TRAGUS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Year ended 30 May 2004

Registered number: 04349917

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COMPANY INFORMATION

DIRECTORS:	G F Casey F T K Scott H M C Morley G L Williams R Chapman M Mansigani J M Parsons	 (Appointed 6 May 2004) (Appointed 6 July 2004)
SECRETARY:	H M C Morley	
AUDITORS:	KPMG LLP Arlington Business Park Theale Reading RG7 4SD	
BANKERS:	Barclays Bank PLC 54 Lombard Street London EC3P 3AH	
SOLICITORS:	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS	
REGISTERED OFFICE:	163 Eversholt Street London NW1 1BU	
REGISTERED NUMBER:	04349917	

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 to operate as a holding company to a group of companies that operate restaurants.

Results and dividends

The profit after taxation for the year amounted to £5,634,000 (Year ended 1 June 2003: profit after taxation: £5,173,000). A preference dividend of £798,000 is payable.

Post balance sheet events

On the 25 June 2004 all Preference shares and A Preference shares were redeemed by the company at par. All preference dividends due up to 25 June 2004 were paid on this date. A further loan of £10,125,000 was drawn down to facilitate the share buy back, and in addition a new bank facility was agreed to finance capital expenditure associated with opening new sites.

Review of developments and future prospects

During the year the group opened three new restaurants including a Café Rouge at Terminal 1 Heathrow. It intends to open up to twenty new restaurants in the year ending 31 May 2005.

Directors and their interests

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

G F Casey
F T K Scott
H M C Morley
G L Williams
R Chapman
M Mansigani (Appointed 6 May 2004)

The directors who held office at the end of the period had the following interests in the shares of the company according to the register of directors' interests:

	No. of shares held at date of appointment and end of period				
	A Ordinary shares	B Ordinary shares	Ordinary shares	A Preference shares	Preference shares
G F Casey	130,000	200,000	-	147,000	20,000
F T K Scott	-	-	680,000	-	68,000
H M C Morley	-	-	340,000	-	34,000
G L Williams	-	-	230,000	-	23,000
R Chapman	-	-	-	-	-
M Mansigani	-	-	-	-	-

None of the directors who held office at the end of the period had any disclosable interest in the shares of other group companies.

According to the register of directors' interests, no rights to subscribe for shares in group companies were granted to any of the directors or their immediate families, or exercised by them, during the period, except as indicated below:

DIRECTORS' REPORT (CONTINUED)

	Number of options over B Ordinary shares				Exercise price
	As at appointment	Granted since appointment	Exercised since appointment	At end of year	£ per B Ordinary share
M Mansigani	50,000	-	-	50,000	0.9875
	25,000	-	-	25,000	2.9875
	125,000	-	-	125,000	6.9875
	200,000	-	-	200,000	

All options are excercisable on an occurrence of an exit event see note 16.
Expiry date is date of issue plus ten years less one day.

Employee involvement

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

Employment of disabled persons

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

DIRECTOR

6 August 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 group and of the profit or loss for that 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 group 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* group and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TRAGUS HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 22.

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 group'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 and the group as at 30 May 2004 and of the profit of the group 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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 May 2004

	Notes	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
TURNOVER		**101,912**	95,515
Cost of sales		**(24,029)**	(22,705)
GROSS PROFIT		**77,883**	72,810
Administrative expenses		**(68,457)**	(65,721)
OPERATING PROFIT	2-4	**9,426**	7,089
Net interest payable and similar charges	5	**(1,397)**	(1,410)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**8,029**	5,679
Tax on profit on ordinary activities	6	**(2,395)**	(506)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**5,634**	5,173
Dividend payable	7	***(798)***	*(798)*
RETAINED PROFIT FOR THE FINANCIAL YEAR		**4,836**	4,375

There were no recognised gains or losses other than those reported above, which relate entirely to continuing activities.

