

THE PELICAN GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Year ended 30 May 2004

Registered number: 425057



THE PELICAN GROUP LIMITED

CONTENTS

Pages

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Pelican Group Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the accounts	7 - 15

THE PELICAN GROUP LIMITED

COMPANY INFORMATION

DIRECTORS: H M C Morley
G L Williams
F T K Scott
M Mansigani (appointed 14 July 2004)

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 year ended 30 May 2004.

Principal activity

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

Results and dividends

The profit after tax for the year amounted to £3,672,000 (15 months ended 1 June 2003 - £4,143,000 loss). The directors proposed the payment of a £250,000 dividend.

Review of developments and future prospects

The company sold two restaurants to group companies during the year. 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
H M C Morley
G L Williams

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 year and at date of appointment</u>				
	"A" Ordinary shares	"B" Ordinary shares	Ordinary shares	"A" 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 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

2004

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.

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

We have audited the financial statements on pages 5 to 15.

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 3, 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 30 May 2004 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Reading

06/08

2004

THE PELICAN GROUP LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 May 2004

	Notes	Year ended 30 May 2004 £'000	15 months ended 1 June 2003 £'000
TURNOVER		60,396	70,329
Cost of sales		<u>(14,356)</u>	<u>(16,886)</u>
GROSS PROFIT		46,040	53,443
Administrative expenses		<u>(40,303)</u>	<u>(59,391)</u>
Operating profit before exceptional items		5,737	2,813
Exceptional items	3	-	(8,761)
OPERATING PROFIT / (LOSS)	2,4	5,737	(5,948)
NON-OPERATING ITEMS			
Profit on disposal of fixed assets		<u>114</u>	<u>124</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		5,851	(5,824)
Interest payable and similar charges	5	<u>(826)</u>	<u>(785)</u>
TAXATION		5,025	(6,609)
Taxation on ordinary activities	6	<u>(1,353)</u>	<u>2,466</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		3,672	(4,143)
Dividend payable	7	<u>(250)</u>	<u>-</u>
RETAINED PROFIT / (DEFICIT) FOR THE YEAR / PERIOD	14	<u>3,422</u>	<u>(4,143)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 May 2004

	Year ended 30 May 2004 £'000	15 months ended 1 June 2003 £'000
PROFIT / (LOSS) FOR THE FINANCIAL YEAR / PERIOD	3,422	(4,143)
Prior year adjustment arising from the write off of consumables stock	-	(1,130)
Transfer of revaluation reserve	<u>-</u>	<u>1,215</u>
TOTAL RECOGNISED PROFITS / (LOSSES) SINCE PREVIOUS PERIOD END	<u>3,422</u>	<u>(4,058)</u>

THE PELICAN GROUP LIMITED

BALANCE SHEET

As at 30 May 2004

	Notes	30 May 2004 £'000	1 June 2003 £'000
FIXED ASSETS			
Tangible fixed assets	8	14,788	10,430
Investments	9	<u>11,008</u>	<u>11,004</u>
		25,796	21,434
CURRENT ASSETS			
Stocks - finished goods and goods for resale		460	449
Debtors - amounts falling due within one year	10	21,310	22,840
Debtors - amounts falling due after more than one year	10	-	358
Cash at bank and in hand		<u>-</u>	<u>34</u>
		21,770	23,681
CREDITORS - amounts falling due within one year	11	<u>(36,035)</u>	<u>(35,863)</u>
NET CURRENT LIABILITIES		<u>(14,265)</u>	<u>(12,182)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,531	9,252
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(1,139)</u>	<u>(2,282)</u>
NET ASSETS		<u><u>10,392</u></u>	<u><u>6,970</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	2,709	2,709
Special reserve	14	2,626	2,626
Profit and loss account	14	<u>5,057</u>	<u>1,635</u>
EQUITY SHAREHOLDER'S FUNDS	15	<u><u>10,392</u></u>	<u><u>6,970</u></u>

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

6 August 2004.

Director

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

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.

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. Rental income in respect of operating lease is released to profit on a straight line basis over the period of the lease. Rent free periods are released to profit and loss account over the period to the first rent review.

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.

Pre opening costs

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

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.

