101,000 (2006: £102,000). There were outstanding contributions at the end of the financial year of £28,000 (2006: £24,000).

17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given in Financial Reporting Standard No 8 not to disclose transactions with other group companies.

18 PARENT UNDERTAKING

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

The Group considers the Blackstone Group Limited who own 80.2% of the ordinary share capital of Tragus Cayco Limited as the ultimate controlling party.