

THE PELICAN GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

15 Months Ended 1 June 2003

Registered number: 425057



30/12/03 494

THE PELICAN GROUP LIMITED

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THE PELICAN GROUP LIMITED

COMPANY INFORMATION

DIRECTORS: H M C Morley
G L Williams
F T K Scott

SECRETARY: H M C Morley

AUDITORS: KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

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

REGISTERED NUMBER: 425057

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the fifteen months ended 1 June 2003.

Principal activity

The principal activity of the company is that of operating restaurants. There has been no change in this activity during the period.

Results and dividends

The loss after tax for the period amounted to £4,143,000 (2 March 2002 - £5,345,000). The directors do not recommend the payment of a dividend.

Review of developments and future prospects

The company will actively look to expand the number of restaurants it operates.

Directors and their interests

The directors of the company during the period were as follows:

F T K Scott (Appointed 31/5/02)
H M C Morley (Appointed 31/5/02)
G L Williams (Appointed 31/5/02)
M Mansigani (Resigned 31/5/02)
N P Barbour (Resigned 31/5/02)
P E Cushing (Appointed 20/2/02, resigned 31/5/02)

None of the directors who held office at the end of the period had any interests in the shares of the company or parent company. The interests of the directors in the shares of the ultimate parent company, Tragus Holdings Limited, were as follows:

	<u>No. shares held at end of period and at date of appointment</u>				
	"A" Ordinary shares	B" Ordinary shares	Ordinary "	Preference shares	Preference shares
F T K Scott	-	-	680,000	-	68,000
H M C Morley	-	-	340,000	-	34,000
G L Williams	-	-	230,000	-	23,000

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.

Employment of disabled persons

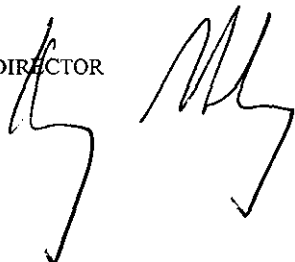
The company's policy is that, wherever it is practicable and reasonable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion. Every effort is made to retain and assist any individuals 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.

Auditors

Pursuant to section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. KPMG LLP, who were appointed by the directors during the period and have indicated their willingness to continue in office, will be deemed to be re-appointed each year unless a resolution to terminate their appointment is made under section 386.

On behalf of the Board of Directors

DIRECTOR



18 December 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PELICAN GROUP LIMITED

We have audited the financial statements on pages 5 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 1 June 2003 and of the loss of the company for the fifteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Registered Auditor
Reading

19/12

2003

THE PELICAN GROUP LIMITED

PROFIT AND LOSS ACCOUNT

15 months ended 1 June 2003

	Notes	15 months ended 1 June 2003 £'000	Year ended 2 March 2002 £'000 restated
TURNOVER		70,329	62,764
Cost of sales		<u>(16,886)</u>	<u>(16,307)</u>
GROSS PROFIT		53,443	46,457
Administrative expenses		<u>(59,391)</u>	<u>(52,869)</u>
Operating profit before exceptional items		2,813	2,461
Exceptional items	3	<u>(8,761)</u>	<u>(8,873)</u>
OPERATING LOSS	2	<u>(5,948)</u>	<u>(6,412)</u>
NON-OPERATING ITEMS			
Profit /(loss) on disposal of fixed assets		<u>124</u>	<u>(1,144)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>(5,824)</u>	<u>(7,556)</u>
Interest receivable and similar income		-	15
Interest payable and similar charges	5	<u>(785)</u>	<u>(14)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(6,609)</u>	<u>(7,555)</u>
Taxation on ordinary activities	6	<u>2,466</u>	<u>2,210</u>
RETAINED DEFICIT FOR THE PERIOD	13	<u><u>(4,143)</u></u>	<u><u>(5,345)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

15 months ended 1 June 2003

	15 months ended 1 June 2003 £'000	Year ended 2 March 2002 £'000 restated
LOSS FOR THE FINANCIAL PERIOD	<u>(4,143)</u>	<u>(5,345)</u>
Prior year adjustment arising from the write off of consumables stock (note 1)	<u>(1,130)</u>	-
Transfer of revaluation reserve (note 13)	<u>1,215</u>	-
TOTAL RECOGNISED LOSSES SINCE PREVIOUS PERIOD END	<u><u>(4,058)</u></u>	<u><u>(5,345)</u></u>