CONSOLIDATED BALANCE SHEET

As at 30 May 2004

	Notes	30 May 2004 £'000	1 June 2003 £'000
FIXED ASSETS			
Intangible assets	8	**13,344**	14,085
Tangible assets	9	**24,153**	16,617
		37,497	30,702
CURRENT ASSETS			
Stocks - finished goods and goods for resale		**749**	731
Debtors - amounts falling due within one year	11	**2,742**	3,654
Debtors - deferred taxation asset falling due within one year	11	**331**	807
Debtors - deferred taxation asset falling due after one year	11	**286**	1,229
Cash at bank and in hand		**6,603**	7,112
		10,711	13,533
CREDITORS - amounts falling due within one year	12	**(15,976)**	(12,688)
NET CURRENT (LIABILITIES)/ASSETS		**(5,265)**	845
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,232**	31,547
CREDITORS - amounts falling due after more than one year	13	**(9,286)**	(11,545)
PROVISIONS FOR LIABILITIES AND CHARGES	15	**(2,417)**	(4,710)
NET ASSETS		**20,529**	15,292
CAPITAL AND RESERVES			
Called up share capital	16	**11,524**	11,123
Share premium account	17	**404**	404
Profit and loss account	17	**8,601**	3,765
SHAREHOLDERS' FUNDS	20	**20,529**	15,292
Attributable to equity shareholders		**9,205**	4,369
Attributable to non-equity shareholders		**11,324**	10,923
		20,529	15,292

These financial statements were approved by the Board of Directors on 6 August 2004 and signed on behalf of the Board of Directors.

Director

COMPANY BALANCE SHEET

As at 30 May 2004

	Notes	30 May 2004 £'000	1 June 2003 £'000
FIXED ASSETS			
Tangible fixed assets	9	**841**	820
Investments	10	**37,285**	37,285
		38,126	38,105
CURRENT ASSETS			
Debtors	11	**34**	-
Cash at bank and in hand		**6,603**	7,074
		6,637	7,074
CREDITORS - amounts falling due within one year	12	**(2,650)**	(1,522)
NET CURRENT ASSETS		**3,987**	5,552
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,113**	43,657
CREDITORS - amounts falling due after more than one year	13	**(29,900)**	(32,021)
PROVISIONS FOR LIABILITIES AND CHARGES	15	**(80)**	(49)
NET ASSETS		**12,133**	11,587
CAPITAL AND RESERVES			
Called up share capital	16	**11,524**	11,123
Share premium account	17	**404**	404
Profit and loss account	17	**205**	60
SHAREHOLDERS' FUNDS	20	**12,133**	11,587
Attributable to equity shareholders		**809**	664
Attributable to non-equity shareholders		**11,324**	10,923
		12,133	11,587

These financial statements were approved by the Board of Directors on 6 August 2004 and signed on behalf of the Board of Directors.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 May 2004

	Notes	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Net cash inflow from operating activities	18	**11,950**	9,784
Returns on investments and servicing of finance	19	**(1,653)**	(906)
Taxation		**(535)**	(375)
Capital expenditure and financial investment	19	**(8,671)**	(2,997)
Acquisitions and disposals			
Purchase of subsidiary undertakings		-	(4,884)
Cash inflow before financing		**1,091**	622
Financing			
Repayment of loan		**(1,600)**	(1,200)
Decrease in cash in the year		**(509)**	(578)

Reconciliation of net cash flow to movement in net debt

	Notes	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Decrease in cash in the period		**(509)**	(578)
Cash outflow from loan repayments		**1,600**	1,200
Change in net debt resulting from cash flows		**1,091**	622
Non cash changes		**47**	(405)
Change in net debt		**1,138**	217
Net debt at start of year	21	**(5,845)**	(6,062)
Net debt at end of year	21	**(4,707)**	(5,845)

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

1. ACCOUNTING POLICIES

These financial statements have been 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. The acquisition method of accounting has been adopted. Under this method, the results and cashflows of subsidiary undertakings acquired are included in the consolidated profit and loss account and the consolidated cashflow statement from the date of acquisition.

