

TRAGUS GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

52 week period ended 24 May 2009

Registered number: 06022528

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TRAGUS GROUP LIMITED

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COMPANY INFORMATION

DIRECTORS:	G Thorley - Chairman J Baratta R de Botton A Roux G Turner M Mansigani J M Parsons
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:	06022528

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 week period ended 24 May 2009. The comparatives are for the 52 week period ended 25 May 2008.

Business and principal activity

Tragus Group Limited ("the Company"), together with its subsidiaries ("the Group") is one of the largest independently owned mid-market restaurant chains in the UK and operates primarily under the key brands of Café Rouge, Bella Italia and Strada. The Company's parent company is Tragus Cayco 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 accounts are prepared.

Results, dividends and future developments

The results for the Group for the 52 week period ended 24 May 2009 show a loss after tax and before minority interest of £13,005,000 (2008: loss of £35,944,000).

The Group has net debt of £309,625,000 as at 24 May 2009 (25 May 2008: £305,736,000). No dividends have been declared in the period (2008: nil). The Group will continue to operate restaurants for the foreseeable future.

During the year, the Group opened fourteen new sites across the three key brands and plans to open around fifteen new sites in the new financial year.

Business environment

The UK restaurant/eating out market is made up 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 chain operators in the UK operating 277 restaurants as at 24 May 2009 (25 May 2008: 269 restaurants).

The financial year ended 24 May 2009 saw the Group maintain profitability at an operating level in what has been a difficult year for consumer facing businesses in the United Kingdom. This represents a resilient performance given the deterioration in the UK economy.

New legislation on the handling of tips and service charge in relation to National Minimum Wage is coming into force on October 1st 2009 and steps have been taken to ensure the Group is fully compliant. In addition, best industry practice will be adopted with regards to the disclosure of tips and service charge policy.

Whilst this challenging environment is forecast to continue, the Directors consider the Group will be resilient to these pressures due to the strength and breadth of the Group's brands, the popular price point and value for money offerings and the fact that eating out continues to be a habitual lifestyle choice. 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.

Strategy

The Group's vision is to be the UK's best mid-market multi branded restaurant operator by consistently delivering great food and service in distinctive and attractive restaurant surroundings.

The Group has six main strategies, which are:

- * To grow organically by opening new restaurants.
- * To continually develop and improve existing brands through menu development, marketing initiatives and investment in the estate.
- * To improve profitability through disciplined management, the use of technology and procurement initiatives.
- * Ongoing investment in people through training and development programmes.
- * To acquire groups of sites or brands which will enhance the Group's portfolio.
- * To continually look at new opportunities and styles of eating.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. The key business risks affecting 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 Group's key food suppliers must carry the British Retail Consortium (BRC) approval. Furthermore, the Group's 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.

DIRECTORS' REPORT**Principal risks and uncertainties continued***Employees*

The Group's 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 Group's results. To mitigate these issues the Group have invested in a training programme for all staff to maintain high service levels and have a number of schemes linked to the Group's results that are designed to reward and retain key individuals.

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

Brand Risk

Brand risk could arise through a one off incident, such as a food scare, or 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 brands appeal is managed through continuous menu innovation, marketing campaigns and brand development.

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 review. In addition, the Group has a dedicated property team with experience in identifying and securing new sites.

Leverage Risk

Under its facilities agreement the Group is subject to agreed financial covenants. Breach of these covenants would require re-negotiation and the requirement to raise additional funds from shareholders. This risk is mitigated by regular and thorough financial forecasting followed by close monitoring of these covenants. Appropriate action is taken to minimise risk.

Fraud

The Group operates multiple sites across the UK. Risk of fraud 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 external control audits are also carried out on all restaurants.

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 our marketing teams monitor market offerings and pricing on an ongoing basis and the Group, through a third party, undertakes regular 'mystery diner' visits to all our restaurants to ensure menu offering and customer service are maintained to a high standard. In addition, the existing estate is subject to a rolling refurbishment programme.

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

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. The like for like sales of the group declined by 2.3% (2008: increased by 3.4%) year on year in respect of the key brands principally due to the challenging economic environment.

Cash Return on Investment (CROI)

During the year, the Group opened 14 new sites and plans to open around 15 new sites in the current financial year. 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 openings is maintained as well as the quantity of sites opened.

The investment into growing the estate has proved successful with an average Cash Return on Investment (CROI) of 25.7% (2008: 36.4%) on the new sites opened in the Group during the last three years and trading for more than six months. CROI is the operating profit of a site expressed as a percentage of the capital cost.

