

TRAGUS

Annual Report  
and Consolidated  
Financial Statements

for the 52 weeks ended 29 May 2011

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**COMPANY INFORMATION**

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

**INDEPENDENT AUDITORS:** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

**BANKERS:** Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

**SOLICITORS:** Ashurst  
Broadwalk House  
5 Appold Street  
London  
EC2A 2AH

**REGISTERED OFFICE:** 1st Floor  
163 Eversholt Street  
London  
NW1 1BU

**REGISTERED NUMBER:** 06022528

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of Tragus Group Limited ('the Company'), together with its subsidiaries ('the Group') for the 52 weeks ended 29 May 2011. The comparatives are for the 53 weeks ended 30 May 2010.

### **Business review and principal activities**

Tragus Group Limited 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 52 weeks ended 29 May 2011 show an operating profit before amortisation, depreciation and exceptional items of £40,847,000 (53 weeks ended 30 May 2010: £47,212,000). The Group's turnover for the 52 weeks ended 29 May 2011 was £277,428,000 (53 weeks ended 30 May 2010: £277,364,000).

Exceptional costs of £2,299,000 were incurred by the Group for the 52 weeks ended 29 May 2011 (53 weeks ended 30 May 2010: £4,451,000). These costs were outside the normal operations of the Group and related to the impairment of fixed assets, movements in onerous contract provisions, accruals for share-based payments and re-organisation and integration costs.

The results for the Group for the 52 weeks ended 29 May 2011 show a loss on ordinary activities after tax and before minority interest of £14,543,000 (53 weeks ended 30 May 2010: £12,208,000).

The Group has net debt of £324,450,000 as at 29 May 2011 (as at 30 May 2010: £325,221,000). No dividends have been declared in the period (2010: nil).

Interest costs for the Group have reduced from £22,434,000 for the 53 weeks ended 30 May 2010 to £21,121,000 for the 52 weeks ended 29 May 2011.

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

During the period, the Group opened 11 new sites across the three key brands and plans to open around 20 new sites in the next financial period.

### **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 295 restaurants as at 29 May 2011 (as at 30 May 2010: 287 restaurants).

The financial period ended 29 May 2011 saw the profitability of the Group decrease at an operating level before exceptional items in what has been another difficult year for consumer facing businesses in the United Kingdom. Increased revenue from new sites was offset by an increase in cost of sales and labour costs and an investment in a new Marketing & Commercial structure at head office.

Whilst this challenging environment is forecast to continue, the directors consider that 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.

### **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 seven main strategies, which are:

- \* Growing organically by opening new restaurants.
- \* Continually developing and improving existing brands through ongoing menu development, marketing initiatives and investment in the estate.
- \* Improving profitability through disciplined management, the use of technology and procurement initiatives.
- \* Ongoing investment in people through training and development programmes.
- \* Providing excellent customer service.
- \* Acquiring groups of sites or brands which will enhance the Group's portfolio.
- \* Looking 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 reviewed by management 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 has invested in a training programme for all staff to maintain high service levels and has 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. This is mitigated to some extent by hedging utility purchases.

#### *Brand risk*

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

#### *Expansion risk*

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

#### *Fraud*

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

#### *Essential contracts*

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

### **Key Performance Indicators ("KPIs")**

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

#### *Like for Like Sales*

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 2.6% (2010: declined by 1.6%) period on period in respect of the key brands principally due to the challenging economic environment faced by UK businesses as consumer demand declined.

#### *Cash Return on Investment (CROI)*

During the period, the Group opened 11 new sites and plans to open around 20 new sites in the next financial period. The expansion of the brands is a key driver of the Group's profitability. Potential new sites are subject to a rigorous appraisal process before they are presented to the Board for approval. This process ensures the quality of sites is maintained and the appropriate quantity are developed.

The investment into growing the estate has proved successful with an average Cash Return on Investment (CROI) in line with expectations on 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 of the Group who were in office during the period and up to the date of signing the financial statements were:

C Gurassa - Chairman (appointed 14 July 2011)  
 G Thorley - (Chairman prior to 14 July 2011)  
 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 group assets. Cash forecasts identifying the Group's liquidity requirements are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists in the Group's bank covenants for at least a twelve month period.

