TCR COMPANY B LTD

STATUTORY FINANCIAL ACCOUNTS FOR THE PERIOD ENDING 31 JANUARY 2010

COMPANY NO. 6002345

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TCR COMPANY B LTD

DIRECTORS & ADVISERS

DIRECTORS

M Winter	(Chief Executive Officer)
J Slipper	(Resigned on 23 February 2011)

SECRETARY AND REGISTERED OFFICE

M Fisher
Unit 6
Dundee Way
Enfield
EN3 7SX

COMPANY NUMBER

6002345

AUDITORS

BDO LLP
55 Baker Street
London W1U 7EU

CORPORATE SOLICITORS

DLA Piper LLP
3 Noble Street
London EC2V 7EE

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 JANUARY 2010

The directors present their report together with the audited financial statements for the 52 week period ended 31 January 2010

RESULTS AND DIVIDENDS

The results for the company for the period to 31 January 2010 are set out on page 9

The directors do not recommend the payment of a final ordinary dividend

DIRECTORS

The directors of the Company during the period were

M Winter
J Slipper

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of the Town Centre Restaurants group of companies The ultimate parent company as set out in note 11 to the accounts is Town Centre Restaurants Group Ltd

There have not been any significant changes in the company's activities in the year under review During the year, the directors decided to impair investments by £7,577,000 (2009 £1,092,000) to reflect the current asset value of its investment

The company is a holding company of Town Centre Restaurants Ltd, a company which operates counter service cafes trading as Café Giardino in major UK shopping centres and restaurants trading as Auberge and Azzurro in the south of England There have not been any significant changes in the group's activities in the year under review The business review of Town Centre Restaurants is set out in that company's annual report

The economic environment has given rise to significant challenges and uncertainties Subsequent to the year end, the Group breached its banking covenants but has since entered into a revised agreement reducing the overall indebtedness of the Group and providing the Group with long term committed facilities Further details are given in the accounts of Town Centre Restaurants Group Ltd

The company is reliant on the group for the provision of finance to support its ongoing trading activities and the basis of preparing the accounts on the going concern basis is set out in note 1 of the financial statements

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the company are discussed in note 1 to the accounts

FINANCIAL INSTRUMENTS

Details of the financial risk management objectives and policies, and details of the use of financial instruments are set out below

The company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies
The company is financed principally by intercompany loans

Exposure to interest rates is reviewed regularly by the directors The company utilises financial instruments to limit the company's exposure to movements in interest rates, where in the opinion of the directors, the expected benefits of such arrangements exceed the expected costs or at the request of the company's lenders

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 JANUARY 2010
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CREDITORS PAYMENT POLICY AND PRACTICE
It is the Company's policy to agree terms of business with suppliers prior to the supply of goods or services In the absence of any dispute, the Company pays, wherever possible, in accordance with these agreed terms

AUDITORS
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

In preparing the Directors' Report, the directors have taken advantage of the exemptions allowed for small companies as set out in the Companies Act 2006

By order of the Board

M Winter
Director

Date 23 February 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and 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) Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose, with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

TCR COMPANY B LTD

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF TCR COMPANY B LIMITED

We have audited the financial statements of TCR Company B Ltd for the period ended 31 January 2010 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2010 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

REPORT OF THE INDEPENDENT AUDITORS

CONTINUED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime

BDO LLP

David Campbell (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 23 February 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 JANUARY 2010

	Note	2010	2009
		£'000	£'000
Administrative expenses - impairment of fixed assets investments		(7,577)	(1,072)
Operating loss	2	(7,577)	(1,072)
Interest receivable		-	-
Interest payable and similar charges	3	(769)	(1,958)
Loss on ordinary activities before taxation		(8,346)	(3,030)
Taxation on loss from ordinary activities	4	-	-
Loss on ordinary activities after taxation		(8,346)	(3,030)

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account, accordingly no separate statement of total recognised gains and losses is presented

