TRAGUS

Annual Report and Consolidated Financial Statements

53 week period ended 30 May 2010

Registered number: 06022528

CONTENTS

COMPANY INFORMATION

DIRECTORS:	G Thorley - Chairman J Baratta R de Botton A Roux G Turner M Mansigani J 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 53 week period ended 30 May 2010. The comparatives are for the 52 week period ended 24 May 2009.

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 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 accounts are prepared.

Results, dividends and future developments

The results for the Group for the 53 week period ended 30 May 2010 show an operating profit before amortisation, depreciation and exceptional items of £47,212,000 (2009: £43,398,000). The Group's turnover for the period ended 30 May 2010 is £277,364,000 (2009: £261,936,000).

The results for the Group for the 53 week period ended 30 May 2010 show a loss after tax and before minority interest of £12,208,000 (2009: loss of £13,005,000).

The Group has net debt of £325,221,000 as at 30 May 2010 (24 May 2009: £326,518,000). No dividends have been declared in the period (2009: nil).

Interest costs for the Group have reduced from £32,024,000 for the prior period to £22,434,000 for the period ended 30 May 2010.

The Group will continue to operate restaurants for the foreseeable future.

During the year, the Group opened fifteen new sites across the three key brands and plans to open around twenty 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 287 restaurants as at 30 May 2010 (24 May 2009: 277 restaurants).

The financial year ended 30 May 2010 saw the Group increase profitability at an operating level before exceptionals in what has been another difficult year for consumer facing businesses in the United Kingdom. This represents a resilient performance given the weakness of the UK economy.

New legislation on the handling of tips and service charge in relation to National Minimum Wage came into force on 1 October 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. 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.

The Group has benefited from a fall in LIBOR, which combined with our hedging strategy, has resulted in lower interest costs.

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 develop and improve existing brands continually 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 strategic aims.

* To continually look at new opportunities and styles of eating.

DIRECTORS' REPORT

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.

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 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 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 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.

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 control audits are also carried out on all restaurants by an external third party MRS Solutions Ltd, on the company's behalf.

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 1.6% (2009: decline by 2.3%) 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 15 new sites and plans to open around 20 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 27.7% (2009: 25.7%) 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
R de Botton
A Roux
G Turner
M Mansigani
J 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, 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 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 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 swaps and caps entered into by the Group:

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%. Also on 8 February 2007, 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 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%.

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 the year end the mark to market (MTM) value of the above transactions was an amount receivable from the counterparty of £482,000 (2009: payable to the counterparty £1,640,000).

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 30 May 2010 the Company had no trade creditors (2009: 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 worked with Great Ormond Street Hospital to support their 'Kiss It Better' campaign. £25,945 was raised through £1 being donated from every Valentines Day set menu as well as a 'Buy One Main Meal Get Another For £1' offer that ran throughout February. Pin badges were also sold in all restaurants contributing to this amount.

Café Rouge continued its partnership with Marie Curie by donating £1 from every mother's day set menu sold. £3,194 was raised.

Bella Italia raised £4,712 for Wellbeing of Women whereby 50p from every Fettucini Violette dish sold was donated to the charity, as part of a month of fundraising.

Potter's raised £1,451 for Tommy's by donating 10p from every children's set menu sold.

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

22 September 2010

1st Floor
163 Eversholt Street
LONDON NW1 1BU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAGUS GROUP LIMITED

We have audited the group and company financial statements (the ''financial statements'') of Tragus Group Limited for the 53 week period ended 30 May 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, 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 of 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 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

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 company's affairs as at 30 May 2010 and of the group's loss and cash flows for the year 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
London 23 September 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT

