TRAGUS GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the 52 weeks ended 27 May 2012

Registered number 06022528

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COMPANY INFORMATION

DIRECTORS	C Gurassa G Thorley J Baratta A Roux R de Botton J Derkach M Mansigani
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 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	06022528

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Tragus Group Limited (the Company) together with its subsidiaries (the Group) for the 52 weeks ended 27 May 2012 The comparatives are for the 52 weeks ended 29 May 2011

Business review and principal activities
Tragus Group Limited is one of the largest independently owned mid-market restaurant operators in the UK and operates primarily under the brands of Cafe Rouge Bella Italia and Strada The Companys parent company is Tragus Cayco Holdco Limited a company incorporated in the Cayman Islands and ultimately controlled by private equity funds managed by The Blackstone Group in New York

The Company is a 100% owned subsidiary of Tragus Cayco Limited and is the highest company in the group which is registered in England and Wales for which group financial statements are prepared

Results, dividends and future developments
The results for the Group for the 52 weeks ended 27 May 2012 show an operating profit before amortisation depreciation and exceptional items of £39 714 000 (52 weeks ended 29 May 2011 £40 847 000) The Groups turnover for the 52 weeks ended 27 May 2012 was £286 270 000 (52 weeks ended 27 May 2011 £277 428 000)

Net exceptional costs of £871 000 were incurred by the Group for the 52 weeks ended 27 May 2012 (52 weeks ended 29 May 2011 £2 299 000) These costs are considered exceptional per the accounting policies set out in Note 1 and related to the impairment of fixed assets movements in onerous contract provisions accruals for share based payments brand development refinancing and re organisation costs sale of leased assets and release of inter-company debt

The results for the Group for the 52 weeks ended 27 May 2012 show a loss on ordinary activities after tax and before minority interest of £19 317 000 (52 weeks ended 29 May 2011 £14 543 000)

The Group has net debt of £314 971 000 as at 27 May 2012 (as at 29 May 2011 £324 450 000) No dividends have been declared in the period (2011 nil)

Interest costs for the Group have increased from £21 121 000 for the 52 weeks ended 29 May 2011 to £24 193 000 for the 52 weeks ended 27 May 2012

The Group continued to grow sales in a difficult economic climate In addition investment was made in the refurbishment of the Strada brand and customer service initiatives as well as operating efficiency initiatives

During the period the Group agreed amendments to its banking facilities As a result of this amendment the Group has geared the appropriate level of funds to invest in its business and brands until the refinancing of the facilities in mid 2015

The Group will continue to operate restaurants for the foreseeable future

During the period the Group opened 15 new sites across the estate (2011 11) and plans to open around 10 new sites in the next financial period

Business environment
The UK restaurant market comprises of a large number of operators ranging from single owner managed restaurants to large multi site branded operations Tragus Group Limited is one of the largest mid market restaurant operators in the UK with 299 restaurants as at 27 May 2012 (as at 29 May 2011 295 restaurants)

In a challenging economic environment 2012 was characterised by continued investment across the Tragus brands

In total the Group opened 15 new restaurants, refurbished 29 existing units and closed 11 restaurants which were underperforming or reaching the end of their lease term

As a result of these investments and the Groups increased focus on providing value offerings to its customers Group turnover increased by 3 2% like for like sales (net of discounts) declined by 0 9% and EBITDA declined by 2 8% in comparison to the previous period

Whilst challenging economic conditions are expected to continue the directors consider that the Group will be resilient to these pressures due to the strength of the Groups brands strong geographical locations and their popular price points Longer term it is felt that the prospects for the eating out market are positive due to socio-economic factors such as an ageing population more females in work and lifestyle changes

Principal risks and uncertainties
The management of the business and the execution of the Groups strategy are subject to a number of risks These risks are reviewed by management and appropriate processes are in place to monitor and mitigate them The key business risks which might affect the Group are set out below

Supply chain
The Group has a large number of suppliers and prides itself on the quality of its product The Group could be adversely affected by a fall in the standard of goods supplied by third parties In order to mitigate this the Groups key food suppliers must carry the British Retail Consortium (BRC) approval Furthermore the Groups key suppliers are subject to an annual audit by an independent inspection company which checks and rates all aspects of the supplier's production process Any suppliers who do not achieve the necessary minimum standards are de listed The Group regularly re-tenders its food contracts to ensure the quality of product supplied

Employees
The Groups performance depends largely on its managers and staff both at a restaurant and head office level The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Groups results To mitigate these issues the Group has invested in regular training programmes for all staff to maintain high service levels and has a number of schemes linked to the Groups results that are designed to reward and retain key individuals

DIRECTORS' REPORT

Input price increase
The Group s margins can be adversely reflected by an increase in price of key raw materials together with wages overheads and utilities This is mitigated to some extent by hedging

Brand risk
Brand risk could arise through a one off incident such as a food scare or through a slow decline in a brand s appeal to its customer base The Group manages the risk of a one-off incident through day to day operational management In addition a rigorous supplier selection policy is applied There is training for all staff on food safety including use of an e-learning programme The risk of a slow decline in a brand s appeal is managed through continuous menu innovation marketing campaigns and brand development The Group also carries out regular Health and Safety and Food Safety audits using external independent auditors

Expansion risk
Over aggressive expansion could result in the Group acquiring unprofitable sites To mitigate this risk the Group has a rigorous decision making process which includes strong financial and operational reviews In addition the Group has a dedicated property team with experience in identifying and securing new sites