THE PELICAN GROUP LIMITED

BALANCE SHEET

as at 1 June 2003

	Notes	1 June 2003	2 March 2002 restated
		£'000	£'000
FIXED ASSETS			
Tangible fixed assets	7	10,430	18,211
Investments	8	<u>11,004</u>	<u>8,054</u>
		21,434	26,265
CURRENT ASSETS			
Stocks - finished goods and goods for resale		449	409
Debtors - amounts falling due within one year	9	22,840	30,778
Debtors - amounts falling due after more than one year	9	358	-
Cash at bank and in hand		<u>34</u>	<u>6,340</u>
		23,681	37,527
CREDITORS - amounts falling due within one year	10	<u>(35,863)</u>	<u>(58,000)</u>
NET CURRENT LIABILITIES		<u>(12,182)</u>	<u>(20,473)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,252	5,792
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(2,282)</u>	<u>(4,679)</u>
NET ASSETS		<u>6,970</u>	<u>1,113</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,709	44,764
Share premium account	13	-	17,134
Revaluation reserve	13	-	1,215
Special Reserve	13	2,626	-
Profit and loss account	13	<u>1,635</u>	<u>(62,000)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>6,970</u>	<u>1,113</u>

These financial statements were approved by the Board of Directors on 18 December 2003.
Signed on behalf of the Board of Directors.

Director

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below:

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

Changes to accounting policies

In accordance with group policy, consumables stock is now written off rather than capitalised. This has had an impact of £1,576,000 on net assets during the year.

Turnover

Turnover is the value of goods and services sold, within the UK, as part of the company's continuing ordinary activities after deducting sales based taxes.

Leases

Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease.

Pension costs

The company provides for employee pensions through a group stakeholder pension scheme which is independently managed and the company will continue to contribute to this fund in future accounting periods.

Tangible fixed assets

Prior to the adoption of FRS15 in the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since the adoption of FRS 15, the company policy has been not to revalue its properties. Consequently, the transitional provisions of FRS 15 have been applied and, while previous valuations have been retained, they have not been updated. Details of the last revaluations are given in note 8. Other fixed assets are stated at cost.

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives as follows:

- Leasehold properties are depreciated to their estimated residual values over the shorter of 50 years, their estimated useful lives and their remaining lease periods.
- Retail 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.

Investments

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

Stocks

Stocks are valued at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

Vacant properties

An onerous contract provision is made for the future net rental costs of leasehold properties which are vacant or sub-let below passing rent. The provision is based on estimated future net cash outflows discounted to net present value.

Deferred taxation

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

Foreign currencies

Assets and liabilities in foreign are translated into sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken to the profit and loss account for the period.

Cash flow

As permitted by Financial Reporting Standard No.1 (Revised) a cash flow statement has not been prepared as the company is a wholly owned subsidiary of a European Community parent whose consolidated accounts are publicly available.

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

2. OPERATING LOSS

	15 months ended 1 June 2003	Year ended 2 March 2002 restated
	£'000	£'000
Operating loss is stated after charging:		
Depreciation of fixed assets (note 7)	1,759	2,578
Rentals under operating leases		
Land and buildings	6,362	6,437
Other	-	-
Hire of plant and machinery	23	9
	<u>23</u>	<u>9</u>

For the period ended 1 June 2003, audit fees were borne by the parent company, Tragus Holdings Ltd.

3. EXCEPTIONAL ITEMS

	15 months ended 1 June 2003	Year ended 2 March 2002 restated
	£'000	£'000
Transaction bonus	1,117	-
Impairment of fixed assets	7,644	9,108
Onerous contract provision on surplus properties	-	(235)
	<u>8,761</u>	<u>8,873</u>

At 2 June 2002 and 2 March 2002, the company performed an impairment review under FRS 11, resulting in a provision against the properties.

4. INFORMATION RELATING TO EMPLOYEES AND DIRECTORS

	15 months ended 1 June 2003	Year ended 2 March 2002 restated
	No.	No.
The average number of persons employed by the company during the period was:		
Administration	-	37
Restaurants	1,957	2171
	<u>1,957</u>	<u>2,208</u>

	15 months ended 1 June 2003	Year ended 2 March 2002 restated
	£'000	£'000
Staff costs incurred during the period in respect of these employees were:		
Wages and salaries	12,358	21,422
Social security costs	1,152	1,427
Pension costs	56	288
	<u>13,567</u>	<u>23,137</u>

None of the directors received any remuneration in respect of their services for the company during the period.