Under Section 230(4) of the Companies Act 1985, 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 20.

Goodwill and intangible fixed assets

On the acquisition of a business, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the period of acquisition. Purchased goodwill is amortised to nil by equal annual instalments over the directors' estimate of its estimated useful life of 20 years. On acquisition, directors make estimates to the fair values of the assets acquired. If necessary, these are revised in the year after acquisition.

Minority interests of third parties in the group are not consolidated unless they are considered material.

Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets.

Tangible fixed assets

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 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.
- IT systems and equipment are depreciated over 5 to 8 years.

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

Investments

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

Stocks

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

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

1. ACCOUNTING POLICIES (CONTINUED)

Vacant properties

Onerous contract provisions are made for the future net costs of leasehold properties which are vacant or sub-let below passing rent. Provisions are 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.

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

Finance costs

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

Pre opening costs

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

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of fixed assets	**2,656**	2,096
Amortisation of goodwill	**741**	741
Auditors' remuneration		
Group audit	**67**	65
Group other sevices	**25**	25
Company audit included in group audit fees above.	**13**	12
Rentals under operating leases		
Land and buildings	**12,539**	12,166
Hire of plant and machinery	**-**	18

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

3. INFORMATION RELATING TO EMPLOYEES AND DIRECTORS

During the year ended 30 May 2004 the company and group employed the following average number of employees of The Pelican Group Limited and BrightReasons Group Limited:

	30 May 2004 Number	1 June 2003 Number
Administration	79	80
Restaurants	3,461	3,257
	3,540	3,337

The aggregate payroll costs of these persons were as follows:

	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Wages and salaries	32,585	30,153
Social security costs	2,435	2,152
Other pension costs	204	228
	35,224	32,533

4. REMUNERATION OF DIRECTORS

	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Directors emoluments	496	490

The emoluments of the highest paid director were £190,000 (2003: £190,000).

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Amortisation of loan costs	188	205
Accelerated amortisation of costs on mezzanine debt	88	-
Finance charges re capex facility	179	-
On mezzanine debt	112	200
On bank loans and overdrafts	1,065	1,127
Other interest paid	20	-
Interest received on treasury deposits	(255)	(122)
	1,397	1,410

6. TAXATION

	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Current taxation on profits for the period		
UK Corporation Tax	976	-
Total current taxation	976	-
Deferred tax		
Timing differences	2,093	2,546
Prior year	(674)	(2,040)
Total deferred taxation	1,419	506
Total taxation charge	2,395	506
Factors affecting the tax charge for the period		
Profit before tax	8,029	5,679
Tax at current UK Corporation Tax rate of 30% (2003: 30%)	2,409	1,704
Effect of:		
Expenses not deductible for tax purposes	300	485
Capital allowances in excess of depreciation	(861)	(1,933)
Timing differences on movements on provisions	(6)	(332)
Losses utilised	(1,155)	(353)
Unprovided deferred tax	61	207
Goodwill amortisation	222	222
Overseas income	6	-
Current tax charge for the period	976	-

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

7. DIVIDENDS

	Year ended 30 May 2004 £'000	Year ended 1 June 2003 £'000
Participating dividend on non-equity shares:		
Final dividend proposed	798	798

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
The group	
Cost at 1 June 2003 and 30 May 2004	14,826
Accumulated amortisation at 1 June 2003	(741)
Charge for the year	(741)
Accumulated amortisation at 30 May 2004	(1,482)
Net book value	
At 30 May 2004	13,344
At 1 June 2003	14,085