53 week period ended 30 May 2010

	Note	Operations before exceptional items period ended 30 May 2010	Exceptional items on operations period ended 30 May 2010 (note 5)	Total period ended 30 May 2010	Operations before exceptional items period ended 24 May 2009	Exceptional items on operations period ended 24 May 2009 (note 5)	Total period ended 24 May 2009
		£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER		277,364	-	277,364	261,936	-	261,936
Cost of sales		(227,890)	-	(227,890)	(214,746)	-	(214,746)
GROSS PROFIT		49,474	-	49,474	47,190	-	47,190
Total administrative expenses		(32,748)	(4,451)	(37,199)	(34,356)	1,448	(32,908)
OPERATING PROFIT BEFORE AMORTISATION AND DEPRECIATION		47,212	(4,451)	42,761	43,398	8,040	51,438
Amortisation	10	(19,520)	-	(19,520)	(19,481)	-	(19,481)
Impairment of goodwill	5	-		-	-	(6,592)	(6,592)
Depreciation	11	(10,966)	-	(10,966)	(11,083)	-	(11,083)
OPERATING PROFIT	3	16,726	(4,451)	12,275	12,834	1,448	14,282
(Loss) / Profit on disposal of fixed assets		(56)	-	(56)	346	-	346
Interest receivable and similar income	8	228	-	228	276	-	276
Interest payable and similar charges	8	(22,434)	-	(22,434)	(32,024)	-	(32,024)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,536)	(4,451)	(9,987)	(18,568)	1,448	(17,120)
Taxation	9			(2,221)			4,115
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION				(12,208)			(13,005)
Minority interest	19			(3)			(3)
LOSS FOR THE FINANCIAL PERIOD				(12,211)			(13,008)

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 historical costs equivalents.

CONSOLIDATED BALANCE SHEET

As at 30 May 2010

	Note	30 May 2010 £'000	24 May 2009 £'000
FIXED ASSETS			
Intangible assets	10	**318,703**	338,270
Tangible assets	11	**91,423**	85,756
		410,126	424,026
CURRENT ASSETS			
Stock - raw materials		**2,043**	2,017
Debtors	13	**7,038**	7,883
Cash	14	**16,583**	16,910
		25,664	26,810
CREDITORS - amounts falling due within one year	15	**(42,623)**	(44,919)
NET CURRENT LIABILITIES		**(16,959)**	(18,109)
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,167**	405,917
CREDITORS - amounts falling due after more than one year	16	**(341,804)**	(343,428)
PROVISIONS FOR LIABILITIES AND CHARGES	18	**(12,121)**	(11,039)
NET ASSETS		**39,242**	51,450
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	**(70,927)**	(58,716)
SHAREHOLDERS' FUNDS	22	**39,206**	51,417
Minority equity interests	19	**36**	33
CAPITAL EMPLOYED		**39,242**	51,450

These financial statements on pages 7 to 24 were approved by the Board of Directors and authorised for issue on 22 September 2010 and signed on its behalf by:

Mohan Mansigani
Director

COMPANY BALANCE SHEET

As at 30 May 2010

	Notes	**30 May 2010**	24 May 2009
		£'000	£'000
FIXED ASSETS			
Investments	12	**110,133**	110,133
CURRENT ASSETS			
Debtors	13	**6,636**	6,636
CREDITORS - amounts falling due after more than one year	16	**(6,636)**	(6,636)
NET CURRENT ASSETS		**-**	-
NET ASSETS		**110,133**	110,133
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	**110,133**	110,133

These financial statements on pages 7 to 24 were approved by the Board of Directors and authorised for issue on 22 September 2010 and signed on its behalf by:

M. Mansigani

Mohan Mansigani
Director

CONSOLIDATED CASH FLOW STATEMENT

53 week period ended 30 May 2010

	Notes	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Net cash inflow from operating activities	23	**44,608**	42,801
Returns on investments and servicing of finance	24	**(11,655)**	(35,014)
Taxation		**(1,142)**	(656)
Capital expenditure and financial investment	24	**(19,322)**	(17,670)
Acquisitions and disposals			
Purchase of subsidiary undertakings	2	**-**	(9,319)
Financing			
Loan to Tragus Luxco S.a.r.l.		**(93)**	-
Premium paid for interest rate cap		**(723)**	-
Repayment of loans in period		**(14,000)**	-
Drawdown of new loans in period		**2,000**	21,000
		(12,816)	21,000
(Decrease) / increase in cash in the period	25	**(327)**	1,142