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

5. INTEREST PAYABLE AND SIMILAR CHARGES

	15 months ended 1 June 2003	Year ended 2 March 2002 restated
	£'000	£'000
Interest payable on bank loans and overdrafts	<u>785</u>	<u>14</u>

6. TAXATION

	15 months ended 1 June 2003	Year ended 2 March 2002 restated
	£'000	£'000
Current taxation on profits for the period		
UK corporation tax	-	544
Total current taxation	<u>-</u>	<u>544</u>
Deferred tax		
Timing differences	(950)	238
Prior year	(1,516)	(2,992)
Total deferred taxation	<u>(2,466)</u>	<u>(2,754)</u>
Total taxation charge	<u>(2,466)</u>	<u>(2,210)</u>
Factors affecting the tax charge for the period		
Loss before tax	<u>(6,609)</u>	<u>(7,555)</u>
Tax at current UK corporation tax rate of 30% (March 2002- 30%)	(1,983)	(2,267)
Effect of:		
Expenses not deductible for tax purposes	16	292
Disallowable depreciation	124	-
Disallowable provisions movement	(64)	-
Capital allowances in excess of depreciation	1,006	(367)
Impairment of retail property	1,066	2,755
Transfer of provision	(32)	-
Movement in provisions	21	(93)
Sale of retail property	-	343
Losses provided for	(74)	-
Group relief	296	-
Sundry disallowable expenses	(37)	14
Adjustment in respect of prior year adjustment to write off consumables stock	(339)	(95)
Current tax charge for the period	<u>-</u>	<u>582</u>

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

7. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Furniture, fixtures & equipment £'000	Total £'000
Cost			
At 2 March 2002 (restated)	18,445	26,531	44,976
Disposals	(204)	(127)	(331)
Additions	172	1,467	1,639
At 1 June 2003	18,413	27,871	46,284
Accumulated depreciation			
At 2 March 2002 (restated)	(14,875)	(11,890)	(26,765)
Reclassification	4,916	(4,916)	-
Disposals	189	125	314
Charge for the period	(433)	(1,326)	(1,759)
Impairment	(3,551)	(4,093)	(7,644)
At 1 June 2003	(13,754)	(22,100)	(35,854)
Net book value			
At 1 June 2003	4,659	5,771	10,430
At 2 March 2002	3,570	14,641	18,211

The net book value of land and buildings comprises:

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Total £'000
Net book value at 1 June 2003	-	-	4,659	4,659
Net book value at 3 March 2002	-	-	3,570	3,570

The directors have previously carried out a valuation of the company's properties. The properties were valued at open market value for the purpose of their existing use by chartered surveyors employed by the parent undertaking. If this and previous revaluations had not taken place, the values of fixed assets would have been:

	Land & buildings £'000	Furniture, fixtures & equipment £'000	Total £'000
Gross amounts 1 June 2003	17,198	27,871	45,069
Depreciation 1 June 2003	(13,754)	(22,100)	(35,854)
Net book amounts 1 June 2003	3,444	5,771	9,215
Net book amounts 2 March 2002	2,355	14,641	16,996

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

8. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost at 2 March 2002 (restated)	8,054
Additions	<u>2,950</u>
Cost at 1 June 2003	<u>11,004</u>

On 31 May 2002 the company subscribed to an additional 999,998 ordinary £1 shares at par in Handminster Limited, 1,749,900 ordinary £1 shares at par in Café Rouge Limited and 199,998 ordinary £1 shares in Eastacre Limited.

The principal undertakings in which the company's interest at the period end is more than 20% are as follows:

Subsidiary undertaking	Activity	Country of registration and incorporation	% of ordinary shares held
Adamstar Limited	Non-trading	England and Wales	100%
Café Rouge Limited*	Non-trading	England and Wales	100%
Dragon Inns and Restaurants Limited*	Dormant	England and Wales	100%
Eastacre Limited	Dormant	England and Wales	100%
Handminster Limited	Non-trading	England and Wales	100%
Heathgate Restaurants Limited	Restauranteur	England and Wales	95%
Insignia Restaurants One Limited	Restauranteur	England and Wales	100%
Yankee Noodle Restaurants Limited #	Restauranteur	England and Wales	100%

* Indicates held by a subsidiary undertaking. The percentage of voting rights held is the same as the percentage of the nominal value of the shares held.

Preference and ordinary shares held.

Group accounts have not been prepared as the company has taken advantage of the exemptions under section 228 of the Companies Act 1985 available to companies with an EC parent.

9. DEBTORS

	1 June 2003 £'000	2 March 2002 £'000 restated
Trade debtors	317	541
Amounts owed by group undertakings	19,679	28,360
Other debtors	731	909
Prepayments and accrued income	1,600	968
Corporation tax recoverable	249	-
Deferred tax debtor	<u>622</u>	<u>-</u>
	<u>23,198</u>	<u>30,778</u>

The deferred tax debtor includes £358,000 due after more than one year.