Fraud
The Group operates multiple sites across the UK A risk of fraud therefore exists in misappropriation of assets including theft of stock and theft of cash The Group mitigates this risk through management structure regular financial review with and extensive use of business systems such as EPOS and stock management Regular control audits are also carried out on all restaurants by an external third party

General economic conditions
The disposable income of customers and their leisure activity preferences are and will be affected by changes in the general economic environment The Group regularly reviews its product offering and engages with its customers to ensure it provides a value for money offering and meets its customers needs

Competition
The Group operates in a highly competitive market particularly in respect of service offering price and product quality In order to mitigate this risk marketing teams monitor market offerings and pricing on an ongoing basis This was significantly enhanced during the period through the introduction of a web based customer feedback system

Essential contracts
No single food supplier makes up a significant percentage of total expenditure The Group uses a third party provider for distribution of food and beverage to the restaurants and relies on several different banks for the funding of debt and credit facilities

Key Performance Indicators ("KPIs")
The Board of Directors and executive management receive a wide range of management information delivered in a timely manner Listed below are the principal measures of progress that are reviewed on a regular basis to monitor the development of the Group

Like for Like Sales (Net of discounts)
This measure provides an indicator of the underlying performance of existing restaurants and highlights successful development of offerings to best match changing consumer demands over time Like for like net sales declined by 0 9% in 2012 principally due to the challenging economic environment and increased promotional activity during the period (2011 declined by 2 5%)

Cash Return on Investment (CROI)
During the period the Group opened 15 new sites (2011 11) and plans to open around 10 new sites in the next financial period The expansion of the brands is a key driver of the Group s profitability Potential new sites are subject to a rigorous appraisal process before they are presented to the Board for approval This process ensures the quality of sites is maintained and the appropriate quantity are developed

The investment into growing the estate has proved successful with an average Cash Return on Investment (CROI) in line with expectations on those new sites opened during the last three years which have been trading for more than six months CROI is the operating profit of a site expressed as a percentage of the capital cost

Directors
The directors of the Group who were in office during the period and up to the date of signing the financial statements were

C Gurassa	Appointed 14th July 2011
G Thorley	
J Baratta	
A Roux	
R de Botton	
J Derkach	Appointed 1st August 2012
M Mansigani	
G Turner	Resigned 1st August 2012
J Parsons	Resigned 1st August 2012

DIRECTORS' REPORT

Financial risk management

The Board of Directors regularly reviews the financial requirements of the Group and the risks associated therewith The Group does not use complicated financial instruments and where financial instruments are used they are used for reducing interest rate risk The Group does not use derivative financial instruments for trading purposes Group operations are primarily financed from retained earnings and bank loans In addition to the primary financial instruments the Group has other financial instruments such as debtors trade creditors and accruals that directly arise from the Group s operations

Liquidity risk

Tragus Bidco Limited a subsidiary of the Company holds the bank borrowings for the wider group and these are available under a Facilities Agreement which was originally put in place in December 2006 following the acquisition of the Group by Blackstone and amended in July 2007 following the acquisition of Strada The Facilities Agreement is long term with the senior loans due for repayment in 2015 2017 and the Capex Facility due for repayment from 2012 The Facilities Agreement is secured by a fixed and floating charge over certain group assets Cash forecasts identifying the Group s liquidity requirements are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists in the Group s bank covenants for at least a twelve month period

Foreign currency risk

Whilst no borrowings are denominated in foreign currencies a number of suppliers are paid in foreign currency principally the Euro Wherever possible the Group undertakes supply contracts denominated in Sterling The Group has reviewed its exposure to foreign currency risk and has concluded not to hedge any foreign currency risk but continues to review its position on an ongoing basis

Credit risk

Counterparty credit ratings are regularly monitored and there is no significant concentration of credit risk to any single counterparty The Group has a large customer base and a significant proportion of cash sales Counterparties for cash and derivative balances are with financial institutions with strong credit ratings and whilst there is exposure to losses the Board does not expect them to fail to meet their obligations as they fall due

Leverage risk

Under its Facilities Agreement the Group is subject to agreed financial covenants Breach of these covenants may require re-negotiation of terms of loan agreements the requirement to raise additional funds from shareholders or the loan amounts to be repaid This risk is mitigated by regular and thorough financial forecasting followed by close monitoring of these covenants Appropriate action is taken to minimise risk

Interest rate risk

A subsidiary of the Company Tragus Bidco Limited substantially holds the debt of the Group The Group borrows at variable rates and uses interest rate swaps and caps as cash flow hedges of future interest payments These have the effect of converting some of the borrowings from floating to fixed rate or capping fixed rates Under the interest rate swap or cap agreement the Group agrees with an external financial institution to exchange at specified intervals the difference between the fixed contracted rate and floating rate with interest amounts calculated by reference to an agreed notional principal amount The related interest expense or income is recognised as interest payable or receivable The following are the interest rate caps entered into by the Group

On 15 April 2010 the Group entered into an interest rate cap with a notional value of £125 million until 15 April 2013 at a fixed rate of 4%

As at 27 May 2012 the mark to market (MTM) value of the above transaction was an amount receivable from the counterparty of £nil (29 May 2011 receivable from the counterparty £55 000)

Creditor payment policy

The Company s policy is to agree the terms of payments with its suppliers as and when a trading relationship is established The Company ensures that the terms of payment are clear and its policy is to abide by the agreed terms provided the supplier meets its obligations At 27 May 2012 the Company had £nil trade creditors (at 29 May 2011 £nil)