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Total £'000
The group			
Cost			
At 1 June 2003	9,019	9,694	18,713
Additions	4,535	5,657	10,192
Disposals	-	(809)	(809)
At 30 May 2004	13,554	14,542	28,096
Accumulated depreciation at 1 June 2003	556	1,540	2,096
Charge for the year	895	1,761	2,656
Accumulated depreciation on disposals	-	(809)	(809)
At 30 May 2004	1,451	2,492	3,943
Net book value			
At 30 May 2004	12,103	12,050	24,153
At 1 June 2003	8,463	8,154	16,617

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

9. TANGIBLE FIXED ASSETS (CONTINUED)

	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Total £'000
The company			
Cost			
At 1 June 2003	268	569	837
Additions	7	49	56
At 30 May 2004	275	618	893
Accumulated depreciation at 1 June 2003	6	11	17
Charge for the year	22	13	35
At 30 May 2004	28	24	52
Net book value			
At 30 May 2004	247	594	841
At 1 June 2003	262	558	820

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

10. INVESTMENTS

	Shares in subsidiary undertakings
	£'000
The company	
Cost and net book value at 1 June 2003 and 30 May 2004	**37,285**

At 30 May 2004 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
The Pelican Group Limited *	Restaurateur	England and Wales	100%
Adamstar Limited	Dormant	England and Wales	100%
Café Rouge Limited	Dormant	England and Wales	100%
Dragon Inns and Restaurants Limited	Dormant	England and Wales	100%
Handyminster Limited	Non-trading	England and Wales	100%
Heathgate Restaurants Limited	Restaurateur	England and Wales	96%
Insignia Restaurants Limited	Restaurateur	England and Wales	100%
Grenpark Limited	Restaurateur	England and Wales	100%
Yankee Noodle Restaurants Limited #	Restaurateur	England and Wales	100%
BrightReasons Group Limited *	Non-trading	England and Wales	100%
BrightReasons Restaurants Limited	Restaurateur	England and Wales	100%

* These subsidiaries are held directly by Tragus Holdings Limited. All other investments are held by subsidiary undertakings.

\# Preference and ordinary shares held

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

11. DEBTORS

	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Trade debtors	406	-	582	-
Other debtors	97	-	86	-
Prepayments and accrued income	2,239	34	2,611	-
Corporation tax	-	-	375	-
Deferred tax debtor	617	-	2,036	-
	3,359	34	5,690	-

The deferred tax debtor includes £286,000 (2003: £1,229,000) due after more than one year.

	The group 30 May 2004 £'000	The company 30 May 2004 £'000
Deferred tax asset at 1 June 2003	2,036	-
Adjustment relating to prior year	674	-
Utilised in the year	(2,093)	-
Deferred tax asset at 30 May 2004	617	-

	Provided		Unprovided	
	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 30 May 2004 £'000	The company 30 May 2004 £'000
Depreciation in excess of capital allowances	366	-	162	-
Tax losses	251	-	82	-
	617	-	244	-

	Provided		Unprovided	
	The group 1 June 2003 £'000	The company 1 June 2003 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Depreciation in excess of capital allowances	1,006	-	183	-
Timing differences on onerous contracts provisions	878	-	-	-
Tax losses	152	-	24	-
	2,036	-	207	-

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.

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Bank loans (note 14)	2,024	2,024	1,412	1,412
Trade creditors	3,672	30	3,528	-
Corporation tax	66	66	-	-
Other taxation and social security	2,538	-	2,400	-
Other creditors	1,086	-	935	-
Accruals and deferred income	6,590	530	4,413	110
	15,976	2,650	12,688	1,522

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Amounts owed to group undertakings	-	20,614	-	20,476
Bank loans (note 14)	9,286	9,286	11,545	11,545
	9,286	29,900	11,545	32,021

14. BORROWINGS

	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Bank loan - Tranche A	11,800	11,800	10,600	10,600
Bank loan - Tranche B	-	-	3,000	3,000
Costs of raising loan finance	(490)	(490)	(643)	(643)
	11,310	11,310	12,957	12,957
Debt can be analysed as falling due:				
In less than one year	2,024	2,024	1,412	1,412
Between one and two years	2,458	2,458	2,036	2,036
Between two and five years	6,828	6,828	7,919	7,919
In more than five years	-	-	1,590	1,590
	11,310	11,310	12,957	12,957

The bank loans are secured by fixed and floating charges on the assets of the group. Tranche A of the bank loan bears interest at 2.25% above LIBOR.