DIRECTORS' REPORT

Directors

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

G Thorley - Chairman
 J Baratta
 B Jacobs (resigned 1 August 2008)
 M Frass-Ehrfeld (resigned 9 February 2009)
 R de Botton
 A Roux (appointed 1 August 2008)
 G Turner
 M Mansigani
 J M Parsons

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, prepayments, 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 and is due for repayment in 2015-2017. The Facilities agreement is secured by a fixed and floating charge over certain of the Group's assets. Cash forecasts identifying the Group's liquidity requirements are produced frequently and are regularly reviewed to ensure that sufficient financial headroom in the Group's bank covenants exists 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 does not hedge this exposure.

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.

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. Under the interest rate swap and 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 swaps and caps entered into by the Group:

Effective from 15 June 2006, the Group under Tragus Limited entered into an interest rate swap for a notional amount of £30 million, reducing to £22 million in instalments until 31 May 2009 at which date it terminated. The fixed rate for the duration of the swap was fixed at 5.257%. On the same date, the Group under Tragus Limited entered into an interest rate cap with a notional amount of £50 million from 31 January 2008 to 31 May 2009 at an interest rate of 5.50%.

Effective from 8 February 2007, the Group entered into an interest rate swap with a notional value of £13.5 million increasing to £51 million by the termination date of 31 December 2009 at a fixed rate of 6.035%. On the same date the Group entered into an interest rate cap with a notional value of £13.5 million increasing to £51 million by the termination date of 31 December 2009 at a fixed rate of 6%.

On the 19 March 2009, the Group entered into an interest rate cap with a notional value of £38 million until 31 December 2009 at a fixed rate of 7%.

As at the year end the mark to market (MTM) estimate of the above transactions was an amount payable to the counterparty of £1,640,000 (2008: receivable from the counterparty £539,000).

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 24 May 2009 the Company had no trade creditors (2008: nil).

DIRECTORS' REPORT

Employee involvement

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

Employment of disabled persons

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

Donations

No donations for political purposes have been made by the Company during the period. Charitable events, fund raising and sponsorship are organised by restaurants for organisations in their locality.

Café Rouge raised £18,497 for Marie Curie whereby 25p from every Moules du Café Rouge dish sold was donated to these charities. Café Rouge also raised £5,894 through a £1 donation for every Mother's Day menu sold.

Bella Italia raised £12,490 for Children in Need whereby 25p from every Linguine Gamberi dish sold was donated to these charities and a further £1 donation from a Special Children in Need pizza.

Ma Potters raised £3,013 for Tommy's the Baby Charity whereby 10p from every children's menu meal paid for was donated to the charity.

Donations of £160 for Hospice of St Francis and £1,000 for Kids Out Charity were arranged locally.

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

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). 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 company and 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.

Auditors and 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.

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 year.

On behalf of the Board of Directors

G Turner
DIRECTOR

8 September 2009

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 24 May 2009 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group 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 Directors' Responsibilities Statement 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 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 Sections 495 and 496 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.

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 24 May 2009 and of the group's 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.

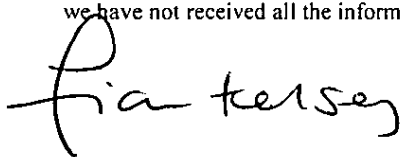
Opinion on other matter prescribed by the Companies Act 2006

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 (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

9 September 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

52 week period ended 24 May 2009

		Existing operations before exceptional items period ended 24 May 2009	Exceptional items on existing operations period ended 24 May 2009 (note 5)	Total period ended 24 May 2009	Existing operations before exceptional items period ended 25 May 2008	Exceptional items on existing operations period ended 25 May 2008 (note 5)	Total period ended 25 May 2008
	Note	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER		261,936	-	261,936	247,838	-	247,838
Cost of sales		(214,746)	-	(214,746)	(187,111)	-	(187,111)
GROSS PROFIT		47,190	-	47,190	60,727	-	60,727
Total administrative expenses		(34,356)	1,448	(32,908)	(45,409)	(15,118)	(60,527)
OPERATING PROFIT BEFORE AMORTISATION AND DEPRECIATION		43,398	8,040	51,438	43,901	(15,118)	28,783
Amortisation	10	(19,481)	-	(19,481)	(19,513)	-	(19,513)
Impairment of goodwill	5	-	(6,592)	(6,592)	-	-	-
Depreciation	11	(11,083)	-	(11,083)	(9,070)	-	(9,070)
OPERATING PROFIT	3	12,834	1,448	14,282	15,318	(15,118)	200
Profit / (Loss) on disposal of fixed assets		346	-	346	(134)	-	(134)
Interest receivable and similar income	8	276	-	276	205	-	205
Interest payable and similar charges	8	(32,024)	-	(32,024)	(35,688)	-	(35,688)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(18,568)	1,448	(17,120)	(20,299)	(15,118)	(35,417)
Taxation	9			4,115			(527)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION				(13,005)			(35,944)
Minority interest	19			(3)			(4)
LOSS FOR THE PERIOD				(13,008)			(35,948)