Employee involvement

The Board recognises the importance of employees being fully informed of events which directly affect them and their working conditions The Company has in place a number of channels of communication including regular team and area meetings weekly and monthly publications and a company intranet In addition the management board carries out two business updates a year with all restaurant managers 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

Donations

No donations for political purposes have been made by the Company during the period (2011 £nil)

£6 000 (2011 £5 000) charitable donations were made by the Company during the period Charitable events fund raising and sponsorship are organised by restaurants for organisations in their locality

In addition the Group encourages the restaurant managers to get involved with and support good causes in their local communities

DIRECTORS' REPORT

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 prepared the Group and Parent Company 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 Group and the Company and of the profit or loss of the Group for that period In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting 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

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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company s website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of information to auditors
Pursuant to section 418 of the Companies Act 2006 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

Independent auditors
In the absence of a notice proposing that their appointment be terminated the auditors PricewaterhouseCoopers LLP will be deemed to be re-appointed for the next financial period

On behalf of the Board of Directors

John Durkach
DIRECTOR
19th September 2012

1st Floor
163 Eversholt Street
LONDON NW1 1BU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAGUS GROUP LIMITED

We have audited the Group and Parent Company financial statements (the financial statements ') of Tragus Group Limited for the 52 week period ended 27 May 2012 which comprise the Consolidated Profit and Loss Account the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement 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)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 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 and express an opinion on 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 Ethical Standards for Auditors

This report including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions 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

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 Group's and Parent 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 In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company s affairs as at 27 May 2012 and of the Group's loss and cash flows 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us or
- the Parent Company 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

Fiona Kelsey

Fiona Kelsey (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

19 September 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT

52 weeks ended 27 May 2012

	Note	Operations before exceptional items 52 weeks ended 27 May 2012 £'000	Exceptional items on operations 52 weeks ended 27 May 2012 (note 4) £'000	Total 52 weeks ended 27 May 2012 £'000	Operations before exceptional items 52 weeks ended 29 May 2011 £'000	Exceptional items on operations 52 weeks ended 29 May 2011 (note 4) £'000	Total 52 weeks ended 29 May 2011 £'000
TURNOVER		286,270	-	286,270	277 428	-	277 428
Cost of sales		(245,636)	-	(245,636)	(234 201)	-	(234 201)
GROSS PROFIT		40,634	-	40,634	43 227	-	43 227
Administrative expenses		(33,812)	(4,284)	(38,096)	(34 300)	(2 299)	(36 599)
OPERATING PROFIT BEFORE AMORTISATION AND DEPRECIATION		39,714	(4,284)	35,430	40 847	(2 299)	38 548
Amortisation	9	(19,151)	-	(19,151)	(19 151)	-	(19 151)
Depreciation	10	(13,741)	-	(13,741)	(12 769)	-	(12,769)
OPERATING (LOSS) / PROFIT	2	6,822	(4,284)	2,538	8 927	(2 299)	6 628
Profit / (loss) on disposal of fixed assets		(669)	3,413	2,744	(105)	-	(105)
Interest receivable and similar income	7	537	-	537	247	-	247
Interest payable and similar charges	7	(24,193)	-	(24,193)	(21 121)	-	(21 121)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(17,503)	(871)	(18,374)	(12,052)	(2 299)	(14 351)
Tax on loss on ordinary activities	8			(943)			(192)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION				(19,317)			(14 543)
Minority interest	18			(1)			(3)
LOSS FOR THE FINANCIAL PERIOD	20			(19,318)			(14 546)

All activities are in respect of continuing operations

The Group 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 presented

There is no difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical costs equivalents

CONSOLIDATED BALANCE SHEET

Registered number 06022528

As at 27 May 2012

	Note	27 May 2012 £'000	29 May 2011 £'000
FIXED ASSETS			
Intangible assets	9	**280,401**	299 552
Tangible assets	10	**102,611**	97 214
		383,012	396 766
CURRENT ASSETS			
Stocks		**2,295**	2 224
Debtors - amounts falling due within one year	12	**7,354**	7 704
Cash at bank and in hand	13	**35,381**	50 020
		45,030	59 948
CREDITORS - amounts falling due within one year	14	**(61,798)**	(52 339)
NET CURRENT (LIABILITIES) / ASSETS		**(16,768)**	7 609
TOTAL ASSETS LESS CURRENT LIABILITIES		**366,244**	404 375
CREDITORS - amounts falling due after more than one year	15	**(339,943)**	(368 929)
PROVISIONS FOR LIABILITIES	17	**(10,519)**	(10 747)
NET ASSETS		**15,782**	24 699
CAPITAL AND RESERVES			
Called up share capital	19	**11,013**	11 013
Share premium account	20	**99,120**	99 120
Capital reserve	20	**10,400**	-
Profit and loss account	20	**(104,791)**	(85 473)
TOTAL SHAREHOLDERS' FUNDS	21	**15,742**	24 660
Minority equity interests	18	**40**	39
CAPITAL EMPLOYED		**15,782**	24 699

These financial statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 19th September 2012 and signed on its behalf by