The notes on pages 11 to 16 form part of these financial statements

TCR COMPANY B LTD

BALANCE SHEET AT 31 JANUARY 2010

Company number 6002345

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	5	716	8,293
		716	8,293
Current assets			
Debtors	6	7	7
Cash at bank and in hand		-	-
		7	7
Creditors amounts falling due within one year	7	38,238	37,469
Net current liabilities		(38,231)	(37,462)
Total assets less current liabilities		(37,515)	(29,169)
Capital and reserves			
Called up share capital	8	582	582
Share premium reserve	9	708	708
Profit and loss account	9	(38,805)	(30,459)
Shareholders' deficit		(37,515)	(29,169)

The financial statements were approved by the Board and authorised for issue on 23 February 2011

M Winter
Director

The notes on pages 11 to 16 form part of these financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2010

1 **Accounting policies:** The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards These financial statements represent the 52 trading weeks to 31 January 2010 (2009 52 trading weeks to 1 February 2009) The following accounting policies have been applied

Basis of preparation - going concern: As described in the directors' report on pages 4 and 5 the current economic environment is extremely challenging The consolidated financial statements of Town Centre Restaurants Group Ltd, of which this company is a subsidiary, show an operating loss for the period and a net liabilities position The directors' consider that the outlook presents significant challenges in terms of sales volume and pricing as well as operating costs In addition, the group's borrowing costs are currently linked to the LIBOR rate, and therefore, any future increase in interest payable would also present a significant challenge

Subsequent to the year end, in July 2010, the Group breached its banking covenants, and the facilities became repayable on demand Discussions commenced with the group's principal lenders and the shareholders to restructure the current banking facilities on a longer term basis

Additionally the Group entered into discussions with certain of the Group's landlords to restructure and reduce the rental obligations on a number of the group's leasehold premises

In February 2011, these negotiations were successfully concluded with both the Group's principal lenders and a number of the landlords, and as a result the Group has agreed new long term banking facilities and reduced its future rental charges and total indebtedness Further details of the new facilities are set out in note 14

The directors have prepared projected group forecasts and cash flow information for the period ending 12 months from the date of their approval of these financial statements, taking into account the outcomes of the discussions with the Group's landlords and the revised bank facilities The forecasts assume that management will be able to halt the like for like sales declines that the Group has experienced in recent years The reduction in 2010 was less than previously experienced at 3% over the continuing estate, and the management are forecasting that sales will be flat at continuing units over the next twelve months, based on the measures that the management team are taking at an operational level to ensure the group is best placed to meet the challenges of the tougher trading conditions

On the basis of this cash flow information, the directors consider that the group will be able to operate within the new facilities, repayment terms and covenants agreed At certain times the headroom on the covenants is not large, but management are confident that mitigating actions could be taken where necessary to ensure covenant compliance is achieved

Investments: Fixed asset investments are shown at cost less provision for impairment

Corporation tax: Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax: Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

TCR COMPANY B LTD

NOTES CONTINUED

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Cash flow statement: The company has taken advantage of the exemption conferred by FRS 1 "Cash flow statements (revised in 1996)" not to prepare a cash flow statement on the grounds that its results will be incorporated in the consolidated financial statements of its parent company, Town Centre Restaurants Group Ltd

Dividends. Dividends are recognised when they become legally payable In the case of interim dividends to equity shareholders this is when paid by the company In the case of final dividends, this is when approved by the shareholders

Consolidated accounts and a cashflow have not been prepared as the company is a wholly owned subsidiary Group accounts are prepared by Town Centre Restaurants Group Ltd

2 Operating loss

	2010	2009
	£'000	£'000
This is arrived after charging		
Impairment of fixed asset investments	7,577	1,072

The audit fee of £2,000 for TCR Company B Ltd is borne by Town Centre Restaurants Ltd