Reconciliation of net cash flow to movement in net debt

	Notes	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
(Decrease) / increase in cash in the period		**(327)**	1,142
Movement in borrowings		**12,000**	(21,000)
Premium paid for interest rate cap		**723**	-
Change in net debt resulting from cash flows		**12,396**	(19,858)
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		**(6,294)**	(5,445)
Non cash movement - interest accrued on intercompany debt		**(3,053)**	(1,585)
Non cash movement - loan expenses incurred		**(1,752)**	(3,086)
Change in net debt		**1,297**	(5,474)
Net debt at start of period	25	**(326,518)**	(321,044)
Net debt at end of period	25	**(325,221)**	(326,518)

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Companies Act 2006 and United Kingdom Generally Accepted Accounting Practices (UK GAAP). The principle 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. The accounting policies are applied consistently throughout the Group, and intercompany balances and transactions within Tragus Group Limited are eliminated on consolidation.

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.

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.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

1. ACCOUNTING POLICIES (CONTINUED)

Prior period restatement

The prior period Balance Sheet is restated for a reclassification of certain intercompany borrowings as non-current. The impact is that non-current liabilities are now higher by £16,893,000 for the Group and £6,636,000 for the Company. Likewise, current liabilities are lower by the same amounts. This has no impact on profit or loss or net assets.

The prior period closing Net debt amount is restated for a reclassification of certain intercompany borrowings as being part of net debt. The impact is that opening net debt is higher by £16,893,000. There is no impact on net assets, profit and loss or cashflow.

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. 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 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 outside 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 Financial Reporting Standard 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 and does not apply fair value accounting nor has sought to early adopt FRS 26.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

2. ACQUISITION OF THE DAVIES COMPANIES

In March and April 2009, 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 and Davies UK 7A Limited for a total consideration of £9,319,000.

The debtor acquired within these companies comprised £9,319,000 of the group's external loans which had 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 was presented as an exceptional item in 2009. The transaction did not give rise to any deferred tax liability, as the inter-company indebtedness was waived subsequent to the prior period balance sheet date on 18 August 2009. On the same date, there was a reduction in share capital held in the Davies' companies of £9,319,000.

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

3. OPERATING PROFIT

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Operating Profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	**10,966**	11,064
- under finance leases	**-**	19
Foreign exchange loss	**14**	11
Amortisation of goodwill	**19,520**	19,481
Impairment of goodwill	**-**	6,592
Rentals under operating leases:		
Land and buildings	**30,752**	28,601

4. SERVICES PROVIDED BY THE COMPANY'S AUDITOR

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Audit services:		
Fees payable to company auditor for the audit of parent company and consolidated accounts	**11**	14
Non audit services:		
The audit of the company's subsidiaries pursuant to legislation	**94**	91
Other services	**11**	151
Tax services for the company's subsidiaries	**67**	68
Total fees paid at 30 May 2010 for audit and non audit services	**183**	324

5. EXCEPTIONAL ITEMS

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Exceptional income - loss / (gain) on debt repurchase	**47**	(15,181)
Net increase in onerous contract provision	**2,247**	1,519
Impairment of fixed assets	**1,782**	4,886
Reorganisation and integration costs	**375**	386
Transaction fees	**-**	350
Impairment of goodwill	**-**	6,592
Total exceptional items for the period	**4,451**	(1,448)

In 2009, 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. The loss recognised in the current period relates to the write-back of stamp duty fees incurred on the acquisition of the Davies' Group for £47,000.

An impairment review was conducted across the Group and highlighted several sites which management consider to have onerous fixed cost obligations for which a net provision of £2,247,000 has been created (2009: £1,519,000). Fixed assets of £1,782,000 have been also been impaired (2009: £4,886,000).

Goodwill held by the Group has been reviewed for impairment. The tests performed showed that the total goodwill should not be impaired in the current financial period (2009: £6,592,000).