Amounts owed by group undertakings have no fixed repayment date.

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

9. DEBTORS (CONTINUED)

	Deferred tax £'000
At 3 March 2002 (restated) (note 11)	(1,843)
Credit for period	<u>2,465</u>
At 2 June 2003	<u>622</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	Provided 1 June 2003 £'000	Unprovided 1 June 2003 £'000	Provided 2 March 2002 £'000	Unprovided 2 March 2002 £'000
Depreciation in excess of capital allowances	108	-	(1,843)	-
Timing differences on onerous contract provisions	440	-	-	-
Tax losses	<u>74</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>622</u>	<u>-</u>	<u>(1,843)</u>	<u>-</u>

Deferred tax assets have been recognised to the extent that the directors consider it is more likely than not that they will be recovered. In performing this assessment, the directors have considered the period over which the assets are expected to crystallise.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1 June 2003 £'000	2 March 2002 £'000
Bank overdrafts	-	159
Trade creditors	3,309	3,998
Amounts owed to group undertakings	25,368	50,601
Corporation tax	-	1,414
Other taxation and social security	2,667	448
Other creditors	365	731
Accruals and deferred income	<u>4,154</u>	<u>649</u>
	<u>35,863</u>	<u>58,000</u>

Amounts owed to group undertakings have no fixed repayment date.

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation costs £'000	Deferred taxation £'000	Other £'000	Total £'000
At 3 March 2002 (restated)	270	1,843	2,566	4,679
Charge for the period	-	-	267	267
Charge as a result of fair value adjustment	-	-	174	174
Reclassified	(108)	-	108	-
Utilised	(162)	(1,843)	(833)	(2,838)
At 1 June 2003	-	-	2,282	2,282

Other provisions relate primarily to the future cost of vacant leasehold properties which have ceased to be used for a business purpose. On 21 February 2002, 50,000,000 ordinary shares were issued at par. On 19 March 2003, the authorised share capital was reduced to 489,725,000 ordinary 20p shares.

12. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	1 June 2003 £'000	2 March 2002 £'000	1 June 2003 £'000	2 March 2002 £'000
Ordinary shares of 20p each	97,945	150,000	2,709	44,764

13. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £'000	Revaluation reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At 3 March 2002 (restated)	17,134	1,215	-	(62,000)	(43,651)
Revaluation reserve transfer	-	(1,215)	-	1,215	-
Share premium written off	(17,134)	-	-	17,134	-
Reduction of called up share capital	-	-	-	52,055	52,055
Non-distributable profits transferred to special reserve	-	-	2,626	(2,626)	-
	-	-	2,626	5,778	8,404
Deficit retained for the period	-	-	-	(4,143)	(4,143)
At 1 June 2003	-	-	2,626	1,635	4,261

The revaluation reserve has been transferred to the profit and loss account reserve as the properties to which it relates are no longer held by the company.

The company obtained a court order on 21 February 2003 that determined the cancellation of the balance on the share premium, the cancellation of 260,275,000 ordinary 20p shares and the creation of the special reserve.

NOTES TO THE ACCOUNTS

15 months ended 1 June 2003

14. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	1 June 2003 £'000	2 March 2002 £'000
Shareholders' funds at beginning of period - as reported	1,113	7,931
Prior year adjustment arising from the write off of consumables stock	-	(1,576)
Shareholders' funds at beginning of period - restated	1,113	6,355
Issue of share capital	10,000	103
Loss for the period - restated	(4,143)	(5,345)
Shareholders' funds at end of period	<u>6,970</u>	<u>1,113</u>

15. LEASE COMMITMENTS

At the period end, the company was committed to making the following payments during the next year in respect of operating leases which expire:

	<u>Properties</u>		<u>Other</u>	
	1 June 2003 £'000	2 March 2002 £'000	1 June 2003 £'000	2 March 2002 £'000
Within one year	140	176	84	36
Within two to five years	66	429	-	84
After five years	<u>6,608</u>	<u>6,353</u>	<u>-</u>	<u>-</u>
	<u>6,814</u>	<u>6,958</u>	<u>84</u>	<u>120</u>

16. CONTINGENT LIABILITIES

The company acts as guarantor in respect of certain leases granted to subsidiary undertakings and in respect of leases which have been disposed of. It is not practical to quantify the extent of any liability which may arise.

17. PENSION COSTS

The company contributes to a stakeholder pension scheme for employees. The assets of the scheme are held separately from those of the company 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 £56,000 (2002: £288,000). There were £28,541 of outstanding contributions at the end of the financial year (2002: £54,227).