Tranche B loan was repaid on May 2004 incurring a premium of £312,000, of which £200,000 was accrued. A further £2,800,000 was added to tranche A of the loan following the repayment of tranche B, costs relating to this were £122,000, have been capitalised.

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Group Total 30 May 2004 £'000	Company Total 30 May 2004 £'000	Group Total 1 June 2003 £'000	Company Total 1 June 2003 £'000
Opening balance	4,710	49	6,057	-
Additions resulting from fair value adjustments	-	-	512	-
Additional amount provided	381	31	-	49
Unused amounts released	(249)	-	-	-
Utilised during the year	(2,425)	-	(1,859)	-
Closing balance	2,417	80	4,710	49

Group provisions relate primarily to the future cost of vacant leasehold properties, which have ceased to be used for a business purpose. The provision will unwind over the lesser of the date to the termination of the leases or the date of exit if negotiated sooner.

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

	Provided		Unprovided	
	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 30 May 2004 £'000	The company 30 May 2004 £'000
Depreciation in excess of capital allowances	-	80	-	-

	Provided		Unprovided	
	The group 1 June 2003 £'000	The company 1 June 2003 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Depreciation in excess of capital allowances	-	49	-	-

16. SHARE CAPITAL

	Authorised 30 May 2004 £'000	Called up, allotted and fully paid 30 May 2004 £'000	Authorised 1 June 2003 £'000	Called up, allotted and fully paid 1 June 2003 £'000
8,550,000 "A" ordinary shares of 2p each	171	171	171	171
200,000 "B" ordinary shares of 2p each	4	4	4	4
1,250,000 ordinary shares of 2p each	25	25	25	25
9,980,000 8% cumulative redeemable "A" preference shares of £1 each	9,980	9,980	9,980	9,980
145,000 preference shares of £1 each	145	145	145	145
Accrued dividend	-	1,199	-	798
	10,325	11,524	10,325	11,123

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

16. SHARE CAPITAL (CONTINUED)

The 8% cumulative redeemable A Preference Shares of £1 each confer on the holders thereof the right to receive a cumulative preferential net cash dividend at the rate of 8% per annum on the capital for the time being paid up thereon and the right on winding up or repayment of capital to a return of the capital paid thereon and a sum equal to any arrears or deficiency of the fixed dividend thereon calculated down to the date of return of the capital subject to such taxes as shall be in force at that date and to be payable whether such dividend has been declared or earned or not in priority to any payment to the holders of the Preference Shares and Ordinary Shares. The A Preference Shares shall not entitle the holders to any further or other participation in the profits or assets of Tragus Holdings Limited.

The A Preference Shares are redeemable on the following dates:

Date to be redeemed	Number of A preference shares
31 May 2007	2,458,225
31 May 2008	2,458,225
31 May 2009	4,916,450
Exit event (the earlier to occur of the date a sale agreement is completed, the date at which a Listing takes place and the appointment of a *liquidator of the Company)*	100%

The amount payable on redemption is sum equal to the issue price together with a sum equal to all arrears or deficiency of the fixed dividend thereon calculated down to the date of redemption.

