

TRAGUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

Registered number 05313454



TRAGUS GROUP HOLDINGS LIMITED

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COMPANY INFORMATION

DIRECTORS	G Turner M Mansiganı J Parsons
SECRETARY:	M Mansiganı
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	05313454

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 week period ended 25 May 2008

Principal activity

At period end, the principal activity of the company is that of operating restaurants. In the prior period, the principal activity was that of a holding company.

Results and Dividends

The loss after tax for the period amounted to £6,022,545 (2007: £7,218,795). The directors do not propose the payment of a dividend (2007: £nil).

Review of developments and future prospects

During the period the company opened eight concessions in Center Parcs operations in the United Kingdom with an additional one concession beginning to trade in June 2009. These concessions are a mixture of Café Rouge, Bella Italia, Strada & Ortega brands.

The company will continue to operate restaurants 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 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 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 Group Holdings Limited. The development, performance and position of the business of the group, which includes the company, is discussed within the Directors' Report of Tragus Group Limited's financial statements which does not form part of this report.

Directors

The directors who held office during the period were as follows:

G Turner
M Mansigani
J Parsons

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 of the profit or loss of the company 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.

DIRECTORS' REPORT

Statement of Directors responsibilities (continued)

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 and disclosure of information to 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

Auditors

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



G Turner
DIRECTOR

10 September 2008

1st Floor
163 Eversholt Street
LONDON NW1 1BU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAGUS GROUP HOLDINGS LIMITED

We have audited the financial statements of Tragus Group Holdings Limited for the 52 week period ended 25 May 2008 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 25 May 2008 and of its loss for the 52 week period 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*

15TH SEPTEMBER 2008

PROFIT AND LOSS ACCOUNT

52 weeks ended 25 May 2008

		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended
Notes	25 May 2008	25 May 2008	(note 3)	25 May 2008	27 May 2007	27 May 2007	27 May 2007
		£	£	£	£	£	£
TURNOVER	1	6,548,540	-	6,548,540	-	-	-
Cost of sales		<u>(6,211,172)</u>	<u>-</u>	<u>(6,211,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT		337,368	-	337,368	-	-	-
Administrative expenses		<u>(323,362)</u>	<u>(590,169)</u>	<u>(913,531)</u>	<u>(64,999)</u>	<u>(17,217)</u>	<u>(82,216)</u>
OPERATING LOSS	2	14,006	(590,169)	(576,163)	(64,999)	(17,217)	(82,216)
Interest payable and similar charges	5	<u>(5,433,488)</u>	<u>-</u>	<u>(5,433,488)</u>	<u>(6 152 919)</u>	<u>(983,660)</u>	<u>(7,136,579)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,419,482)	(590,169)	(6,009,651)	(6,217,918)	(1,000,877)	(7,218,795)
Taxation	6			<u>(12,894)</u>			<u>-</u>
LOSS FOR THE PERIOD				<u><u>(6,022,545)</u></u>			<u><u>(7,218,795)</u></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 loss on ordinary activities before taxation and the loss for the period stated above and their historic costs equivalent

BALANCE SHEET

As at 25 May 2008

	Notes	25 May 2008 £	27 May 2007 £
FIXED ASSETS			
Investments	7	71,567,900	71,567,900
Tangible assets	8	<u>267,651</u>	<u>-</u>
		71,835,551	71,567,900
CURRENT ASSETS			
Stock - raw materials		76,288	-
Debtors	9	4,938,974	9,111,069
Cash at bank and in hand		<u>2,380</u>	<u>-</u>
		5,017,642	9,111,069
CREDITORS - amounts falling due within one year	10	<u>(592,879)</u>	<u>-</u>
NET CURRENT ASSETS		<u>4,424,763</u>	<u>9,111,069</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		76,260,314	80,678,969
CREDITORS - amounts falling due after more than one year	11	(75,716,276)	(74,125,280)
PROVISION FOR LIABILITIES AND CHARGES	12	<u>(12,894)</u>	<u>-</u>
NET ASSETS		<u>531,144</u>	<u>6,553,689</u>
CAPITAL AND RESERVES			
Called up share capital	13	346,500	346,500
Share premium account	14	26,677,941	26,677,941
Profit and loss account	14	<u>(26,493,297)</u>	<u>(20,470,752)</u>
TOTAL SHAREHOLDERS' FUNDS	15	<u>531,144</u>	<u>6,553,689</u>

These financial statements on pages 5 to 13 were approved by the Board of Directors and authorised for issue on 10th September 2008 and signed on its behalf by

M. Mansigani

M Mansigani
Director

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

1 ACCOUNTING POLICIES

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

Accounting convention

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

Turnover

Turnover is the value of goods and services sold at restaurants, solely within the UK, as part of the company's continuing ordinary activities net of sales based taxes and discounts. Turnover is recognised on provision of goods and services.