M. Mansy

Mohan Mansigani
Director

COMPANY BALANCE SHEET

Registered number 06022528

As at 27 May 2012

	Note	27 May 2012 £ 000	Restated 29 May 2011 £ 000
FIXED ASSETS			
Investments	11	**110,133**	110 133
CURRENT ASSETS			
Debtors - amounts falling due within one year	12	**6,636**	6 636
NET CURRENT ASSETS		**6,636**	6 636
TOTAL ASSETS LESS CURRENT LIABILITIES		**116,769**	116 769
CREDITORS - amounts falling due after more than one year	15	**(6,679)**	(6 656)
NET ASSETS		**110,090**	110 113
CAPITAL AND RESERVES			
Called up share capital	19	**11,013**	11 013
Share premium account	20	**99,120**	99 120
Profit and loss account	20	**(43)**	(20)
TOTAL SHAREHOLDERS' FUNDS	21	**110,090**	110 113

These financial statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 19th September 2012 and signed on its behalf by

M. Mansy

Mohan Mansigani
Director

CONSOLIDATED CASH FLOW STATEMENT

52 weeks ended 27 May 2012

	Note	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £'000
Net cash inflow from operating activities	22	**36,841**	41 970
Returns on investments and servicing of finance	23	**(10,164)**	(9 962)
Taxation		**(467)**	(962)
Capital expenditure and financial investment	23	**(18,401)**	(19 609)
Financing			
Facilities amendment fee		**(1,448)**	-
Repayment of loans in period		**(21,000)**	-
Drawdown of new loans in period		**-**	22 000
		(22,448)	22 000
(Decrease) / increase in cash in the period	24	**(14,639)**	33 437
Cash at start of period		**50,020**	16 583
Cash at end of period		**35,381**	50 020

Reconciliation of net cash flow to movement in net debt

	Note	52 weeks ended 27 May 2012 £'000	52 weeks ended 27 May 2011 £'000
(Decrease) / increase in cash in the period		**(14,639)**	33 437
Decrease / (increase) in borrowings in the period		**21,000**	(22 000)
Facilities amendment fee		**1,448**	-
Change in net debt resulting from cash flows		**7,809**	11 437
Non cash movement - interest on Eurobonds rolled up		**(20,202)**	(3,862)
Non cash movement - interest accrued on intercompany debt		**7 687**	(6 563)
Non cash movement - debt / equity issue		**10,400**	-
Non cash movement - release of inter-company debt		**4,100**	
Non cash movement - loan expenses incurred	7	**(315)**	(241)
Change in net debt		**9,479**	771
Net debt at start of period	24	**(324 450)**	(325,221)
Net debt at end of period	24	**(314 971)**	(324 450)

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom (UK GAAP)

The principal accounting policies adopted by the directors and which have been consistently applied across the group and prior periods, are described below

Accounting convention

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries (the Group) The acquisition method of accounting has been adopted Under this method the results and cash flows of subsidiary undertakings acquired are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition The accounting policies are applied consistently throughout the Group, and intercompany balances and transactions within Tragus Group Limited are eliminated on consolidation

Under Section 408(3) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account The Company s result for the financial period is disclosed in note 20

Goodwill

On the acquisition of a business fair values are attributed to the Group s share of identifiable assets and liabilities Where the cost of acquisition exceeds the fair values attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet in the period of acquisition Purchased goodwill is amortised to nil by equal annual instalments over the shorter of the directors estimate of its useful life or 20 years On acquisition the directors make estimates to the fair values of the assets acquired If necessary these are revised in the year after acquisition Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets Impairment reviews are performed by the directors when there is an indication of impairment

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase price less accumulated depreciation 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 15 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

Fixed asset investments

Investments are stated at cost less provision for any impairment in value Impairment reviews are performed by the directors when there is an indication of impairment

Stocks

Stocks are valued at the lower of cost and net realisable value and on a first in first out basis No provision for obsolete or slow-moving stocks has been made given the nature of the stocks

Onerous contract provision

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 discounted future net cash outflows Provisions are recognised when the Group has a present obligation as a result of a past event it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Taxation

Taxation is provided on the profits of the period together with deferred taxation Deferred taxation is recognised in respect of all timing differences that have originated but not yet 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 Provision for deferred taxation is 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

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

1 ACCOUNTING POLICIES (CONTINUED)

Share based payments

Share-based payments are measured at fair value using an appropriate option pricing model Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date Changes in the carrying amount of the liability are recognised in profit or loss for the period

Turnover

Turnover is the value of goods and services sold at restaurants solely within the United Kingdom as part of the Group's continuing ordinary activities after deducting sales based taxes and discounts Turnover is recognised on provision of goods and services The directors believe there to be one business segment that of operating restaurants which faces the same risks

Deferred income

Capital contributions received from landlords are held as deferred income on the balance sheet and recognised as income on a straight line basis in the profit and loss account over the period to the first rent review

Foreign exchange

The consolidated financial statements are presented in sterling which is the Group's functional and presentation currency Limited foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the profit and loss account The impact and changes in foreign exchange rates is not material

Leases

Rental payments in respect of operating leases are charged on a straight line basis 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 on a straight line basis in the profit and loss account over the period to the first rent review

Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets

Exceptional items

Costs incurred in the period which are classified as exceptional in note 4 and on the face of the profit and loss account are those which are material in nature and derive from events or transactions that fall within the ordinary activities of the Group and which are individually or in aggregate of such size or incidence to require specific disclosure

Pension costs

The Group operates a defined contribution pension scheme The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period The assets of the scheme are held separately from those of the Group in an independently administered fund The pension costs disclosed in note 26 represents contributions payable by the Group to the fund The Group will continue to contribute to this fund in future accounting periods

Finance costs

In accordance with Financial Reporting Standard 4 Capital Instruments' 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 life of the relevant loan at a constant rate of return on the carrying amount