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

6. STAFF COSTS

During the period ended 30 May 2010 the group employed the following average number of employees:

	Period ended 30 May 2010 Number	Period ended 24 May 2009 Number
Administration	147	145
Restaurants	7,230	7,099
	7,377	7,244

The aggregate payroll costs of these persons were as follows:

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Wages and salaries	79,274	72,996
Social security costs	6,010	6,186
Other pension costs	221	218
	85,505	79,400

7. REMUNERATION OF DIRECTORS

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Aggregate emoluments	834	795
The emoluments of the highest paid director for the period	305	290
Directors' pension	19	16

	Period ended 30 May 2010	Period ended 24 May 2009
Number of directors accruing pension under the stakeholder pension scheme	1	1

8. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Amortisation of loan facility fees	1,752	3,086
On bank loans and overdrafts	10,810	19,726
On finance leases	-	1
On Eurobond	9,346	8,451
On intercompany loan from Tragus Cayco Limited	-	15
Capex facility interest	526	676
Other interest payable	-	69
	22,434	32,024
Interest receivable on treasury deposits	(23)	(276)
Other interest receivable	(205)	-
	(228)	(276)
Total interest expense	22,206	31,748

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

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

9. TAXATION

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Current taxation on profit for the period		
UK corporation tax	2,367	-
(Credit) / charge relating to prior period	(739)	48
Total current taxation charge	1,628	48
Deferred taxation charge / (credit)	593	(4,163)
Total deferred taxation and taxation charge / (credit)	2,221	(4,115)
Factors affecting the tax charge for the period		
Loss before tax	(9,987)	(17,120)
Tax at current UK Corporation Tax rate of 28% (2009: 28%)	(2,797)	(4,794)
Effect of:		
Capital allowances in excess of depreciation	(1,218)	(547)
Expenses not deductible for tax purposes	155	792
Fixed asset impairment	499	1,368
Goodwill amortisation and impairment	5,466	7,300
Loss on disposal of assets	16	93
Reverse premium	6	4
Group relief	-	(33)
Other non-taxable income on consolidation	-	(4,183)
(Credit) / charge relating to prior period	(103)	48
Credit in respect of previously unrecognised deferred tax asset	(636)	
Gain on debt buyback	240	-
Current tax charge for the period	1,628	48

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

If it had been enacted at the balance sheet date, the effect of the changes enacted these would not have had a material effect on recognised or unrecognised deferred tax balances

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000
The Group	
Cost	
At 24 May 2009	389,665
Write-back of stamp duty	(47)
At 30 May 2010	**389,618**
Accumulated amortisation and impairment	
At 24 May 2009	(51,395)
Charge for the period	(19,520)
At 30 May 2010	**(70,915)**
Net book amount	
At 30 May 2010	**318,703**
At 24 May 2009	338,270

The adjustment during the period relates to the write-back of stamp-duty fees incurred on the acquisition of the Davies' Group for £47,000.

An impairment review of goodwill was undertaken for the Group in the current financial year. A discount rate of 9.2% pre-tax was applied to future cashflows in order to obtain their net present value. This was compared to the book value of goodwill held for each acquisition at 30 May 2010. Of the goodwill held, no impairment was recognised (2009: £6,592,000 - see note 5)

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Total £'000
The Group			
Cost			
At 24 May 2009	58,092	58,351	116,443
Additions	8,363	10,108	18,471
Disposals	(43)	(13)	(56)
At 30 May 2010	66,412	68,446	134,858
Accumulated depreciation			
At 24 May 2009	(11,717)	(18,970)	(30,687)
Charge for the period	(3,445)	(7,521)	(10,966)
Impairment (note 5)	-	(1,782)	(1,782)
At 30 May 2010	(15,162)	(28,273)	(43,435)
Net book amount			
At 30 May 2010	**51,250**	**40,173**	**91,423**
At 24 May 2009	46,375	39,381	85,756

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

	30 May 2010 £'000	24 May 2009 £'000
Cost	3	54
Accumulated Depreciation	(3)	(51)
Net book amount	-	3

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

12. INVESTMENTS

	Shares in subsidiary undertakings
	£'000
The Company	
Cost and net book amount at 24 May 2009 and 30 May 2010	110,133

At 30 May 2010 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 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	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%
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.