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 period stated above and their historic costs equivalent.

CONSOLIDATED BALANCE SHEET

As at 24 May 2009

	Note	24 May 2009 £'000	25 May 2008 £'000
FIXED ASSETS			
Intangible assets	10	338,270	364,296
Tangible assets	11	<u>85,756</u>	<u>85,244</u>
		424,026	449,540
CURRENT ASSETS			
Stock - raw materials		2,017	1,891
Debtors	13	7,883	6,426
Cash	14	<u>16,910</u>	<u>15,768</u>
		26,810	24,085
CREDITORS - amounts falling due within one year	15	<u>(61,812)</u>	<u>(72,389)</u>
NET CURRENT LIABILITIES		<u>(35,002)</u>	<u>(48,304)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		389,024	401,236
CREDITORS - amounts falling due after more than one year	16	(326,535)	(321,504)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(11,039)	(15,277)
Minority equity interests	19	<u>(33)</u>	<u>(30)</u>
NET ASSETS		<u>51,417</u>	<u>64,425</u>
CAPITAL AND RESERVES			
Called up share capital	20	11,013	11,013
Share premium account	21	99,120	99,120
Profit and loss account	21	<u>(58,716)</u>	<u>(45,708)</u>
SHAREHOLDERS' FUNDS	22	<u>51,417</u>	<u>64,425</u>

These financial statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 8 September 2009 and signed on its behalf by:



Mohan Mansigani
Director

COMPANY BALANCE SHEET

As at 24 May 2009

	Notes	24 May 2009 £'000	25 May 2008 £'000
FIXED ASSETS			
Investments	12	110,133	110,133
CURRENT ASSETS			
Debtors	13	6,636	6,621
CREDITORS - amounts falling due within one year	15	(6,636)	(6,621)
NET CURRENT ASSETS		-	-
NET ASSETS		<u>110,133</u>	<u>110,133</u>
CAPITAL AND RESERVES			
Called up share capital	20	11,013	11,013
Share premium account	21	99,120	99,120
Profit and loss account	21	-	-
SHAREHOLDERS' FUNDS	22	<u>110,133</u>	<u>110,133</u>

These financial statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 8 September 2009 and signed on its behalf by:

M. Mansigani

Mohan Mansigani
Director

CONSOLIDATED CASH FLOW STATEMENT

52 week period ended 24 May 2009

	Notes	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Net cash inflow from operating activities	23	42,801	45,705
Returns on investments and servicing of finance	24	(35,014)	(25,700)
Taxation		(656)	(248)
Capital expenditure and financial investment	24	(17,670)	(26,665)
Acquisitions and disposals			
Purchase of subsidiary undertakings	2	(9,319)	(77,736)
Cash acquired on purchase of Talisker Limited		-	2,681
Net cash outflow for acquisitions		<u>(9,319)</u>	<u>(75,055)</u>
Management of liquid resources			
Repayment of loan notes		-	(16,646)
		<u>-</u>	<u>(16,646)</u>
Financing			
Issue of share capital to fund acquisitions		-	39,133
Repayment of loans acquired on acquisition of Talisker Limited		-	(63,527)
Loan from fellow group undertaking	17	-	11,000
Repayment of loans in period		-	(95,000)
Drawdown of new loans in period	25	21,000	199,000
		<u>21,000</u>	<u>90,606</u>
Increase / (Decrease) in cash in the period	25	<u>1,142</u>	<u>(8,003)</u>

Reconciliation of net cash flow to movement in net debt

		Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Increase / (Decrease) in cash in the period		1,142	(8,003)
Movement in liquid resources		-	16,646
Movement in borrowings	25	<u>(21,000)</u>	<u>(52,194)</u>
Change in net debt resulting from cash flows		(19,858)	(43,551)
Net borrowings acquired with subsidiaries		-	(62,806)
Amounts paid to effect debt repurchase	2	9,319	-
Non cash movement - gain on debt repurchase	5	15,181	-
Non cash movement - interest on Eurobonds rolled up	17	(5,445)	
Non cash movement - loan expenses incurred	17	<u>(3,086)</u>	<u>(567)</u>
Change in net debt		(3,889)	(106,924)
Net debt at start of period	25	(305,736)	(198,812)
Net debt at end of period	25	<u>(309,625)</u>	<u>(305,736)</u>

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom. The 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 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 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.