1. ACCOUNTING POLICIES (continued)

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

Stocks

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

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 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

Year ended 30 May 2004

2. OPERATING PROFIT / (LOSS)

Year ended 15 months ended
30 May 2004 1 June 2003

	£'000	£'000
Operating profit / (loss) is stated after charging:		
Depreciation of fixed assets (note 8)	1,617	1,759
Rentals under operating leases		
Land and buildings	6,652	6,362
Hire of plant and machinery	24	23
	<u>24</u>	<u>23</u>

All audit fees were borne by the parent company, Tragus Holdings Ltd.

3. EXCEPTIONAL ITEMS

Year ended 15 months ended
30 May 2004 1 June 2003

	£'000	£'000
Transaction bonus	-	1,117
Impairment of fixed assets	-	7,644
	<u>-</u>	<u>8,761</u>

4. INFORMATION RELATING TO EMPLOYEES AND DIRECTORS

Year ended 15 months ended
30 May 2004 1 June 2003

	Number	Number
The average number of persons employed by the company during the period was:		
Restaurant staff	<u>1,985</u>	<u>1957</u>

Year ended 15 months ended
30 May 2004 1 June 2003

	£'000	£'000
Staff costs incurred during the period in respect of these employees were:		
Wages and salaries	17,920	12,358
Social security costs	1,349	1,152
Pension costs	50	56
	<u>19,319</u>	<u>13,566</u>

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

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 May 2004	15 months ended 1 June 2003
	£'000	£'000
Interest payable on bank loans and overdrafts	826	785

6. TAXATION

	Year ended 30 May 2004	15 months ended 1 June 2003
	£'000	£'000
Current taxation on profits for the period		
UK corporation tax	601	-
Total current taxation	601	-
Deferred tax		
Timing differences	1,174	(950)
Prior year	(422)	(1,516)
Total deferred taxation	752	(2,466)
Total taxation charge	1,353	(2,466)

Factors affecting the tax charge for the period

Profit / (loss) before tax	5,025	(6,609)
Tax at current UK corporation tax rate of 30% (period ended 1 June 2003 - 30%)	1,508	(1,983)
Effect of:		
Expenses not deductible for tax purposes	192	16
Disallowable depreciation	-	124
Disallowable provisions movement	-	(64)
Capital allowances in excess of depreciation	(428)	1,006
Impairment of retail property	-	1,066
Transfer of provision	-	(32)
Movement in provisions	(6)	21
Losses provided for	-	(74)
Losses utilised	(644)	-
Group relief	-	296
Sundry disallowable expenses	-	(37)
Adjustment in respect of prior year adjustment to write off consumables stock	-	(339)
Profit on disposal of assets	(21)	-
Current tax charge for the period	601	-

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

7. DIVIDENDS

	Year ended 30 May 2004 £'000	15 months ended 1 June 2003 £'000
Dividend on ordinary shares:		
Final dividend proposed	250	-

8. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Furniture, fixtures & equipment £'000	Total £'000
Cost			
At 1 June 2003	18,413	27,871	46,284
Disposals	(350)	(985)	(1,335)
Additions	2,591	3,587	6,178
At 30 May 2004	20,654	30,473	51,127
Accumulated depreciation			
At 1 June 2003	(13,754)	(22,100)	(35,854)
Disposals	189	943	1,132
Charge for the period	(473)	(1,144)	(1,617)
At 30 May 2004	(14,038)	(22,301)	(36,339)
Net book value			
At 30 May 2004	6,616	8,172	14,788
At 1 June 2003	4,659	5,771	10,430

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 30 May 2004	19,439	30,473	49,912
Depreciation 30 May 2004	(14,038)	(22,301)	(36,339)
Net book amounts 30 May 2004	5,401	8,172	13,573
Net book amounts 1 June 2003	3,444	5,771	9,215

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

9. INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost at 1 June 2003	11,004
Additions	4
Cost at 30 May 2004	11,008

The company purchased 12,000 30p shares from the minority interest in Heathgate Ltd during the year

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%
Handyminster Limited	Non-trading	England and Wales	100%
Heathgate Restaurants Limited	Restaurateur	England and Wales	96%
Insignia Restaurants One Limited	Restaurateur	England and Wales	100%
Yankee Noodle Restaurants Limited #	Restaurateur	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.