Pre-opening costs

Property rentals and other pre-opening costs incurred up 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

Financial instruments

The Company and Group makes use of derivative financial instruments to reduce its exposure to market risks from changing interest rates The various risk positions which consist of existing assets existing liabilities from future contractual liabilities and liabilities likely to arise from potential future commitments are assessed and administered by Group management The Group does not hold or issue derivative financial instruments for trading purposes The Company and Group does not apply fair value accounting nor has sought to early adopt Financial Reporting Standard 26 Financial Instruments Recognition and Measurement

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

2 OPERATING PROFIT / (LOSS)

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets		
owned assets (note 10)	13,741	12 769
Amortisation of goodwill (note 9)	19,151	19,151
Operating lease charges		
- land and buildings	34,624	32 359

3 SERVICES PROVIDED BY THE COMPANY'S AUDITOR

	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £'000
Audit services		
Fees payable to Company auditor for the audit of Parent Company and consolidated financial statements	16	14
The audit of the Company's subsidiaries pursuant to legislation	94	91
Non-audit services		
Other services	175	22
Tax services for the Companys subsidiaries	157	86
Total fees paid to Company auditor for audit and non-audit services for the period	442	213

4 EXCEPTIONAL ITEMS

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £'000
Net increase in onerous contract provision	1,565	456
Impairment of tangible fixed assets (note 10)	2,568	1 348
Reorganisation costs	1,489	180
Refinancing costs	2,212	-
Brand development costs	365	-
Increase in share-based payment accrual	185	315
Release of inter-company debt	(4,100)	-
Sale of leased assets	(3,413)	-
	871	2 299

The tax effect in the profit and loss account relating to exceptional items is £557 000 (2011 £124 000)

An impairment review was conducted across the Group and highlighted sites which management consider to have onerous fixed cost obligations for which a net provision of £1 565 000 has been created (2011 £456 000) Fixed assets of £2 568 000 have also been impaired (2011 £1 348 000)

Goodwill held by the Group has also been reviewed for impairment The tests performed showed that the total goodwill should not be impaired in the current financial period (2011 not impaired)

The company agreed an amendment to its banking facilities (note 16) during the current financial period and incurred costs of £2 212 000 (2011 £nil)

Sale of leased assets includes receipts from the sale of leases during the current financial period of £3 413 000 (2011 £nil)

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

5 STAFF COSTS

During the period the Group employed the following average number of employees

The Group	52 weeks ended 27 May 2012 Number	52 weeks ended 29 May 2011 Number
Directors	8	7
Administration	157	149
Restaurants	7,091	6 971
	7,256	7 127

The aggregate payroll costs of these employees were as follows (directors - note 6)

	52 weeks ended 27 May 2012 £ 000	52 weeks ended 29 May 2011 £ 000
Wages and salaries	87,825	83 308
Social security costs	5,894	5 993
Pension costs (note 26)	229	227
Share based payments	185	315
	94,133	89 843

6 REMUNERATION OF DIRECTORS

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £ 000
Aggregate emoluments	778	685
The emoluments of the highest paid director for the period	239	239
Directors pension	20	20
Compensation for loss of office	504	-

	52 weeks ended 27 May 2012	52 weeks ended 29 May 2011
Number of directors accruing pension under the stakeholder pension scheme	1	1

7 NET INTEREST PAYABLE AND SIMILAR CHARGES

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £ 000
Amortisation of loan facility fees	315	241
On bank loans	10,190	9 202
On Eurobond	12,516	10 797
Capex facility interest	1,165	869
Other interest payable	7	12
Total interest payable and similar charges	24,193	21 121
Interest receivable on treasury deposits	(537)	(247)
Total interest receivable and similar income	(537)	(247)
Net interest payable and similar charges	23 656	20 874

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

8 TAX ON LOSS ON ORDINARY ACTIVITIES

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £'000
Current taxation on loss for the period		
UK corporation tax at 25 69% (2011 27 68%)	-	1 642
Adjustments in respect of prior period	539	(1 340)
Total current taxation charge	539	302
Deferred taxation		
Timing differences	(89)	189
Effect of change in corporation tax rate	(202)	(229)
Prior period adjustment	695	(70)
Total deferred taxation charge / (credit) (note 17)	404	(110)
Taxation on loss on ordinary activities	943	192

The tax assessed for the period is higher (2011 higher) than the standard effective rate of corporation tax in the UK of 25 69% (2011 27 68%) The differences are explained below

Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(18,374)	(14 351)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 25 69% (2011 27 68%)	(4,720)	(3 972)
Effect of		
Capital allowances in excess of depreciation	(39)	(183)
Expenses not deductible for tax purposes	87	108
Fixed asset impairment	660	374
Goodwill amortisation	4,920	5 300
Loss on disposal of assets	170	29
Lease premium relief	(25)	(14)
Release of inter-company debt	(1,053)	-
Adjustments in respect of prior period	539	(271)
Credit in respect of previously unrecognised deferred tax asset	-	(1 069)
Total current taxation charge	539	302

On 23 March 2011 a number of changes to the UK corporation tax system were announced including a reduction of the main rate of corporation tax from 26% to 24% with effect from 1 April 2012 The reduction in the rate to 24% became substantively enacted on 26 March 2012 under the Provisional Collection of Taxes Act 1968 Deferred tax has therefore been provided for at 24% (2011 26%) and the pro rated corporation tax rate for the period is 25 69% (2011 27 68%)