The seven companies acquired as disclosed in Note 2, along with their respective subsidiaries, were dissolved on 17 August 2010.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

13. DEBTORS

	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000
Trade debtors	2,848	-	3,805	-
Other debtors	231	-	358	-
Prepayments and accrued income	3,585	-	3,439	-
Amounts owed by group undertakings	374	6,636	281	6,636
	7,038	6,636	7,883	6,636

Amounts owed by Group undertakings relate 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 30 May 2010 £'000	The Group 24 May 2009 £'000
Cash at bank	16,583	16,910

Tragus Group Limited does not have a cash balance.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000
Trade creditors	13,741	-	15,653	-
Other taxation and social security	7,732	-	7,588	-
Other creditors	2,013	-	3,616	-
Corporation tax	486	-	-	-
Accruals and deferred income	18,651	-	18,062	-
	42,623	-	44,919	-

The prior period Balance Sheet is restated for a reclassification of certain intercompany borrowings as non-current. The impact is that non-current liabilities are now higher by £16,893,000 for the Group and £6,636,000 for the Company. Likewise, current liabilities are lower by the same amounts. This has no impact on profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	The Group 30 May 2010 £'000	**The Company 30 May 2010 £'000**	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000
£33,735,166 17.35% Notes due 2016	**33,735**	**-**	29,780	-
£15,323,471 17.475% Unsecured Loan Notes 2018	**15,323**	**-**	12,984	-
Bank Loans (see note 17)	**273,500**	**-**	285,500	-
Amounts owed to group undertakings	**19,946**	**6,636**	16,893	6,636
Unamortised loan finance costs (see note 17)	**(700)**	**-**	(1,729)	-
	341,804	**6,636**	343,428	6,636

The 17.35% notes due 2016 had Payment in Kind notes of £3,955,390 issued on the 21 May 2010 to Tragus Luxco S.a.r.l. in respect of interest due up to 21 September 2008. These were listed on the Channel Islands Stock Exchange on the 21 May 2010 hence revising the principal to £33,735,166.

The 17.475% Unsecured Loan Notes 2018 had Payment in Kind notes of £2,339,752 issued on the 21 May 2010 to Tragus Luxco S.a.r.l. in respect of interest due up to 24 May 2009. These were listed on the Channel Islands Stock Exchange on the 21 May 2010 hence revising the principal to £15,323,471.

These Eurobonds will become repayable at the principal amount on 15 December 2016 and 15 December 2018 respectively. The company may repay the Eurobond 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 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.

The amounts owed to group undertakings shown above are due to fellow group companies above the group, Tragus Cayco Limited and Tragus Luxco S.a.r.l. 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 (2009: £6,636,000). This amount relates to loan notes transferred up to Tragus Cayco Limited from Tragus Bidco Limited.

The prior period Balance Sheet is restated for a reclassification of certain intercompany borrowings as non-current. The impact is that non-current liabilities are now higher by £16,893,000 for the Group and £6,636,000 for the Company. Likewise, current liabilities are lower by the same amounts. This has no impact on profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

17. BORROWINGS

	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000
External bank debt				
Bank loan - Facility B	**112,401**	-	112,401	-
Bank loan - Facility C	**113,099**	-	113,099	-
Second Lien Debt	**30,000**	-	30,000	-
Acquisition / Capex facility	**18,000**	-	16,000	-
Revolving credit facility	-	-	14,000	-
Unamortised loan costs	**(700)**	-	(1,729)	-
	272,800	-	283,771	-
Amounts owed to group companies outside the UK				
Amounts owed to group undertakings	**19,946**	**6,636**	16,893	6,636
£33,735,166 17.35% Notes due 2016	**33,735**	-	29,780	-
£15,323,471 17.475% Unsecured Loan Notes 2018	**15,323**	-	12,984	
	69,004	**6,636**	59,657	6,636
Total Debt	**341,804**	**6,636**	343,428	6,636
Debt can be analysed as falling due:				
In less than one year	**(700)**	-	(1,729)	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In more than five years	**342,504**	-	345,157	-
	341,804	-	343,428	-

During the year the Group repaid some of the acquisition / capex and revolving credit facilities due to strong cash flows of the business.

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 25 July 2015; the Facility C bank loan is repayable in nine years from the effective date on 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 per the terms of the group's loan's covenants.