#### *Foreign currency risk*

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

#### *Credit risk*

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

#### *Leverage risk*

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

#### *Interest rate risk*

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

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

As at 29 May 2011 the mark to market (MTM) value of the above transaction was an amount receivable from the counterparty of £55,000 (30 May 2010: receivable from the counterparty £482,000).

### **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 29 May 2011 the Company had no trade creditors (at 30 May 2010: nil).

### **Employee involvement**

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

**DIRECTORS' REPORT**

**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.

Strada donated £5,000 to the Southbank Centre during the financial period to help restore the Royal Festival Hall organ.

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 prepared the Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

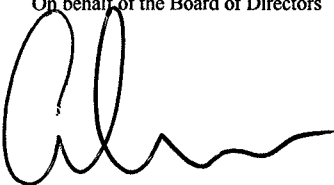
**Disclosure of information to auditors**

Pursuant to section 418 of the Companies Act 2006, each of the persons who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

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

On behalf of the Board of Directors



Graham Turner  
DIRECTOR

28 September 2011

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 29 May 2011 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 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 29 May 2011 and of the Group's loss and cash flows for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

28 September 2011

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**52 weeks ended 29 May 2011**

		Operations before exceptional items 52 weeks ended 29 May 2011	Exceptional items on operations 52 weeks ended 29 May 2011 (note 4)	Total 52 weeks ended 29 May 2011	Operations before exceptional items 53 weeks ended 30 May 2010	Exceptional items on operations 53 weeks ended 30 May 2010 (note 4)	Total 53 weeks ended 30 May 2010
	Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>TURNOVER</b>		277,428	-	277,428	277,364	-	277,364
Cost of sales		<u>(234,201)</u>	<u>-</u>	<u>(234,201)</u>	<u>(227,890)</u>	<u>-</u>	<u>(227,890)</u>
<b>GROSS PROFIT</b>		43,227	-	43,227	49,474	-	49,474
Total administrative expenses		<u>(34,300)</u>	<u>(2,299)</u>	<u>(36,599)</u>	<u>(32,748)</u>	<u>(4,451)</u>	<u>(37,199)</u>
<b>OPERATING PROFIT BEFORE AMORTISATION AND DEPRECIATION</b>							
		40,847	(2,299)	38,548	47,212	(4,451)	42,761
Amortisation	9	(19,151)	-	(19,151)	(19,520)	-	(19,520)
Depreciation	10	(12,769)	-	(12,769)	(10,966)	-	(10,966)
<b>OPERATING PROFIT</b>	2	8,927	(2,299)	6,628	16,726	(4,451)	12,275
Loss on disposal of fixed assets		(105)	-	(105)	(56)	-	(56)
Interest receivable and similar income	7	247	-	247	228	-	228
Interest payable and similar charges	7	<u>(21,121)</u>	<u>-</u>	<u>(21,121)</u>	<u>(22,434)</u>	<u>-</u>	<u>(22,434)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(12,052)</u>	<u>(2,299)</u>	<u>(14,351)</u>	<u>(5,536)</u>	<u>(4,451)</u>	<u>(9,987)</u>
Taxation on loss on ordinary activities	8			<u>(192)</u>			<u>(2,221)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>				<u>(14,543)</u>			<u>(12,208)</u>
Minority interest	18			<u>(3)</u>			<u>(3)</u>
<b>LOSS FOR THE FINANCIAL PERIOD</b>				<u><u>(14,546)</u></u>			<u><u>(12,211)</u></u>

