Huggins and Company, Limited

Directors' report and accounts

29 April 2001

Registered in England, number 56674

Huggins and Company, Limited

Directors' Report and Accounts

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DIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 29 April 2001.

Principal activity
The principal activity of the company is the management of a property estate in the United Kingdom.

Ultimate parent undertaking
The ultimate parent undertaking of the company is Scottish & Newcastle plc.

Financial review
The directors do not recommend the payment of a dividend *(2000 : £nil)*.
The profit for the year is shown in the profit and loss account on page 7.

Review of operations
The company disposed of numerous properties to other companies in the Scottish & Newcastle plc group. Although the turnover has fallen as a result, the company has made a very satisfactory profit this year. The company is continuing to trade profitably in the current year.

Directors and Directors' interests
The directors who held office during the year were as follows:

I G Hannah (resigned 29 December 2000)
C J Ripper
R W Crichton
R L Ivell
J S Leslie

None of the directors who served during the year had any disclosable interest in the shares of the company.

The directors who held office at the end of the financial year had the following interests in the 20p Ordinary Shares of Scottish & Newcastle plc:

	Ordinary Shares	
	At 30 April 2000	At 29 April 2001
J S Leslie	-	-
C J Ripper	4,965	6,626
R W Crichton	12,469	12,998
R L Ivell	1,886	2,286

	Options			
	At 30 April 2000	Granted in the year	Exercised in the year	At 29 April 2001
J S Leslie	41,965	20,385	-	62,350
C J Ripper	80,329	27,631	(14,281)	93,679
R W Crichton	35,173	14,250	-	49,423
R L Ivell	50,150	34,500	-	84,650

Directors' report *(continued)*

Other than the above, no director had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the period in any significant contract with the company or any subsidiary undertaking.

Political and charitable contributions
The company made no political contributions or donations to UK charities in the year.

Auditors
On 28 June 2001 Ernst & Young, the company's auditor, transferred its entire business to Ernst &Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the board

N R Homer
Secretary

13 July 2001

Riverside House
Riverside Way
Northampton
NN1 5NU

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare accounts which give a true and fair view of the state of affairs of the company at the end of the financial year and of the result for that year. They are responsible for ensuring that proper and adequate accounting records have been kept to ensure that the accounts comply with the Companies Act 1985. They are also responsible for ensuring that appropriate procedures have been followed for safeguarding company assets and preventing and detecting fraud and other irregularities. Appropriate accounting policies which follow generally accepted accounting practice have been applied consistently in the preparation of the accounts on a going concern basis and reasonable and prudent judgements and estimates have been made.

REPORT OF THE AUDITORS

TO THE MEMBERS OF HUGGINS AND COMPANY, LIMITED

We have audited the accounts on pages 7 to 18, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of Directors and Auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 29 April 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
London

13 July 2001

Huggins and Company, Limited

Profit and Loss Account

	Note	Year ended 29 April 2001 £000	Year ended 30 April 2000 £000
Turnover	2	**113,016**	131,079
Normal cost of sales	3	**(42,502)**	(43,711)
Exceptional depreciation	3	**(15,769)**	-
Operating profit		**54,745**	87,368
(Loss)/profit on sale of fixed assets		**6,241**	(4,452)
Interest receivable		**22**	-
Interest payable and similar charges	6	**(44,932)**	(55,979)
Profit on ordinary activities before taxation	2-6	**16,076**	26,937
Tax (charge) on profit on ordinary activities	7	**(8,027)**	(1,719)
Profit on ordinary activities after taxation	14	**8,049**	25,218

There are no recognised gains or losses other than the profit of £8,049,000 *(2000 : profit of £25,218,000)*.