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 30 May 2010

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Deferred Tax £'000	Other £'000	Total £'000
At 24 May 2009	865	10,174	11,039
Additions in the period	-	4,785	4,785
Released in the period	-	(2,498)	(2,498)
Utilised in the period	-	(1,798)	(1,798)
Charge for the period	593	-	593
At 30 May 2010	1,458	10,663	12,121

Group provisions relate primarily to net deferred tax liabilities 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 / (Recognised)		Provided	
	The Group 30 May 2010 £'000	**The Company 30 May 2010 £'000**	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000
Capital allowances in excess of depreciation (note 9)	2,526	-	846	-
Other timing differences	(1,081)	-	-	-
Provisions	13	-	19	-
	1,458	-	865	-

19. MINORITY INTEREST

	The Group £'000
As at 24 May 2009	33
Profit attributable to Minority interest	3
As at 30 May 2010	36

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

20. SHARE CAPITAL

	Authorised 30 May 2010 £'000	Authorised 24 May 2009 £'000
760,000,000 ordinary shares of 10p each	76,000	76,000

	Called up, allotted and fully paid 30 May 2010 £'000	Called up, allotted and fully paid 24 May 2009 £'000
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
Period ended 30 May 2010

21. STATEMENT OF MOVEMENTS ON RESERVES

Group	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 24 May 2009	99,120	(58,716)	40,404
Loss for the period	-	(12,211)	(12,211)
At 30 May 2010	99,120	(70,927)	28,193

Company	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 30 May 2010 and 24 May 2009	99,120	-	99,120

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000	The Group 24 May 2009 £'000	The Company 24 May 2009 £'000
Opening shareholders' funds	51,417	110,133	64,425	110,133
Loss for the period	(12,211)	-	(13,008)	-
Closing shareholders' funds	39,206	110,133	51,417	110,133

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Operating profit	12,275	14,282
Exceptional gain on debt buyback	-	(15,181)
Amortisation of goodwill	19,520	19,481
Impairment of goodwill	-	6,592
Depreciation of tangible fixed assets	10,966	11,083
Fixed asset impairment	1,782	4,886
Disposal of assets	56	-
Increase in stocks	(27)	(126)
Decrease / (increase) in debtors	937	(1,175)
(Decrease) / increase in creditors	(1,390)	3,034
Increase / (decrease) in provisions	489	(75)
Net cash outflow from operating activities	44,608	42,801

Operating cash flows include, under continuing operations, outflows of £1,782,000 (2009: £4,886,000) which related to the fixed asset impairments incurred in the period.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

24. ANALYSIS OF CASH FLOWS

	Period ended 30 May 2010 £'000	Period ended 24 May 2009 £'000
Returns on investment and servicing of finance		
Interest received	53	276
Interest paid	(11,708)	(35,290)
	(11,655)	(35,014)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(19,322)	(18,317)
Proceeds from sale of fixed assets	-	647
	(19,322)	(17,670)

25. ANALYSIS OF NET DEBT

	At 24 May 2009 £'000	Cash flow £'000	Non-cash changes £'000	Period ended 30 May 2010 £'000
Cash at bank and in hand	16,910	(327)	-	**16,583**
Less liquid resources	-	-	-	-
	16,910	(327)	-	**16,583**
Debt due after one year	(343,428)	12,723	(11,099)	**(341,804)**
Net debt	(326,518)	12,396	(11,099)	**(325,221)**

The prior period closing Net debt amount is restated for a reclassification of certain intercompany borrowings as being part of net debt. The impact is that opening net debt is higher by £16,893,000. There is no impact on net assets, profit and loss or cashflow.

26. LEASE COMMITMENTS

Group	**Land and Buildings** 30 May 2010 £'000	Land and Buildings 24 May 2009 £'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	1,527	1,152
Between one and two years	1,371	832
Between two and five years	3,446	3,305
After five years	23,512	22,577
	29,856	27,866

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 £221,000 (2009: £218,000). There were £30,000 of outstanding contributions at the end of the financial period (2009: £30,000)

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 May 2010

28. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 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 30 May 2010 are as follows:

	Purchases from related party £'000	Amounts owed to related party £'000
Related Party		
The Blackstone Group fees	380	-

29. 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 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 Holdco Limited.

30. POST BALANCE SHEET EVENTS

On 17 August 2010, the seven companies acquired as disclosed in Note 2, along with their respective subsidiaries, were dissolved.