All activities are in respect of continuing operations


The Group has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

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

**CONSOLIDATED BALANCE SHEET****As at 29 May 2011**

	Note	29 May 2011 £'000	30 May 2010 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	299,552	318,703
Tangible assets	10	<u>97,214</u>	<u>91,423</u>
		<b>396,766</b>	<b>410,126</b>
<b>CURRENT ASSETS</b>			
Stocks		2,224	2,043
Debtors - amounts falling due within one year	12	7,704	7,038
Cash in hand and at bank	13	<u>50,020</u>	<u>16,583</u>
		<b>59,948</b>	<b>25,664</b>
<b>CREDITORS - amounts falling due within one year</b>	14	<u>(52,339)</u>	<u>(41,923)</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<u>7,609</u>	<u>(16,259)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>404,375</b>	<b>393,867</b>
<b>CREDITORS - amounts falling due after more than one year</b>	15	<b>(368,929)</b>	<b>(342,504)</b>
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(10,747)</u>	<u>(12,121)</u>
<b>NET ASSETS</b>		<u><b>24,699</b></u>	<u><b>39,242</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	11,013	11,013
Share premium account	20	99,120	99,120
Profit and loss account	20	<u>(85,473)</u>	<u>(70,927)</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>	21	<u>24,660</u>	<u>39,206</u>
Minority equity interests	18	<u>39</u>	<u>36</u>
<b>CAPITAL EMPLOYED</b>		<u><b>24,699</b></u>	<u><b>39,242</b></u>

These financial statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 28 September 2011 and signed on its behalf by:



Mohan Mansigani  
Director

**COMPANY BALANCE SHEET**

Registered number: 06022528

**As at 29 May 2011**

	Note	29 May 2011 £'000	30 May 2010 £'000
<b>FIXED ASSETS</b>			
Investments	11	110,133	110,133
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year	12	<u>6,636</u>	<u>6,636</u>
<b>NET CURRENT ASSETS</b>			
		6,636	6,636
<b>CREDITORS - amounts falling due after more than one year</b>			
	15	<u>(6,636)</u>	<u>(6,636)</u>
<b>NET ASSETS</b>			
		<u>110,133</u>	<u>110,133</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	11,013	11,013
Share premium account	20	<u>99,120</u>	<u>99,120</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>			
	21	<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 28 September 2011 and signed on its behalf by:



Mohan Mansigani  
Director

**CONSOLIDATED CASH FLOW STATEMENT****52 weeks ended 29 May 2011**

	Note	52 weeks ended 29 May 2011 £'000	53 weeks ended 30 May 2010 £'000
Net cash inflow from operating activities	22	41,970	44,608
Returns on investments and servicing of finance	23	(9,962)	(11,655)
Taxation		(962)	(1,142)
Capital expenditure and financial investment	23	(19,609)	(19,322)
<b>Financing</b>			
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		22,000	2,000
		<u>22,000</u>	<u>(12,816)</u>
Increase / (decrease) in cash in the period	24	33,437	(327)
Cash at start of period		<u>16,583</u>	<u>16,910</u>
<b>Cash at end of period</b>		<u><u>50,020</u></u>	<u><u>16,583</u></u>

**Reconciliation of net cash flow to movement in net debt**

		52 weeks ended 29 May 2011 £'000	53 weeks ended 30 May 2010 £'000
Increase / (decrease) in cash in the period		33,437	(327)
(Increase) / decrease in borrowings in the period		(22,000)	12,000
Premium paid for interest rate cap		-	723
		<u>11,437</u>	<u>12,396</u>
Change in net debt resulting from cash flows		11,437	12,396
Non cash movement - interest on Eurobonds rolled up		(3,862)	(6,294)
Non cash movement - interest accrued on intercompany debt		(6,563)	(3,053)
Non cash movement - loan expenses incurred	7	<u>(241)</u>	<u>(1,752)</u>
Change in net debt		771	1,297
Net debt at start of period	24	<u>(325,221)</u>	<u>(326,518)</u>
<b>Net debt at end of period</b>	24	<u><u>(324,450)</u></u>	<u><u>(325,221)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS****52 weeks ended 29 May 2011****1. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practices (UK GAAP). The principal 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 Group'). The acquisition method of accounting has been adopted. Under this method, the results and cash flows of subsidiary undertakings acquired are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition. The accounting policies are applied consistently throughout the Group, and intercompany balances and transactions within Tragus Group Limited are eliminated on consolidation.