3 Interest payable and similar charges

	2010	2009
	£'000	£'000
Loan interest	769	1,958
	769	1,958

NOTES CONTINUED

4 Taxation

The tax assessed for the period is higher than the standard rate of corporation tax in the UK The differences are explained below

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(8,346)	(3,030)
Loss on ordinary activities at the average standard rate of UK corporation tax of 28% (2009 28 3%)	(2,337)	(857)
Effects of		
Expenses not allowable for tax purposes	-	-
Group relief	-	24
Impairment of fixed asset investments	2,121	303
(Utilisation of)/increase in unrecognised tax losses	216	530
Losses not utilised	-	-
Corporation tax charge for the period	-	-

Deferred tax has not been provided on schedule DIII deficit carried forward in TCR Company B Ltd of approximately £2,800,000 as there is insufficient evidence that this will be recovered

NOTES CONTINUED

5 Fixed asset investments

Company

Subsidiary undertakings	£'000
Cost	
At 2 February 2009 and at 31 January 2010	34,154
Provisions	
At 2 February 2009	25,861
Provided for the period	7,577
At 31 January 2010	33,438
Net Book Value	
At 31 January 2010	716
At 1 February 2009	8,293

The principal subsidiary undertakings at 31 January 2010 were as follows

Business	Proportion of Ordinary Shares held	Nature of Business
Town Centre Restaurants (Holdings) Ltd	100%	Holding Company
Town Centre Restaurants Ltd *	100%	Restaurants

Each company is registered and operates in England and Wales

* investment held indirectly

6 Debtors

	2010 £'000	2009 £'000
Amounts owed by group undertakings	7	7
	7	7

NOTES CONTINUED

7 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Accruals and deferred income	-	-
Amounts owed to parent company	38,238	37,469
	38,238	37,469

8 Share capital

Authorised	2010 Number	2009 Number	2010 £'000	2009 £'000
Ordinary share of 0 1p each	582,145,285	582,145,285	582	582

Allotted, called up and fully paid				
Ordinary share of 0 1p each	582,145,285	582,145,285	582	582

9 Reserves

	Share Premium Reserve £'000	Profit and loss reserve £'000
At 2 February 2009	708	(30,459)
Loss for the period	-	(8,346)
At 31 January 2010	708	(38,805)

10 Reconciliation of movements in shareholders' (deficit)/funds

	Company 2010 £'000	Company 2009 £'000
Loss for the period	(8,346)	(3,030)
Net reduction in shareholders' deficit	(8,346)	(3,030)
Opening shareholders' (deficit)/funds	(29,169)	(26,139)
Closing shareholders' deficit	(37,515)	(29,169)

NOTES CONTINUED

11 Ultimate parent company

At 31 January 2010, the company's immediate parent company was TCR Company A Ltd Town Centre Restaurants Group Ltd and TCR Company A Ltd are the parent undertaking of, respectively, the largest and smallest groups in which TCR Company B Ltd is included Copies of the consolidated financial statements of Town Centre Restaurants Group Ltd are available from Companies House

12 Related party disclosures

The company has taken advantage of the exemptions granted by Financial Reporting Standard 8 "Related party transactions" from disclosing transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction, is wholly owned by a member of the group

13 Ultimate controlling party

At the year end, the ultimate controlling party was Gresham LLP, a private equity fund

14 Post balance sheet events

Subsequent to the year end, the Group breached its banking covenants, and discussions commenced with the group's shareholders and principal lenders to restructure the current banking facilities In addition the Group commenced discussions with certain of the Group's landlords to restructure and reduce the rental obligations on a number of the group's leasehold premises

In February 2011, these negotiations were successfully concluded with the group's shareholders, principal lenders and a number of the landlords, and as a result the Group has agreed new 7 year committed long term facilities of £9 5m and reduced its future rental charges As part of this restructuring, the interest swap arrangement has been cancelled and the loans and loan notes liabilities of the group reduced to £9 5m