Further reductions to the main rate are proposed to reduce the rate of corporation tax by 1% per annum to 22% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements If these changes had been enacted at the balance sheet date, the effect of the changes would not have had a material effect on recognised or unrecognised deferred tax balances

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

9 INTANGIBLE FIXED ASSETS

The Group	Goodwill £'000
Cost	
At 29 May 2011 and 27 May 2012	389 618
Accumulated amortisation and impairment	
At 29 May 2011	(90 066)
Charge for the period	(19 151)
At 27 May 2012	(109,217)
Net book amount	
At 27 May 2012	**280,401**
At 29 May 2011	299 552

An impairment review of goodwill was undertaken for the Group in the current financial period A discount rate of 7 2% (pre-tax) (2011 8 7%) was applied to future cashflows in order to obtain their net present value This was compared to the book value of attributable assets and liabilities held for each acquisition at 27 May 2012 Of the goodwill held no impairment was recognised (2011 no impairment recognised)

10 TANGIBLE FIXED ASSETS

The Group	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Total £'000
Cost			
At 29 May 2011	71 383	81 663	153 046
Additions	6 361	16 014	22,375
Disposals	(2 709)	(3 603)	(6 312)
At 27 May 2012	75 035	94 074	169,109
Accumulated depreciation			
At 29 May 2011	(17 776)	(38 056)	(55 832)
Charge for the period	(3 244)	(10 497)	(13 741)
Disposals	2,248	3 395	5 643
Impairment (note 4)	(1 896)	(672)	(2 568)
At 27 May 2012	(20 668)	(45 830)	(66 498)
Net book amount			
At 27 May 2012	**54 367**	**48,244**	**102,611**
At 29 May 2011	53 607	43 607	97 214

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

11 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings
The Company	
	£'000
Cost and net book amount	
At 29 May 2011 and 27 May 2012	**110,133**

At 27 May 2012 the principal subsidiary undertakings are

Subsidiary undertaking	Activity	Country of registration and incorporation	% of ordinary shares held
Tragus Bondco Limited*	Financing / Holding company	England and Wales	100%
Tragus Bidco Limited	Financing / Holding company	England and Wales	100%
Ma Potters Limited	Restaurateur	England and Wales	100%
Chargrill Limited	Non-trading	England and Wales	100%
Espresso Limited	Non-trading	England and Wales	100%
Espresso UK Limited	Non-trading	England and Wales	100%
Tragus Limited	Holding company	England and Wales	100%
Tragus Group Holdings Limited	Restaurateur	England and Wales	100%
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%
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%
Huxleys Bar & Kitchen 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%
Tragus Cayman Bidco Limited	Holding company	Cayman Islands	100%
Talisker Limited	Holding company	Jersey	100%
S&B Acquisitions Limited	Holding company	England and Wales	100%
PINCO 1771 Limited	Holding company	England and Wales	100%
Signature Restaurants Limited	Holding company	England and Wales	100%
TRM Tisch Limited	Restaurateur	England and Wales	100%
Kreek Limited	Dormant	England and Wales	100%
Strada Restaurants Limited	Holding company	England and Wales	100%
Signature & Strada Restaurants Limited	Restaurateur	England and Wales	100%

The directors believe the carrying value of the assets is supported by their underlying net assets

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

12 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 27 May 2012 £'000	The Company 27 May 2012 £'000	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000
Trade debtors	2,235	-	3 095	-
Amounts owed by parent company	-	6 636	-	6 636
Other debtors	476	-	371	-
Prepayments	4,539	-	4 063	-
Corporation tax recoverable	104	-	175	-
	7,354	6 636	7 704	6 636

Amounts owed by parent company relate to Tragus Cayco Limited whom Tragus Group Limited is directly wholly owned by These amounts have no fixed repayment date are interest free and unsecured

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

13 CASH AT BANK AND IN HAND

	The Group 27 May 2012 £'000	The Group 29 May 2011 £'000
Cash at bank	35,381	50 020

Tragus Group Limited does not have a cash balance (2011 £nil)

14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 27 May 2012 £'000	The Company 27 May 2012 £'000	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000
Trade creditors	17,889	-	15 087	-
Taxation and social security	9,222	-	9 139	-
Other creditors	3,729	-	3 502	-
Accruals and deferred income	20,549	-	19 070	-
Bank loans (note 16)	12,000	-	6,000	-
Unamortised loan finance costs (note 16)	(1,591)	-	(459)	-
	61,798	-	52 339	-

15 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 27 May 2012 £'000	The Company 27 May 2012 £'000	The Group 29 May 2011 £'000	Restated The Company 29 May 2011 (note 20) £'000
£51 866 437 17 35% Notes due 2016	51,866	-	37 597	-
£21 255 955 17 475% Unsecured Loan Notes 2018	21,256	-	15 323	-
Bank Loans (note 16)	248,000	-	289 500	-
Amounts owed by parent company	18,821	6,679	26 509	6 656
	339,943	6,679	368 929	6 656

The entire listed debt is held by Tragus Cayco Limited an intermediate parent company

The 17 35% Notes due 2016 had Payment in Kind notes of £14 269 355 issued on 21 May 2012 to Tragus Cayco Limited in respect of interest due up to 29 May 2011 These were listed on the Channel Islands Stock Exchange on the 22 May 2012 hence revising the principal to £51 866 437

The 17 475% Unsecured Loan Notes 2018 had Payment in Kind notes of £5 932 484 issued on 21 May 2012 to Tragus Cayco Limited in respect of interest due up to 29 May 2011 These were listed on the Channel Islands Stock Exchange on 22 May 2012 hence revising the principal to £21 255 955