Under Section 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**

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

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase price less accumulated depreciation. Depreciable fixed assets are written off on a straight line basis over their estimated useful lives as follows:

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

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

**Fixed asset investments**

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

**Stocks**

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

**Onerous contract provision**

Onerous contract provisions are made for the future net costs of leasehold properties which are vacant, loss making or sub-let below passing rent. Provisions are based on discounted future net cash outflows. Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**Taxation**

Taxation is provided on the profits of the period together with deferred taxation. Deferred taxation is recognised in respect of all timing differences that have originated but not yet reversed by the balance sheet date. Deferred taxation is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Provision for deferred taxation is not discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS****52 weeks ended 29 May 2011****1. ACCOUNTING POLICIES (CONTINUED)****Share-based payments**

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

**Turnover**

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

**Deferred income**

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

**Foreign exchange**

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

**Leases**

Rental payments in respect of operating leases are charged on a straight line basis against operating profit over the period of the lease. Rental income in respect of operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease.

Rent free periods are recognised on a straight line basis in the profit and loss account over the period to the first rent review.

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

**Exceptional items**

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

**Pension costs**

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

**Finance costs**

In accordance with Financial Reporting Standard 4 'Capital Instruments', costs associated with raising loan finance and equity shares are recorded against the loan principal and share premium account respectively. Loan finance costs are amortised to the profit and loss account over the life of the relevant loan at a constant rate of return on the carrying amount.

**Pre-opening costs**

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

**Financial instruments**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 29 May 2011**

**2. OPERATING PROFIT**

<b>The Group</b>	<b>52 weeks ended 29 May 2011 £'000</b>	<b>53 weeks ended 30 May 2010 £'000</b>
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible fixed assets:		
- owned assets (note 10)	12,769	10,966
Foreign exchange loss	-	14
Amortisation of goodwill (note 9)	19,151	19,520
Operating lease charges		
- land and buildings	<u>32,359</u>	<u>30,752</u>

**3. SERVICES PROVIDED BY THE COMPANY'S AUDITOR**

	<b>52 weeks ended 29 May 2011 £'000</b>	<b>53 weeks ended 30 May 2010 £'000</b>
Audit services:		
Fees payable to Company auditor for the audit of Parent Company and consolidated accounts	14	11
Non-audit services:		
The audit of the Company's subsidiaries pursuant to legislation	91	94
Other services	22	11
Tax services for the Company's subsidiaries	<u>86</u>	<u>67</u>
Total fees paid to Company auditor for audit and non-audit services for the period	<u>213</u>	<u>183</u>

**4. EXCEPTIONAL ITEMS**

<b>The Group</b>	<b>52 weeks ended 29 May 2011 £'000</b>	<b>53 weeks ended 30 May 2010 £'000</b>
Net increase in onerous contract provision	456	2,247
Impairment of tangible fixed assets (note 10)	1,348	1,782
Reorganisation and integration costs	180	375
Share-based payment accrual	315	-
Loss on debt repurchase	-	47
	<u>2,299</u>	<u>4,451</u>

The tax effect in the profit and loss account relating to exceptional items is £124,000 (2010: £642,000).

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 £456,000 has been created (2010: £2,247,000). Fixed assets of £1,348,000 have also been impaired (2010: £1,782,000).

Goodwill held by the Group has also been reviewed for impairment. The tests performed showed that the total goodwill should not be impaired in the current financial period (2010: not impaired).

**NOTES TO THE FINANCIAL STATEMENTS****52 weeks ended 29 May 2011****5. STAFF COSTS**

During the period ended 29 May 2011 the Group employed the following average number of employees:

	52 weeks ended 29 May 2011 Number	53 weeks ended 30 May 2010 Number
<b>The Group</b>		
Directors	7	7
Administration	149	147
Restaurants	6,971	7,230
	<u>7,127</u>	<u>7,384</u>

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

	52 weeks ended 29 May 2011 £'000	53 weeks ended 30 May 2010 £'000
Wages and salaries	83,308	79,274
Social security costs	5,993	6,010
Pension costs (note 26)	227	221
	<u>89,528</u>	<u>85,505</u>

**6. REMUNERATION OF DIRECTORS**

	52 weeks ended 29 May 2011 £'000	53 weeks ended 30 May 2010 £'000
<b>The Group</b>		
Aggregate emoluments	685	834
The emoluments of the highest paid director for the period	239	305
Directors' pension	20	19
	<u>20</u>	<u>19</u>
	<u>52 weeks ended 29 May 2011</u>	<u>53 weeks ended 30 May 2010</u>
Number of directors accruing pension under the stakeholder pension scheme	<u>1</u>	<u>1</u>