10. DEBTORS

	30 May 2004 £'000	1 June 2003 £'000
Trade debtors	278	317
Amounts owed by group undertakings	19,800	19,679
Other debtors	82	731
Prepayments and accrued income	1,150	1,600
Corporation tax recoverable	-	249
Deferred tax debtor	-	622
	21,310	23,198

Amounts owed by group undertakings have no fixed repayment date.

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

10. DEBTORS (CONTINUED)

	Deferred tax £'000
At 1 June 2003	622
Charge for period	(752)
Debtors balance at 30 May 2004	-
Provision at 30 May 2004 (note 12)	(130)

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

	Provided 30 May 2004 £'000	Unprovided 30 May 2004 £'000	Provided 1 June 2003 £'000	Unprovided 1 June 2003 £'000
Depreciation in excess of capital allowances	(130)	-	108	-
Timing differences on onerous contract provisions	-	-	440	-
Tax losses	-	-	74	-
	<u>(130)</u>	<u>-</u>	<u>622</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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 May 2004 £'000	1 June 2003 £'000
Trade creditors	3,776	3,309
Amounts owed to group undertakings	24,340	25,368
Other taxation and social security	2,537	2,667
Other creditors	787	365
Accruals and deferred income	4,595	4,154
	<u>36,035</u>	<u>35,863</u>

Amounts owed to group undertakings have no fixed repayment date.

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Other £'000	Total £'000
At 1 June 2003	-	2,282	2,282
Amount provided (see note 10)	130	127	257
Unused amounts released	-	(22)	(22)
Utilised	-	(1,378)	(1,378)
At 30 May 2004	<u>130</u>	<u>1,009</u>	<u>1,139</u>

Other provisions relate primarily to the future cost of vacant leasehold properties which have ceased to be used for a business purpose.

13. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	30 May 2004 £'000	1 June 2003 £'000	30 May 2004 £'000	1 June 2003 £'000
Ordinary shares of 20p each	<u>97,945</u>	<u>97,945</u>	<u>2,709</u>	<u>2,709</u>

14. STATEMENT OF MOVEMENTS ON RESERVES

	Special reserve £'000	Profit and loss account £'000	Total £'000
At 1 June 2003	2,626	1,635	4,261
Profit retained for the period	-	3,422	3,422
At 30 May 2004	<u>2,626</u>	<u>5,057</u>	<u>7,683</u>

Included in the profit and loss account is a non distributable reserve of £232,000 (2003: £124,000) arising on the sale of restaurants to group companies.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	30 May 2004 £'000	1 June 2003 £'000
Opening shareholder's funds	6,970	1,113
Issue of share capital	-	10,000
Profit / (loss) for the period	<u>3,422</u>	<u>(4,143)</u>
Shareholder's funds at end of period	<u>10,392</u>	<u>6,970</u>

NOTES TO THE ACCOUNTS

Year ended 30 May 2004

16. LEASE COMMITMENTS

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

	<u>Land and buildings</u>		<u>Other</u>	
	30 May 2004	1 June 2003	30 May 2004	1 June 2003
	£'000	£'000	£'000	£'000
Within one year	154	140	66	84
Within two to five years	248	66	78	-
After five years	6,707	6,608	-	-
	<u>7,109</u>	<u>6,814</u>	<u>144</u>	<u>84</u>

17. 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.

18. 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 £50,000 (2003: £56,000). There were outstanding contributions at the end of the financial year of £25,178 (2003: £28,541).

19. RELATED PARTIES

The company is a wholly owned subsidiary of Tragus Holdings Limited and has taken advantage of the exemption given in Financial Reporting Standard No.8 not to disclose transactions with other group companies.

20. PARENT UNDERTAKING

The ultimate parent undertaking is Tragus Holdings Limited, registered in England and Wales. The smallest and largest group of undertakings for which group accounts are drawn up and of which the company is a member is Tragus Holdings Limited, registered in England and Wales. Copies of group accounts can be obtained from 1st Floor, 163 Eversholt Street, London, NW1 1BU.