The 17 35% Notes due 2016 and the 17 475% Unsecured Loan Notes 2018 (Eurobonds) will become repayable at the principal amount on 15 December 2016 and 15 December 2018 respectively The Company may repay these in whole or in part at any time at its outstanding principal amount (together with accrued interest) subject to the Company giving at least 10 business days notice to the lender Payment of principal interest when due is via transfer to a sterling account maintained by the lender

These Eurobonds constitute direct, general unconditional unsecured and unsubordinated obligations of the borrower and will rank at least pari passu and rateable with other unsecured and unsubordinated obligations of the borrower from the date of issue

Interest accrues on the £51 866 437 Notes due 2016 at 17 35% and on the £21 255 955 Unsecured Loan Notes 2018 at 17 475%

Amounts owed by parent company includes a loan for £6 636 190 from Tragus Cayco Limited upon which interest is charged at a rate of LIBOR minus 1%

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

16 BORROWINGS

	The Group 27 May 2012 £'000	The Company 27 May 2012 £'000	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000
External bank debt				
Bank loan - Facility B	107,416	-	112 401	-
Bank loan - Facility C	108,084	-	113 099	-
Second Lien Debt	15,500	-	30 000	-
Acquisition / Capex facility	29,000	-	40 000	-
Unamortised loan costs	(1,591)	-	(459)	-
	258,409	-	295 041	-
Amounts owed to group companies within the UK				
Amounts owed to group undertakings	-	43	-	20
Amounts owed to group companies outside the UK				
Amounts owed to group undertakings	18,821	6,636	26 509	6 636
£51 866 437 17 35% Notes due 2016	51,866	-	37 597	-
£21 255,955 17 475% Unsecured Loan Notes 2018	21,256	-	15 323	-
	91,943	6,636	79 429	6 636
Total debt	350,352	6,679	374 470	6 656
Debt can be analysed as falling due				
In less than one year	10,409	-	5 541	-
Between one and two years	14,000	-	12,000	-
Between two and five years	285,866	-	134,401	-
In more than five years	40,077	6 679	222 528	6 656
	350,352	6,679	374,470	6,656

Amounts owed to group undertakings have no fixed repayment date

The bank loans are secured by fixed and floating charges on the assets of the Group and have the following rates of interest

Facility B	4 125% (2011 2 375%) above LIBOR
Facility C	4 625% (2011 2 875%) above LIBOR
2nd Lien	7 250% (2011 5 500%) above LIBOR
Revolving Credit Facility	3 875% (2011 2 125%) above LIBOR
Acquisition / Capex Facility	3 875% (2011 2 125%) above LIBOR

Effective 30th March 2012, the Group agreed to an increase in the margin on loans following the amendment to the bank facilities On the same date £10 4m of 2nd Lien loans were equitised as Ordinary Shares within the Group and £4 1m of the debt was waived resulting in a non-taxable release to the profit and loss (note 4)

On the 16th April 2012 the Company repaid £5m of the Acquisition / Capex Facility £5m of Facility B and £5m of Facility C loans from excess cash held by the Group

The Facility B bank loan is repayable eight years from the effective date on the 25 July 2015 the Facility C bank loan is repayable nine years from the effective date on the 25 July 2016 and the Second Lien bank loan is repayable nine and a half years from its effective date on the 25 January 2017 The Revolving Credit Facility is repayable seven years from the effective date on 25 July 2014 Facilities may be required to be repaid if there is a Senior Event of Default per the terms of the Facilities Agreement

The Acquisition / Capex Facility is repayable in instalments from 25 January 2012 to 25 July 2014

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

17 PROVISIONS FOR LIABILITIES

The Group	Deferred taxation £'000	Other £'000	Total £'000
At 29 May 2011	1,348	9,399	10,747
Additions in the period	-	4,964	4,964
Released in the period	-	(3,427)	(3,427)
Utilised in the period	-	(2,169)	(2,169)
Charge for the period	404	-	404
At 27 May 2012	1,752	8,767	10,519

Group provisions relate primarily to net deferred tax liabilities and the the future cost of leasehold properties which are vacant loss making or sub-let below passing rent The provision will unwind over the lesser of the date to the termination of the leases or the date of exit if negotiated sooner

Those amounts provided for deferred taxation are set out below

	The Group 27 May 2012 £'000	The Company 27 May 2012 £'000	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000
Capital allowances in excess of depreciation	1,751	-	1 341	-
Provisions	1	-	7	-
	1,752	-	1 348	-

18 MINORITY INTEREST

	The Group £'000
As at 29 May 2011	39
Profit attributable to Minority interest	1
As at 27 May 2012	40

The minority interest relates to the 2% equity shareholding in Heathgate Restaurants Limited

19 CALLED UP SHARE CAPITAL

Group & Company	Authorised 27 May 2012 £'000	Authorised 29 May 2011 £'000
760 000 000 (2011 760 000 000) Ordinary shares of 10p each	76,000	76 000

The Group	Called up, allotted and fully paid 27 May 2012 £'000	Called up, allotted and fully paid 29 May 2011 £'000
110 133 500 (2011 110 132 500) Ordinary shares of 10p each	11 013	11 013

The Company	Called up, allotted and fully paid 27 May 2012 £'000	Called up, allotted and fully paid 29 May 2011 £'000
110 133 500 (2011 110 132 500) Ordinary shares of 10p each	11 013	11 013