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 their remaining lease periods, except where the anticipated renewal or extension of the lease is sufficiently certain that a longer estimated useful life is appropriate. Current legislation and the terms of the lease contracts are such that in most instances, leases are readily extendible by an additional 14 years. The maximum depreciation period for leasehold improvements is 30 years.
- Furniture, fixtures and equipment are depreciated over 4 to 25 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.

Stocks

Stocks are valued at the lower of cost and net realisable value and on a first in first out basis.

Vacant properties

Onerous contract provisions are made for the future net costs of leasehold properties which are vacant, loss making or sub-let below passing rent. Provisions are based on estimated future net cash outflows.

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.

The 2007 Finance Act reduced the main rate of UK corporation tax from 30% to 28% effective 1 April 2008 and this change is reflected in these financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

1 ACCOUNTING POLICIES (CONTINUED)

Finance costs

In accordance with FRS 4, costs associated with raising loan finance and equity shares are recorded against the loan principal and share premium account respectively. Loan finance costs are amortised to the profit and loss account over the shorter of the life of the relevant loan and the expected payment period at a constant rate of return on the carrying amount.

Pre-opening costs

Property rentals and other pre-opening costs incurred to the date of opening a new restaurant are all written off to the profit and loss account in the period in which they arise.

Cash

Cash held within this company is not cash held at bank, rather represents the cash floats held at restaurant sites. There will be no finance charges associated with this cash in the Profit and Loss Account.

Cash flow

As permitted by Financial Reporting Standard 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.

2 OPERATING LOSS

	52 weeks ended 25 May 2008 £	52 weeks ended 27 May 2007 £
Operating loss is stated after charging		
Depreciation of fixed assets (see note 7)	3,232	-
Exceptional items (see note 3)	590,169	17,217
Rentals under operating leases		
Land and buildings	<u>1,695,245</u>	<u>-</u>
 Audit and tax fees are borne for the company by Tragus Holdings Limited, split as follows	 52 weeks ended 25 May 2008 £	 52 weeks ended 27 May 2007 £
Audit services		
Fees payable to company auditor for the audit of company accounts	6,000	-
Fees payable to company auditor for the audit of parent company and consolidated accounts	-	11,000
Non audit services		
Tax services	<u>1,000</u>	<u>7,000</u>

3 EXCEPTIONAL ITEMS

	52 weeks ended 25 May 2008 £	52 weeks ended 27 May 2007 £
Restaurant pre-opening costs	590,169	-
Write off old loan costs	-	983,660
Deal fees	<u>-</u>	<u>17,217</u>
	<u>590,169</u>	<u>1,000,877</u>

The pre-opening costs incurred on opening the restaurants at Center Parcs are disclosed separately under exceptional items as they are material in size and considered one off in nature.

Deal fees were incurred on finance restructuring in the prior period.

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

4 STAFF COSTS

The company employed the following average number of employees during the period

	52 weeks ended 25 May 2008 Number	52 weeks ended 27 May 2007 Number
Restaurant staff	<u>318</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows

	52 weeks ended 25 May 2008 £	52 weeks ended 27 May 2007 £
Wages and salaries	2,013,903	-
Social security costs	161,952	-
Other pension costs	<u>16,746</u>	<u>-</u>
	<u>2,192,601</u>	<u>-</u>

None of the directors received any remuneration in respect of their services for the company during the period

5 NET INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 25 May 2008 £	52 weeks ended 27 May 2007 £
Amortisation of loan costs	-	138,275
On mezzanine debt	-	331,075
On bank loans and overdrafts	2,325	2,697,794
Early redemption fees	-	626,396
Intercompany interest payable	<u>5,431,163</u>	<u>2,363,202</u>
Interest payable before exceptional items	<u>5,433,488</u>	<u>6,156,742</u>
Loan cost write off	-	983,660
Total interest payable	<u>5,433,488</u>	<u>7,140,402</u>
Other interest receivable	<u>-</u>	<u>(823)</u>
Net interest payable and similar charges	<u>5,433,488</u>	<u>7,139,579</u>

Interest is payable on the intercompany loan the company holds with Tragus Bidco Limited, at LIBOR plus 3%

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

6 TAXATION

	52 weeks ended 25 May 2008 £	52 weeks ended 27 May 2007 £
Current taxation on profits for the period		
UK corporation tax	-	-
Total current taxation	-	-
Deferred tax		
Timing differences	12,894	-
Total deferred taxation (note 12)	12,894	-
Total taxation charge	12,894	-
Factors affecting the tax charge for the period		
Profit on ordinary activities before tax	(6,009,651)	(7,218,795)
Tax at current UK Corporation Tax rate of 29.67% (2007: 30%)	(1,783,063)	(2,165,639)
Effect of		
Expenses not deductible for tax purposes	393	708,961
Capital allowances in excess of depreciation	(13,414)	-
Losses surrendered to group companies	1,796,084	1,456,678
Current tax charge for the period	-	-

The corporation tax rate was reduced to 28% from 30% on 1 April 2008. The pro-rated corporation tax rate for the year is 29.67%.