**7. NET INTEREST PAYABLE AND SIMILAR CHARGES**

	52 weeks ended 29 May 2011 £'000	53 weeks ended 30 May 2010 £'000
<b>The Group</b>		
Amortisation of loan facility fees	241	1,752
On bank loans	9,202	10,810
On Eurobond	10,797	9,346
Capex facility interest	869	526
Other interest payable	12	-
Total interest payable and similar charges	<u>21,121</u>	<u>22,434</u>
Interest receivable on treasury deposits	(247)	(23)
Other interest receivable	-	(205)
Total interest receivable and similar income	<u>(247)</u>	<u>(228)</u>
Net interest payable and similar charges	<u>20,874</u>	<u>22,206</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 29 May 2011**

**8. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

<b>The Group</b>	<b>52 weeks ended 29 May 2011 £'000</b>	<b>53 weeks ended 30 May 2010 £'000</b>
<b>Current taxation on loss for the period</b>		
UK corporation tax at 27.68% (2010: 28%)	1,642	2,367
Credit relating to prior period	<u>(1,340)</u>	<u>(739)</u>
<b>Total current taxation charge</b>	<u>302</u>	<u>1,628</u>
<b>Deferred taxation</b>		
Timing differences	189	79
Effect of change in corporation tax rate	(229)	-
Prior period adjustment	<u>(70)</u>	<u>514</u>
<b>Total deferred taxation (credit) / charge (note 17)</b>	<u>(110)</u>	<u>593</u>
<b>Taxation on loss on ordinary activities</b>	<u>192</u>	<u>2,221</u>
<p>The tax assessed for the period is higher (2010: higher) than the standard effective rate of corporation tax in the UK. The differences are explained below:</p>		
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	<u>(14,351)</u>	<u>(9,987)</u>
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 27.68% (2010: 28%)	(3,972)	(2,796)
Effect of:		
Capital allowances in excess of depreciation	(183)	(1,218)
Expenses not deductible for tax purposes	108	154
Fixed asset impairment	374	499
Goodwill amortisation	5,300	5,466
Loss on disposal of assets	29	16
Lease premium relief	(14)	6
Credit relating to prior period	(271)	(103)
Credit in respect of previously unrecognised deferred tax asset	(1,069)	(636)
Gain on debt buyback	-	240
<b>Total current taxation charge</b>	<u>302</u>	<u>1,628</u>

On 23 March 2011, a number of changes to the UK corporation tax system were announced, including a reduction of the main rate of corporation tax from 28% to 26% with effect from 1 April 2011. The reduction in the rate to 26% became substantively enacted on 29 March 2011 under the Provisional Collection of Taxes Act 1968. Deferred tax has therefore been provided for at 26% (2010: 28%) and the pro-rated corporation tax rate for the period is 27.68%. (2010: 28%).

Further reductions to the main rate are proposed to reduce the rate of corporation tax by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements. If these changes had been enacted at the balance sheet date, the effect of the changes would not have had a material effect on recognised or unrecognised deferred tax balances.

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 29 May 2011**

**9. INTANGIBLE FIXED ASSETS**

<b>The Group</b>	<b>Goodwill £'000</b>
<u>Cost</u>	
At 30 May 2010 and 29 May 2011	<u>389,618</u>
<u>Accumulated amortisation and impairment</u>	
At 30 May 2010	(70,915)
Charge for the period	<u>(19,151)</u>
At 29 May 2011	<u>(90,066)</u>
<u>Net book amount</u>	
At 29 May 2011	<u><u>299,552</u></u>
At 30 May 2010	<u><u>318,703</u></u>

An impairment review of goodwill was undertaken for the Group in the current financial period. A discount rate of 8.7% (pre-tax) was applied to future cashflows in order to obtain their net present value. This was compared to the book value of attributable assets and liabilities held for each acquisition at 29 May 2011. Of the goodwill held, no impairment was recognised (2010: no impairment recognised).