All ordinary shares have no rights to dividends other than those recommended by directors have no redemption rights and have one vote per share

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

20 STATEMENT OF MOVEMENTS IN RESERVES

The Group	Capital reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 29 May 2011	-	99 120	(85 473)	13 647
Loss for the financial period	-	-	(19 318)	(19 318)
Increase in capital reserve	10 400	-	-	10 400
At 27 May 2012	**10,400**	**99,120**	**(104,791)**	**4,729**

Capital reserve is a non-distributable reserve arising from the equitisation of debt during the period of £10 400 000 (2011 £nil)

The Company	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 29 May 2011 (Restated)	99 120	(20)	99 100
Loss for the financial period	-	(23)	(23)
At 27 May 2012	**99,120**	**(43)**	**99,077**

The Companys the profit and loss account as at 29 May 2011 has been restated as the Company incurred a loss of £20 000 from administrative expenses for the 52 weeks ended 29 May 2011

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Group 27 May 2012 £'000	The Company 27 May 2012 £ 000	The Group 29 May 2011 £000	Restated The Company 29 May 2011 £000
Shareholders funds at beginning of period	**24,660**	**110,113**	39 206	110 133
Loss for the financial period	**(19,318)**	(23)	(14 546)	(20)
Increase in capital reserve	**10,400**	-	-	-
Shareholders' funds at end of period	**15,742**	**110,090**	24 660	110 113

The Companys the profit and loss account as at 29 May 2011 has been restated as the Company incurred a loss of £20 000 from administrative expenses for the 52 weeks ended 29 May 2011

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £000
Operating profit	**2,538**	6 628
Amortisation of goodwill	**19,151**	19 151
Depreciation of tangible fixed assets	**13 741**	12 769
Fixed asset impairment	**2,568**	1 348
Release of inter-company debt	**(4,100)**	-
Increase in stocks	**(71)**	(181)
Decrease / (increase) in debtors	**279**	(865)
Increase in creditors	**3,367**	4 384
Decrease in provisions	**(632)**	(1 264)
Net cash outflow from operating activities	**36,841**	41 970

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

23 ANALYSIS OF CASH FLOWS

The Group	52 weeks ended 27 May 2012 £'000	52 weeks ended 29 May 2011 £'000
Returns on investment and servicing of finance		
Interest received	615	247
Interest paid	(10,779)	(10 209)
	(10,164)	(9 962)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(21,814)	(19,609)
Proceeds from sale of fixed assets	3,413	-
	(18,401)	(19 609)

24 ANALYSIS OF NET DEBT

The Group	At 29 May 2011 £'000	Cash flow £'000	Non-cash changes £'000	At 27 May 2012 £'000
Cash at bank and in hand	50 020	(14 639)	-	35,381
Debt due within one year	(5 541)	7 448	(12 316)	(10,409)
Debt due after one year	(368 929)	15 000	13 986	(339,943)
Net debt	(324 450)	7,809	1,670	(314,971)

25 LEASE COMMITMENTS

The Group

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

	27 May 2012 £'000	29 May 2011 £'000
Within one year	1,917	1 914
Within two to five years	4 783	5 354
After five years	28,952	26 625
	35,652	33 893

The financial commitments for operating lease amounts payable calculated as a percentage of turnover have been based on the minimum payment that is required under the terms of the relevant lease As a result the amounts charged to the profit and loss account are different to the financial commitment at the period-end

26 PENSION COSTS

The Group contributes to a stakeholder pension scheme for employees The assets of the scheme are held separately from those of the Group in an independently administered fund The amount charged to the profit and loss represents the contributions payable in respect of the accounting period and amounted to £229 000 (2011 £227 000) There were £34 000 of outstanding contributions at the end of the financial period (2011 £33 000) which are included within other creditors in note 14

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 May 2012

27 SHARE-BASED PAYMENTS

The Company operates a management incentive share scheme for certain key employees In 2010 changes were made to the management incentive scheme in order to realign employees objectives with shareholders

Under the scheme management have the right to subscribe for shares in Tragus Cayco Limited Holding of these shares is conditional upon remaining employed by a company within the Group The number of management shares outstanding at the period end was 104 132 460 (2011 97 509 790 restated after redesignation of shares)

The Company has determined the fair value of this incentive scheme by reference to the expected exit value for the business under the most likely exit scenarios The key assumptions used in this calculation are the use of a range of exit multiples years to exit and a discount rate of 15% This has resulted in a total charge of £1 056 000 which is being spread over the expected life of the scheme of 4 years The charge in the profit and loss for the period is £185 000 (2011 £315 000)

28 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard 8 Related Party Disclosures not to disclose transactions with other group companies During the period the Group entered into transactions, in the ordinary course of business with The Blackstone Group, deemed to be the ultimate controlling party of the Group Transactions entered into and trading balances outstanding as at 27 May 2012 are as follows

	Purchases from related party		Amounts owed to related party	
	27 May 2012	29 May 2011	**27 May 2012**	29 May 2011
	£'000	£'000	**£'000**	£'000
Related Party				
The Blackstone Group fees	**436**	359	**-**	201

29 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the Company is Tragus Cayco Holdco Limited, registered in the Cayman Islands The Company is the largest group company registered in England and Wales for which group financial statements are drawn up

The Group considers The Blackstone Group L P a firm listed on the New York Stock Exchange as the ultimate controlling party by way of its majority shareholding of Tragus Cayco Holdco Limited