The A Preference Shares shall not entitle the holders thereof to vote at any general meeting unless at the date of the relevant meeting or, in the case of a meeting called as a consequence of any requisition by Members under section 368 of the Act, at the date of deposit of such requisition:

- payment of the A Preference Dividend has not been made within 21 days after the due date for payment of the same (whether or not such dividend is prohibited by the Companies Act);
- the Company has failed to redeem any of the A Preference Shares within 21 days after the due date for redemption has passed (whether or not such redemption is prohibited by the Companies Act);
- any amount payable by any member of the Group under any of the banking agreements or other agreement relating to the borrowings has become payable in advance of its stated payment date because of an event of default thereunder being called by the Bank (however caused);
- the business of the meeting includes a resolution directly or adversely affecting, altering or abrogating the rights, privileges, or resolutions attached to the A preference shares;
- there has occurred any material breach by the Company or any of the Members or directors of the Company (excluding any Investor or Investor Director) of any of the provisions of the Articles of Association or the Investment Agreement which has not been remedied to the reasonable satisfaction of an Investor Majority within 7 days of a notice from any Investor to the Company requesting such remedy.

The A Preference Shares shall nevertheless entitle the holders thereof to receive notice of and attend any general meeting. At a general meeting at which the voting rights attaching to the A Preference Shares are exercisable, the A Preference Shareholders present in person or by proxy shall, on a show of hands and on a poll, in aggregate have three times the number of votes held by persons holding equity shares.

The Preference Shares confer on the holders thereof the right on winding up or repayment of capital to a return of the capital paid thereon. The Preference Shares shall not confer on the holders thereof the right to receive a dividend or the right to receive notice of, attend and vote at any general meeting.

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

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

17. STATEMENT OF MOVEMENTS ON RESERVES

Group	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 1 June 2003	404	3,765	4,169
Profit retained for the period	-	4,836	4,836
At 30 May 2004	**404**	**8,601**	**9,005**

Company	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 1 June 2003	404	60	464
Profit retained for the period	-	145	145
At 30 May 2004	**404**	**205**	**609**

18. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	Year ended 30 May 2004
Operating profit	9,426
Depreciation and amortisation charges	3,397
Increase in stocks	(18)
Decrease in debtors	538
Decrease in creditors	(1,393)
Net cash inflow from operating activities	**11,950**

19. ANALYSIS OF CASHFLOWS

	Year ended 30 May 2004
Returns on investment and servicing of finance	
Interest received	243
Interest paid	(1,499)
Preference dividend paid	(397)
	(1,653)
Capital expenditure and financial investment	
Payments to acquire tangible fixed assets	**(8,671)**

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The group 30 May 2004 £'000	The company 30 May 2004 £'000	The group 1 June 2003 £'000	The company 1 June 2003 £'000
Opening shareholders' funds	**15,292**	**11,587**	10,119	10,119
Retained profit for the financial period	**4,836**	**145**	4,375	670
Dividend paid	**(397)**	**(397)**	-	-
Accrued dividend	**798**	**798**	798	798
Closing shareholders' funds	**20,529**	**12,133**	15,292	11,587

NOTES TO THE ACCOUNTS
Year ended 30 May 2004

21. ANALYSIS OF NET DEBT

	1 June 2003 £'000	Cash flow £'000	Non-cash changes £'000	30 May 2004 £'000
Cash at bank and in hand	7,112	(509)	-	6,603
Debt due within one year	(1,412)	1,600	(2,212)	(2,024)
Debt due after one year	(11,545)	-	2,259	(9,286)
Net debt	(5,845)	1,091	47	(4,707)

22. LEASE COMMITMENTS

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

	Land and Buildings 30 May 2004 £'000	Land and Buildings 1 June 2003 £'000
Within one year	557	305
Within one to two years	304	484
Within two to five years	1,446	1,222
After five years	11,899	11,535
	14,206	13,546

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

	Land and Buildings 30 May 2004 £'000	Land and Buildings 1 June 2003 £'000
Within one year	-	-
Within one to two years	-	-
Within two to five years	118	118
After five years	-	-
	118	118

23. 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 £204,360 (2003: £124,862). There were £23,074 of outstanding contributions at the end of the financial year (2003: £28,541).

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given in Financial Reporting Standard No.8 not to disclose transactions with other group companies.