**10. TANGIBLE FIXED ASSETS**

<b>The Group</b>	<b>Leashold improvements £'000</b>	<b>Furniture, fixtures &amp; equipment £'000</b>	<b>Total £'000</b>
<u>Cost</u>			
At 30 May 2010	66,412	68,446	134,858
Additions	5,749	14,264	20,013
Disposals	<u>(778)</u>	<u>(1,047)</u>	<u>(1,825)</u>
At 29 May 2011	<u>71,383</u>	<u>81,663</u>	<u>153,046</u>
<u>Accumulated depreciation</u>			
At 30 May 2010	(15,162)	(28,273)	(43,435)
Charge for the period	(3,374)	(9,395)	(12,769)
Disposals	760	960	1,720
Impairment (note 4)	<u>-</u>	<u>(1,348)</u>	<u>(1,348)</u>
At 29 May 2011	<u>(17,776)</u>	<u>(38,056)</u>	<u>(55,832)</u>
<u>Net book amount</u>			
At 29 May 2011	<u><u>53,607</u></u>	<u><u>43,607</u></u>	<u><u>97,214</u></u>
At 30 May 2010	<u><u>51,250</u></u>	<u><u>40,173</u></u>	<u><u>91,423</u></u>

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

	<b>29 May 2011 £'000</b>	<b>30 May 2010 £'000</b>
Cost	3	3
Accumulated depreciation	<u>(3)</u>	<u>(3)</u>
Net book amount	<u><u>-</u></u>	<u><u>-</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 29 May 2011**

**11. FIXED ASSET INVESTMENTS**

<b>The Company</b>	<b>Shares in subsidiary undertakings</b>
<u>Cost and net book amount</u>	<u>£'000</u>
<b>At 30 May 2010 and 29 May 2011</b>	<b>110,133</b>

At 29 May 2011 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%

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

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

**12. DEBTORS: AMOUNTS RECEIVABLE WITHIN ONE YEAR**

	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000
Trade debtors	3,095	-	2,848	-
Amounts owed by parent company	-	6,636	374	6,636
Other debtors	371	-	231	-
Prepayments	4,063	-	3,585	-
Corporation tax recoverable	175	-	-	-
	<u>7,704</u>	<u>6,636</u>	<u>7,038</u>	<u>6,636</u>

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

**NOTES TO THE FINANCIAL STATEMENTS****52 weeks ended 29 May 2011****13. CASH IN HAND AND AT BANK**

	<b>The Group</b> <b>29 May 2011</b> <b>£'000</b>	<b>The Group</b> <b>30 May 2010</b> <b>£'000</b>
Cash at bank	<u>50,020</u>	<u>16,583</u>

Tragus Group Limited does not have a cash balance.

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>The Group</b> <b>29 May 2011</b> <b>£'000</b>	<b>The Company</b> <b>29 May 2011</b> <b>£'000</b>	<b>The Group</b> <b>30 May 2010</b> <b>£'000</b>	<b>The Company</b> <b>30 May 2010</b> <b>£'000</b>
Trade creditors	15,087	-	13,741	-
Other taxation and social security	9,139	-	7,732	-
Other creditors	3,502	-	2,013	-
Corporation tax payable	-	-	486	-
Accruals and deferred income	19,070	-	18,651	-
Bank loans (note 16)	6,000	-	-	-
Unamortised loan finance costs (note 16)	(459)	-	(700)	-
	<u>52,339</u>	<u>-</u>	<u>41,923</u>	<u>-</u>

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>The Group</b> <b>29 May 2011</b> <b>£'000</b>	<b>The Company</b> <b>29 May 2011</b> <b>£'000</b>	<b>The Group</b> <b>30 May 2010</b> <b>£'000</b>	<b>The Company</b> <b>30 May 2010</b> <b>£'000</b>
£37,596,992 17.35% Notes due 2016	37,597	-	33,735	-
£15,323,471 17.475% Unsecured Loan Notes 2018	15,323	-	15,323	-
Bank Loans (note 16)	289,500	-	273,500	-
Amounts owed to parent company	<u>26,509</u>	<u>6,636</u>	<u>19,946</u>	<u>6,636</u>
	<u>368,929</u>	<u>6,636</u>	<u>342,504</u>	<u>6,636</u>

The 17.35% notes due 2016 had Payment in Kind notes of £3,861,826 issued on 9 June 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 9 June 2010 hence revising the principal to £37,596,992.