The taxation effect of the exceptional items during the period is a credit of £175,103.

7 INVESTMENTS

	Shares in subsidiary undertakings £
<u>Cost and net book amount</u>	
At 25 May 2008 and 27 May 2007	71,567,900

At 25 May 2008 the principal undertakings in which the company's interest at the period end is more than 20% are as follows:

Subsidiary undertaking	Activity	Country of registration and incorporation	% of ordinary shares held
Tragus Holdings Limited *	Holding company	England and Wales	100%
Cafe Rouge Restaurants Limited	Restaurateur	England and Wales	100%
Oriel Restaurants Limited	Restaurateur	England and Wales	100%
Cafe Rouge Limited	Dormant	England and Wales	100%
Handymminster 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%
Huxleys Bar & Kitchen Limited (formerly Bunters Restaurants Limited)	Restaurateur	England and Wales	100%
Novaside Limited	Dormant	Republic of Ireland	100%

* This subsidiary is held directly by Tragus Group Holdings Limited. All other investments are held by subsidiary undertakings.

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Tragus Bidco Limited, a company registered in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

8 TANGIBLE ASSETS

	Leasehold properties £	Furniture, fixtures & equipment £	Total £
<u>Cost</u>			
At 27 May 2007	-	-	-
Additions	151,668	119,215	270,883
At 25 May 2008	151,668	119,215	270,883
<u>Accumulated depreciation</u>			
At 27 May 2007	-	-	-
Charge for the period	(2,109)	(1,123)	(3,232)
At 25 May 2008	(2,109)	(1,123)	(3,232)
<u>Net book amount</u>			
At 25 May 2008	149,559	118,092	267,651
At 27 May 2007	-	-	-

9 DEBTORS

	25 May 2008 £	27 May 2007 £
Other debtors	5,447	10,011
Prepayments and accrued income	14,607	-
Amounts owed by group undertakings	4,918,920	9,101,058
	<u>4,938,974</u>	<u>9,111,069</u>

Amounts owed by group undertakings have no fixed repayment date, are interest free and unsecured

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	25 May 2008 £	27 May 2007 £
Other creditors	70,820	-
Accruals and deferred income	522,059	-
	<u>592,879</u>	<u>-</u>

11 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	25 May 2008 £	27 May 2007 £
Amounts owed to group undertakings	<u>75,716,276</u>	<u>74,125,280</u>

Amounts owed to group undertakings have no fixed repayment date, are interest free and unsecured except for the intercompany loan with Tragus Bidco Limited on which interest is charged (see note 5). Repayment of these balances will not be sought by fellow group undertakings within the next 12 months and therefore they are classified as falling due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 27 May 2007	-
Charge in the period (note 6)	12,894
At 25 May 2008	<u>12,894</u>

The amounts provided for deferred taxation are set out below

	Provided 25 May 2008 £	Provided 27 May 2007 £
Capital allowances in excess of depreciation	<u>12,894</u>	<u>-</u>

13. SHARE CAPITAL

	Authorised 25 May 2008 £	Authorised 27 May 2007 £
145,000 ordinary shares of 10p each	14,500	14,500
2,945,250 A ordinary shares of 10p each	294,525	294,525
519,750 B ordinary shares of 10p each	51,975	51,975
	<u>361,000</u>	<u>361,000</u>
	Called up, allotted and fully paid 25 May 2008 £	Called up, allotted and fully paid 27 May 2007 £
2,945,250 A ordinary shares of 10p each	294,525	294,525
519,750 B ordinary shares of 10p each	51,975	51,975
	<u>346,500</u>	<u>346,500</u>

The share capital of the Company is owned by Tragus Limited. All ordinary shares have no right to dividends other than those recommended by directors, have no redemption rights and have one vote per share.

14. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss account £	Total £
As at 27 May 2007	26,677,941	(20,470,752)	6,207,189
Loss for the period	-	(6,022,545)	(6,022,545)
At 25 May 2008	<u>26,677,941</u>	<u>(26,493,297)</u>	<u>184,644</u>

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 25 May 2008

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	25 May 2008 £	27 May 2007 £
Opening shareholders' funds	6,553,689	13,772,484
Loss for the financial period	<u>(6,022,545)</u>	<u>(7,218,795)</u>
Closing shareholders' funds	<u>531,144</u>	<u>6,553,689</u>

16 LEASE COMMITMENTS

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

	25 May 2008 £	27 May 2007 £
After five years	<u>1,957,200</u>	<u>-</u>

17 PENSION 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 £16,746 (2007: £nil). There were no outstanding contributions at the end of the financial period (2007: £nil).

18 RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Tragus Group Limited and has taken advantage of the exemption given in Financial Reporting Standard no. 8 not to disclose transactions with other group companies.

19 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 Bidco 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 as the ultimate controlling party by way of its majority shareholding of Tragus Cayco Limited.