Under Section 480(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 21.

Goodwill and intangible fixed assets

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 directors' estimate of its useful life of 20 years. On acquisition, 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.

Tangible fixed assets

Depreciable fixed assets are initially recognised at cost and depreciated 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.
- IT systems and equipment are depreciated over 5 to 8 years.

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

Investments

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

Stock

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

Vacant properties 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.

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 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.

Turnover

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

Foreign exchange

The consolidated financial statements are presented in sterling which is the company'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. These are retranslated at period end closing rates.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Rental payments in respect of operating leases are charged straight line 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 straight line 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 5 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 company and which are individually, or in aggregate, of such size or incidence to require specific disclosure.

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.

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 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 FRS 26.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

2. ACQUISITION OF THE DAVIES COMPANIES

The group purchased seven companies, comprising Davies UK 1A Limited, Davies UK 2A Limited, Davies UK 3A Limited, Davies UK 4A Limited, Davies UK 5A Limited, Davies UK 6A Limited, Davies UK 7A Limited during the year for a total consideration of £9,319,000. No adjustments were required to the book values of assets acquired.

The debtor acquired within these companies comprises £9,319,000 of the group's external loans which have a face value of £24,500,000 (£12,599,000 Facility B and £11,901,000 Facility C). Upon acquisition these loans were brought into the Group and accordingly this internal indebtedness eliminated on consolidation at the point of acquisition. The resultant consolidated gain of £15,181,000 is presented as an exceptional item (Note 5). The transaction does not give rise to any deferred tax liability, as the inter-company indebtedness was waived subsequent to the year end, on 18 August 2009.

The acquired subsidiaries contributed £nil to the group's net operating cash flows, paid £nil in respect of interest, £33,000 in respect of taxation and did not utilise any capital expenditure.

The acquired subsidiaries were incorporated on 17 March 2009 (Davies UK 1A Limited), 18 March 2009 (Davies UK 2A Limited and Davies UK 3A Limited), 3 April 2009 (Davies UK 4A Limited, Davies UK 5A Limited, Davies UK 6A Limited and Davies UK 7A Limited) respectively and from that date to the date of acquisition made no recognised gains or losses.

	Book Value £'000	Fair value £'000
Debtors	9,319	9,319
Net assets acquired	9,319	9,319
Consideration		9,319
Consideration satisfied by:		
Cash		9,319

The book value and fair value of net assets acquired represents the total for all of the acquired subsidiaries.

3. OPERATING PROFIT

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Operating Profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	11,064	9,033
- under finance leases	19	37
Foreign exchange difference	11	13
Amortisation of goodwill	19,481	19,513
Impairment of goodwill	6,592	-
Rentals under operating leases:		
Land and buildings	28,601	24,161

4. SERVICES PROVIDED BY THE COMPANY'S AUDITOR

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Audit services:		
Fees payable to company auditor for the audit of parent company and consolidated accounts	14	9
Non audit services:		
The audit of the company's subsidiaries pursuant to legislation	91	91
Other services	151	951
Tax services for the company's subsidiaries	68	40
Total Fees paid at 25 May 2009 for audit and non audit services	324	1,091

Other services provided relate to work performed by the company's auditor in relation to the acquisition of the Davies companies (see note 2) during the period.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

5. EXCEPTIONAL ITEMS

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Exceptional income - gain on debt repurchase	(15,181)	-
Transaction fees	350	-
Impairment of goodwill	6,592	-
Vacant property provision	1,519	7,454
Impairment of fixed assets	4,886	5,177
Integration costs	386	519
Aborted transaction costs	-	1,167
Pre opening costs for concession sites and rebranding	-	801
Total exceptional items for the period	<u>(1,448)</u>	<u>15,118</u>

During the year, the group acquired seven subsidiary companies for cash consideration of £9,319,000. The acquired subsidiaries held a total of £12,599,000 of the Group's Facility B and £11,901,000 of the Group's Facility C borrowings (details of the acquisition are disclosed in Note 2). Upon acquisition of the subsidiaries, these borrowings were brought within the Group, and accordingly the Group realised a consolidated gain of £15,181,000.