The 17.35% notes due 2016 and the 17.475% notes due 2018 (Eurobonds) will become repayable at the principal amount on 15 December 2016 and 15 December 2018 respectively. The Group may repay the Eurobonds 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.

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 parent company shown above are due to Tragus Cayco Limited, whom Tragus Group Limited is directly wholly owned by. The loan with Tragus Cayco Limited accrues interest at a rate of LIBOR less 1 per cent. This amount relates to loan notes transferred up to Tragus Cayco Limited from Tragus Bidco Limited.

**NOTES TO THE FINANCIAL STATEMENTS****52 weeks ended 29 May 2011****16. BORROWINGS**

	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000
<b>External bank debt</b>				
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	40,000	-	18,000	-
Unamortised loan costs	(459)	-	(700)	-
	<u>295,041</u>	<u>-</u>	<u>272,800</u>	<u>-</u>
<b>Amounts owed to group companies outside the UK</b>				
Amounts owed to group undertakings	26,509	6,636	19,946	6,636
£37,596,992 17.35% Notes due 2016	37,597	-	33,735	-
£15,323,471 17.475% Unsecured Loan Notes 2018	15,323	-	15,323	-
	<u>79,429</u>	<u>6,636</u>	<u>69,004</u>	<u>6,636</u>
<b>Total debt</b>	<u><u>374,470</u></u>	<u><u>6,636</u></u>	<u><u>341,804</u></u>	<u><u>6,636</u></u>
<b>Debt can be analysed as falling due:</b>				
In less than one year	5,541	-	(700)	-
Between one and two years	12,000	-	6,000	-
Between two and five years	22,000	-	12,000	-
In more than five years	334,929	6,636	324,504	6,636
	<u><u>374,470</u></u>	<u><u>6,636</u></u>	<u><u>341,804</u></u>	<u><u>-</u></u>

Amounts owed to group undertakings have no fixed repayment date.

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

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

The Acquisition / Capex Facility 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**

**52 weeks ended 29 May 2011**

**17. PROVISIONS FOR LIABILITIES**

The Group	Deferred taxation £'000	Other £'000	Total £'000
At 30 May 2010	1,458	10,663	12,121
Additions in the period	-	2,431	2,431
Released in the period	-	(1,972)	(1,972)
Utilised in the period	-	(1,723)	(1,723)
Charge for the period	(110)	-	(110)
<b>At 29 May 2011</b>	<b>1,348</b>	<b>9,399</b>	<b>10,747</b>

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

Those amounts provided for deferred taxation are set out below:

	The Group 29 May 2011 £'000	The Company 29 May 2011 £'000	The Group 30 May 2010 £'000	The Company 30 May 2010 £'000
Capital allowances in excess of depreciation	1,341	-	2,526	-
Other timing differences	-	-	(1,081)	-
Provisions	7	-	13	-
	<u>1,348</u>	<u>-</u>	<u>1,458</u>	<u>-</u>

**18. MINORITY INTEREST**

	The Group £'000
As at 30 May 2010	36
Profit attributable to Minority interest	3
<b>As at 29 May 2011</b>	<b>39</b>

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

**19. CALLED UP SHARE CAPITAL**

Group & Company	Authorised 29 May 2011 £'000	Authorised 30 May 2010 £'000
760,000,000 ordinary shares of 10p each	76,000	76,000
	<u>Called up, allotted and fully paid</u> 29 May 2011 £'000	<u>Called up, allotted and fully paid</u> 30 May 2010 £'000
<b>Group &amp; Company</b>	<b>11,013</b>	<b>11,013</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 29 May 2011**

**20. STATEMENT OF MOVEMENTS IN RESERVES**

<b>The Group</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
As at 30 May 2010	99,120	(70,927)	28,193
Loss for the financial period	-	(14,546)	(14,546)
<b>At 29 May 2011</b>	<b>99,120</b>	<b>(85,473)</b>	<b>13,647</b>

<b>The Company</b>	<b>Share premium account £'000</b>	<b>Total £'000</b>
As at 30 May 2010 and 29 May 2011	<u>99,120</u>	<u>99,120</u>