An impairment review was conducted across the Group and highlighted several sites which management consider to have onerous fixed cost obligations for which a provision of £1,519,000 has been created (2008: £7,454,000). Fixed assets of £4,886,000 have been also been impaired in relation to these sites.

Goodwill held by the Group was reviewed for impairment. The tests performed showed that the total goodwill should be impaired which resulted in the above write off of goodwill totalling £6,592,000.

The company incurred £1,167,000 of costs primarily as a result of work on a review of strategic options during the prior year. No such work was conducted during 2009.

In the prior year, one off costs were incurred in relation to the opening of eight concessions and the opening of rebranded sites, together with the integration costs to amalgamate the Talisker group of companies operations. This totalled £1,320,000.

6. STAFF COSTS

During the period ended 24 May 2009 the group employed the following average number of employees:

	Period ended 24 May 2009 Number	Period ended 25 May 2008 Number
Administration	145	140
Restaurants	7,099	7,010
	<u>7,244</u>	<u>7,150</u>

The aggregate payroll costs of these persons were as follows:

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Wages and salaries	72,996	71,106
Social security costs	6,186	6,293
Other pension costs	218	220
	<u>79,400</u>	<u>77,619</u>

7. REMUNERATION OF DIRECTORS

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Aggregate emoluments	795	866
The emoluments of the highest paid director for the period	290	325
Directors' pension	<u>16</u>	<u>17</u>
	<u>Period ended 24 May 2009</u>	<u>Period ended 25 May 2008</u>
Number of directors accruing pension under the stakeholder pension scheme	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS**Period ended 24 May 2009****8. NET INTEREST PAYABLE AND SIMILAR CHARGES**

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Amortisation of loan facility fees	3,086	3,080
On bank loans and overdrafts	19,726	25,446
On finance leases	1	4
On Eurobond	8,451	6,581
On intercompany loan with Tragus Cayco Limited	15	303
Capex facility interest	676	241
Other interest payable	69	33
	<u>32,024</u>	<u>35,688</u>
Interest receivable on treasury deposits	<u>(276)</u>	<u>(205)</u>
Total interest expense	<u>31,748</u>	<u>35,483</u>

Interest is charged on the intercompany loan with Tragus Cayco Limited at LIBOR minus 1 per cent.

9. TAXATION

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Current taxation on profit for the period		
Charge relating to prior period	<u>48</u>	<u>357</u>
Total current taxation charge	<u>48</u>	<u>357</u>
Total deferred taxation (credit) / charge	<u>(4,163)</u>	<u>170</u>
Total deferred taxation and taxation (credit) / charge	<u>(4,115)</u>	<u>527</u>
Factors affecting the tax charge for the period		
Loss before tax	<u>(17,120)</u>	<u>(35,417)</u>
Tax at current UK Corporation Tax rate of 28% (2008: 29.67%)	<u>(4,794)</u>	<u>(10,508)</u>
Effect of:		
Capital allowances in excess of depreciation	(547)	(1,361)
Expenses not deductible for tax purposes	792	640
Fixed asset impairment	1,368	2,167
Goodwill amortisation and impairment	7,300	5,790
Loss on disposal of assets	93	40
Reverse premium	4	-
Group relief	(33)	3,232
Other non-taxable income on consolidation	(4,183)	-
Charge relating to prior period	48	357
Current tax charge for the period	<u>48</u>	<u>357</u>

The taxation effect of the exceptional items during the period is a credit of £1,773,000 (2008: £4,093,000).

NOTES TO THE FINANCIAL STATEMENTS**Period ended 24 May 2009****10. INTANGIBLE FIXED ASSETS**

	Goodwill £'000
The Group	
<u>Cost</u>	
At 25 May 2008	389,618
Additions during the period	47
At 24 May 2009	389,665
<u>Accumulated amortisation and impairment</u>	
At 25 May 2008	(25,322)
Charge for the period	(19,481)
Impairment of goodwill	(6,592)
At 24 May 2009	(51,395)
<u>Net book amount</u>	
At 24 May 2009	338,270
At 25 May 2008	364,296

The additions during the period relate to the stamp duty fees incurred on the acquisition of the new subsidiaries (see note 2) of £47,000.

An impairment review of goodwill was undertaken for the Group. A suitable discount rate was calculated and applied to forecast results in order to obtain the net present value of future cashflows. This was discounted back compared with the book value of goodwill held for each acquisition at 24 May 2009. Of the goodwill held an impairment was triggered when using a discount rate 9.2% which resulted in the above impairment of £6,592,000 (see note 5).

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Total £'000
The Group			
<u>Cost</u>			
At 25 May 2008	54,549	46,776	101,325
Additions	4,552	12,230	16,782
Disposals	(1,009)	(655)	(1,664)
At 24 May 2009	58,092	58,351	116,443
<u>Accumulated depreciation</u>			
At 25 May 2008	(7,660)	(8,421)	(16,081)
Charge for the period	(3,121)	(7,962)	(11,083)
Impairment (note 5)	(1,739)	(3,147)	(4,886)
Disposals	803	560	1,363
At 24 May 2009	(11,717)	(18,970)	(30,687)
<u>Net book amount</u>			
At 24 May 2009	46,375	39,381	85,756
At 25 May 2008	46,889	38,355	85,244

Assets held under finance lease, capitalised and included in tangible fixed assets:

	At 25 May 2009 £'000	At 27 May 2008 £'000
Cost	54	124
Accumulated Depreciation	(51)	(70)
Net book amount	3	54

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

12. INVESTMENTS

Shares in
subsidiary
undertakings

£'000

The Company

Cost and net book amount at 24 May 2009 and 25 May 2008

110,133

At 24 May 2009 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 Bondco Limited*	Holding company	England and Wales	100%
Tragus Bidco Limited	Holding company	England and Wales	100%
Ma Potter's 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	Holding company	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%
Handyminter 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%
Davies UK 1A Limited	Holding company	England and Wales	100%
Davies UK 2A Limited	Holding company	England and Wales	100%
Davies UK 3A Limited	Holding company	England and Wales	100%
Davies UK 4A Limited	Holding company	England and Wales	100%
Davies UK 5A Limited	Holding company	England and Wales	100%
Davies UK 6A Limited	Holding company	England and Wales	100%
Davies UK 7A Limited	Holding company	England and Wales	100%
Davies UK 1B Limited	Dormant	England and Wales	100%
Davies UK 2B Limited	Dormant	England and Wales	100%
Davies UK 3B Limited	Dormant	England and Wales	100%
Davies UK 4B Limited	Dormant	England and Wales	100%
Davies UK 5B Limited	Dormant	England and Wales	100%
Davies UK 6B Limited	Dormant	England and Wales	100%
Davies UK 7B Limited	Dormant	England and Wales	100%

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

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

13. DEBTORS

	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000	The Group 25 May 2008 £'000	The Company 25 May 2008 £'000
Trade debtors	3,805	-	2,536	-
Other debtors	358	-	212	-
Prepayments and accrued income	3,439	-	3,567	-
Amounts owed by group undertakings	281	6,636	111	6,621
	<u>7,883</u>	<u>6,636</u>	<u>6,426</u>	<u>6,621</u>

Amounts owed by Group undertakings relate to monies owed to Tragus Luxco S.a.r.l., a fellow subsidiary of Tragus Cayco Limited. These amounts have no fixed repayment date, are interest free and unsecured.

14. CASH

	The Group 24 May 2009 £'000	The Group 25 May 2008 £'000
Cash at bank	<u>16,910</u>	<u>15,768</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000	The Group 25 May 2008 £'000	The Company 25 May 2008 £'000
Trade creditors	15,653	-	15,410	-
Finance lease creditor	-	-	32	-
Other taxation and social security	7,588	-	7,804	-
Other creditors	3,616	-	3,767	-
Amounts owed to group undertakings	16,893	6,636	15,308	6,621
Corporation tax	-	-	608	-
Accruals and deferred income	18,062	-	29,460	-
	<u>61,812</u>	<u>6,636</u>	<u>72,389</u>	<u>6,621</u>

The amounts owed to group undertakings shown above are due to Tragus Cayco Limited and Tragus Luxco S.a.r.l. both fellow group companies. The loan with Tragus Cayco Limited has interest charged on it at LIBOR less 1 per cent giving a total amount payable for the year end of £6,636,000 (2008: £6,621,000). This amount relates to loan notes transferred up to Tragus Cayco Limited from Tragus Bidco Limited. The intercompany balance with Tragus Luxco S.a.r.l. does not incur interest and is unsecured with no fixed repayment date.