**21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	<b>The Group 29 May 2011 £'000</b>	<b>The Company 29 May 2011 £'000</b>	<b>The Group 30 May 2010 £'000</b>	<b>The Company 30 May 2010 £'000</b>
Shareholder's funds at beginning of period	39,206	110,133	51,417	110,133
Loss for the financial period	(14,546)	-	(12,211)	-
<b>Shareholder's funds at end of period</b>	<b>24,660</b>	<b>110,133</b>	<b>39,206</b>	<b>110,133</b>

**22. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW**

<b>The Group</b>	<b>52 weeks ended 29 May 2011 £'000</b>	<b>53 weeks ended 30 May 2010 £'000</b>
Operating profit	6,628	12,275
Amortisation of goodwill	19,151	19,520
Depreciation of tangible fixed assets	12,769	10,966
Fixed asset impairment	1,348	1,782
(Increase) in stocks	(181)	(27)
(Increase) / decrease in debtors	(865)	937
Increase / (decrease) in creditors	4,384	(1,334)
(Decrease) / increase in provisions	(1,264)	489
<b>Net cash outflow from operating activities</b>	<b>41,970</b>	<b>44,608</b>

**23. ANALYSIS OF CASH FLOWS**

<b>The Group</b>	<b>52 weeks ended 29 May 2011 £'000</b>	<b>53 weeks ended 30 May 2010 £'000</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	247	53
Interest paid	(10,209)	(11,708)
	<u>(9,962)</u>	<u>(11,655)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(19,609)	(19,322)

**NOTES TO THE FINANCIAL STATEMENTS****52 weeks ended 29 May 2011****24. ANALYSIS OF NET DEBT**

	At 30 May 2010 £'000	Cash flow £'000	Non-cash changes £'000	At 29 May 2011 £'000
The Group				
Cash at bank and in hand	16,583	33,437	-	50,020
Debt due within one year	700	-	(6,241)	(5,541)
Debt due after one year	<u>(342,504)</u>	<u>(22,000)</u>	<u>(4,425)</u>	<u>(368,929)</u>
<b>Net debt</b>	<b><u>(325,221)</u></b>	<b><u>11,437</u></b>	<b><u>(10,666)</u></b>	<b><u>(324,450)</u></b>

**25. LEASE COMMITMENTS****The Group**

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

	29 May 2011 £'000	30 May 2010 £'000
Within one year	1,914	1,527
Within two to five years	5,354	4,818
After five years	<u>26,625</u>	<u>23,512</u>
	<b><u>33,893</u></b>	<b><u>29,857</u></b>

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

**26. PENSION COSTS**

The Group contributes to a stakeholder pension scheme for employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss represents the contributions payable in respect of the accounting period and amounted to £227,000 (2010: £221,000). There were £33,356 of outstanding contributions at the end of the financial period (2010: £30,000) which are included within 'other creditors' in note 14.

**27. SHARE-BASED PAYMENTS**

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

Under the scheme, management have the right to subscribe for shares in Tragus Cayco Limited. Holding of these shares is conditional upon remaining employed by a company within the Group. The number of management shares outstanding at the period end was 19,501,958 (2010: 19,501,958).

The Company has determined the fair value of this incentive scheme by reference to the expected exit value for the business under the most likely exit scenarios. The key assumptions used in this calculation are the use of a range of exit multiples, years to exit and a discount rate of 15%. This has resulted in a total charge of £1,268,000 which is being spread over the expected life of the scheme of 4 years. The charge in the profit and loss for the period is £315,000 (2010: £nil).

**28. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with other group companies. During the period the Group entered into transactions, in the ordinary course of business, with The Blackstone Group, deemed to be the ultimate controlling party of the Group. Transactions entered into and trading balances outstanding as at 29 May 2011 are as follows:

	Purchases from related party		Amounts owed to related party	
	29 May 2011 £'000	30 May 2010 £'000	29 May 2011 £'000	30 May 2010 £'000
<u>Related Party</u>				
The Blackstone Group fees	<u>359</u>	<u>380</u>	<u>201</u>	<u>140</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 29 May 2011**

**29. ULTIMATE PARENT UNDERTAKING**

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

The Group considers The Blackstone Group as the ultimate controlling party by way of its majority shareholding of Tragus Cayco Holdco Limited.