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000	The Group 27 May 2008 £'000	The Company 27 May 2008 £'000
£29,779,776 17.35% Notes due 2016	29,780	-	26,319	-
Loan from fellow group undertakings (see note 17)	-	-	11,000	-
£12,983,719 17.475% Unsecured Loan Notes 2018	12,984	-	-	-
Bank Loans (see note 17)	285,500	-	289,000	-
Unamortised loan finance costs (see note 17)	(1,729)	-	(4,815)	-
	<u>326,535</u>	<u>-</u>	<u>321,504</u>	<u>-</u>

The £12,983,719 17.475% Unsecured Loan Notes 2018 were listed as a Eurobond on the Channel Islands Stock Exchange on the 28 October 2008. This replaced the £11 million loan and bears the same conditions as the original loan. This Eurobond was originally established to assist the funding of the acquisition of Talisker Limited, acquired by the Group in prior year. Interest is borne on the Eurobond at a rate of 17.475% payable annually in arrears. Interest is payable in sterling.

The £26,319,076 17.35% Notes due 2016 had Payment in Kind notes of £3,460,700 issued on the 20 May 2008 to Tragus Luxco S.a.r.l. in respect of interest due up to 15 December 2007. These were listed on the Channel Islands Stock Exchange on the 17 November 2008 hence revising the principal to £29,779,776 17.35% Notes due 2016.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

The Eurobonds will become repayable at the principal amount on 15 December 2018 and 15 December 2016 respectively. The group may repay the Eurobond in whole or in part at any time at its outstanding principal amount (together with accrued interest) subject to the group 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.

The Eurobonds constitute direct, general, unconditional, unsecured and unsubordinated obligation 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.

17. BORROWINGS

	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000	The Group 25 May 2008 £'000	The Company 25 May 2008 £'000
Bank loan - Facility B	112,401	-	125,000	-
Bank loan - Facility C	113,099	-	125,000	-
Second Lien Debt	30,000	-	30,000	-
£29,779,776 17.35% Notes due 2016	29,780	-	26,319	-
£12,983,719 17.475% Unsecured Loan Notes 2018	12,984	-	-	-
Loan from fellow group undertaking (see note 16)	-	-	11,000	-
Acquisition / Capex facility	16,000	-	7,000	-
Revolving credit facility	14,000	-	2,000	-
Unamortised loan costs	(1,729)	-	(4,815)	-
	<u>326,535</u>	<u>-</u>	<u>321,504</u>	<u>-</u>
Debt can be analysed as falling due:				
In less than one year	(1,729)	-	(3,079)	-
Between one and two years	-	-	(1,736)	-
Between two and five years	-	-	-	-
In more than five years	<u>328,264</u>	<u>-</u>	<u>326,319</u>	<u>-</u>
	<u>326,535</u>	<u>-</u>	<u>321,504</u>	<u>-</u>

On 25 July 2007 ("the effective date") the existing loan facilities were refinanced. On 6 May 2009 the Group effectively repurchased £24,500,000 of its Facility B and Facility C debt at a discount through the acquisition of seven companies that had been specifically set up to acquire the debt. Furthermore, during the year the Group partially utilised its capex and revolving credit facilities to fund the development of new restaurants and short term working capital requirements respectively.

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	2.375% above LIBOR
Facility C	2.875% above LIBOR
2nd Lien	5.500% above LIBOR
Revolving Credit Facility	2.125% above LIBOR
Acquisition / Capex Facility	2.125% above LIBOR

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 in nine years from the effective date on the 25 July 2016; 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 in seven years from the effective date on the 25 July 2014. Facilities may be required to be repaid if there is a Senior Event of Default.

The Acquisition / Capex Facility can be utilised up to the maximum of £40,000,000 within a four year availability period from 15 December 2006 and then becomes repayable in instalments from 25 January 2012.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred Tax £'000	Other £'000	Total £'000
At 25 May 2008	5,028	10,249	15,277
Additions in the period	-	2,819	2,819
Released in the period	-	(1,398)	(1,398)
Utilised in the period	-	(1,496)	(1,496)
Credit in the period	(4,163)	-	(4,163)
At 24 May 2009	<u>865</u>	<u>10,174</u>	<u>11,039</u>

Group provisions relate primarily to deferred tax and 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:

	Provided		Provided	
	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000	The Group 25 May 2008 £'000	The Company 25 May 2008 £'000
Capital allowances in excess of depreciation (note 9)	846	-	5,024	-
Provisions	<u>19</u>	<u>-</u>	<u>4</u>	<u>-</u>
	<u>865</u>	<u>-</u>	<u>5,028</u>	<u>-</u>

19. MINORITY INTEREST

	The Group £'000
As at 25 May 2008	30
Profit attributable to Minority interest	<u>3</u>
As at 24 May 2009	<u>33</u>

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

20. SHARE CAPITAL

	Authorised 24 May 2009 £'000	Authorised 25 May 2008 £'000
760,000,000 ordinary shares of 10p each	<u>76,000</u>	<u>76,000</u>
	<u>Called up, allotted and fully paid 24 May 2009 £'000</u>	<u>Called up, allotted and fully paid 25 May 2008 £'000</u>
110,132,500 ordinary shares of 10p each	<u>11,013</u>	<u>11,013</u>

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

Period ended 24 May 2009

21. STATEMENT OF MOVEMENTS ON RESERVES

Group	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 25 May 2008	99,120	(45,708)	53,412
Loss for the period	-	(13,008)	(13,008)
At 24 May 2009	99,120	(58,716)	40,404
Company	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 24 May 2009 and 25 May 2008	99,120	-	99,120

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000	The Group 27 May 2008 £'000	The Company 27 May 2008 £'000
Opening shareholders' funds	64,425	110,133	61,240	71,000
Loss for the period	(13,008)	-	(35,948)	-
Issue of ordinary share capital	-	-	3,913	3,913
Share premium on share capital issued	-	-	35,220	35,220
Closing shareholders' funds	51,417	110,133	64,425	110,133

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	Period ended 24 May 2009 £'000	Period ended 27 May 2008 £'000
Operating profit	14,282	200
Exceptional gain on debt buyback	(15,181)	-
Amortisation of goodwill	19,481	19,513
Impairment of goodwill	6,592	-
Depreciation of tangible fixed assets	11,083	9,070
Fixed asset impairment	4,886	5,177
Increase in stocks	(126)	(330)
(Increase) in debtors	(1,175)	(921)
Increase in creditors	3,034	7,060
Increase / (decrease) in provisions	(75)	5,936
Net cash outflow from operating activities	42,801	45,705

Operating cash flows include, under continuing operations, outflows of £4,886,000 (2008: £5,177,000) which related to the fixed asset impairments incurred in the period.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

24. ANALYSIS OF CASH FLOWS

	Period ended 24 May 2009 £'000	Period ended 25 May 2008 £'000
Returns on investment and servicing of finance		
Interest received	276	205
FRS 4 costs incurred	-	(2,431)
Interest paid	(35,290)	(23,474)
	<u>(35,014)</u>	<u>(25,700)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(18,317)	(26,940)
Proceeds from sale of fixed assets	647	275
	<u>(17,670)</u>	<u>(26,665)</u>

25. ANALYSIS OF NET DEBT

	At 25 May 2008 £'000	On acquisition of subsidiaries £'000	Cash flow £'000	Non-cash changes £'000	Period ended 24 May 2009 £'000
Cash at bank and in hand	15,768	-	1,142	-	16,910
Less liquid resources	-	-	-	-	-
	<u>15,768</u>	<u>-</u>	<u>1,142</u>	<u>-</u>	<u>16,910</u>
Debt due after one year	(321,504)	9,319	(21,000)	6,650	(326,535)
	<u>(321,504)</u>	<u>9,319</u>	<u>(21,000)</u>	<u>6,650</u>	<u>(326,535)</u>
Net debt	<u>(305,736)</u>	<u>9,319</u>	<u>(19,858)</u>	<u>6,650</u>	<u>(309,625)</u>

26. LEASE COMMITMENTS

Group	Land and Buildings 24 May 2009 £'000	Land and Buildings 25 May 2008 £'000
At the period end, the group was committed to making the following payments during the next year in respect of operating leases which expire:		
Within one year	1,152	442
Between one and two years	832	751
Between two and five years	3,305	3,056
After five years	<u>22,577</u>	<u>22,746</u>
	<u>27,866</u>	<u>26,995</u>

NOTES TO THE FINANCIAL STATEMENTS

Period ended 24 May 2009

27. 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 £218,000 (2008: £220,000). There were £30,000 of outstanding contributions at the end of the financial period (2008: £28,000)

28. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard no. 8 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 24 May 2009 are as follows:

	Purchases from related party £'000	Amounts owed to related party £'000
Related Party		
The Blackstone Group fees	407	-

29. PARENT UNDERTAKING

The parent undertaking of the company is Tragus Cayco Limited, registered in the Cayman Islands. The company is the largest group company registered in England and Wales for which group accounts are drawn up. 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.