Huggins and Company, Limited

Balance Sheet

	Note	**29 April 2001**		30 April 2000	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**595,130**		755,893
Current assets					
Debtors	*9*	**7,071**		264,834	
Creditors: amounts falling due within one year	*11*	**(119,342)**		(594,377)	
Net current liabilities			**(112,271)**		(329,543)
Total assets less current liabilities			**482,859**		426,350
Creditors: amounts falling due after more than one year including convertible debt	*12*		**(332,697)**		(284,237)
			150,162		142,113
Capital and reserves					
Called up share capital	*13*		**326**		326
Revaluation reserve	*14*		**159,490**		168,950
Profit and loss account	*14*		**(9,654)**		(27,163)
			150,162		142,113

These accounts were approved by the Board of Directors on 13 July 2001 and were signed on its behalf by:

J S Leslie
Director

Note of Historical Cost Profits and Losses

	Year ended 29 April 2001 £000	Year ended 30 April 2000 £000
Profit on ordinary activities before taxation	**16,076**	26,937
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**2,053**	3,951
Realisation of property revaluation gains	**7,407**	1,135
Historical cost profit on ordinary activities before taxation	**25,536**	32,023
Historical cost profit for the year retained after taxation and dividends	**17,509**	30,304

Notes

1. Accounting Policies

Basis of preparation
The accounts are prepared under the historical cost convention except that certain fixed assets are included at valuation. Prior to the introduction of FRS15 professional valuations were undertaken on a regular basis and any net surpluses were taken to the revaluation reserve. Following the introduction of FRS15 surpluses from prior valuations will continue to be reflected in the accounts but no further valuations will be undertaken.

The accounts are prepared in accordance with applicable accounting standards.

The accounts are drawn up for the period of 52 weeks (53 weeks when necessary) ending on the Sunday nearest 30 April. The period ended 29 April 2001 is a 52 week period.

The company has taken advantage of exemptions under FRS1 (revised) and has not prepared a cash flow statement.

The company has taken advantage of exemptions under FRS8 and has not disclosed certain related party transactions.

Goodwill
On the acquisition of subsidiary undertakings or businesses, fair values are attributed to the underlying net tangible assets acquired. Goodwill being the excess of the consideration over fair values, arising on acquisitions prior to 3 May 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on the implementation of FRS10.

Positive goodwill since 4 May 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Depreciation
Freehold land is not depreciated.

Freehold buildings are depreciated to their estimated residual values over 50 years. Buildings held on lease are depreciated over the shorter of 50 years or the unexpired term of the lease.

Notes *(continued)*

1. **Accounting Policies** ***(continued)***

Leases
Operating lease payments and receipts are taken to the profit and loss account on a straight line basis over the life of the lease.

Deferred taxation
Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Turnover
Turnover comprises rent receivable excluding VAT and property disposals.

2. **Analysis of turnover, profit on ordinary activities before taxation and net operating assets**

The turnover of the company, profit on ordinary activities before taxation and net operating assets are attributable to one continuing activity, that of the management of a property portfolio, all of which is carried out in the United Kingdom.

3. **Profit on ordinary activities before taxation**

	Year ended 29 April 2001 £000	Year ended 30 April 2000 £000
Profit on ordinary activities before taxation is stated after charging:		
- Depreciation of tangible fixed assets	**4,756**	5,519
- Operating lease rentals on land and buildings	**37,193**	37,396
- Other external charges	**553**	796
	42,502	43,711

Fees in respect of services provided by the auditors were: statutory audit of the company £nil *(2000: £nil)* and other services £nil *(2000: £nil)*.

An exceptional depreciation charge of £15,769,000 has been made in the year following an impairment review of the company's land and buildings.

4. **Remuneration of Directors**

No directors received emoluments from the company during the year *(2000: £nil)*.

5. **Staff numbers and costs**

The average number of persons employed by the company (including directors) during the period, was 5 *(2000 : 5)*. The aggregate payroll cost of these persons was £nil *(2000 : £nil)*.

Notes *(continued)*

6. Interest payable and similar charges

	Year ended 29 April 2001 £000	Year ended 30 April 2000 £000
Interest payable to group undertakings	**44,932**	55,979

7. Tax on profit on ordinary activities

	Year ended 29 April 2001 £000	Year ended 30 April 2000 £000
UK corporation tax (charge)/credit	**(11,841)**	(8,861)
(Under)/over provision in prior years		
- Corporation tax	**3,848**	8,464
- Deferred tax	**(34)**	(1,322)
	(8,027)	(1,719)

The tax effect in the Profit and Loss account relating to the exceptional items recognised below operating profit is a charge of £nil *(2000 : £nil)*

Notes ***(continued)***

8. Tangible fixed assets

	Land & Buildings £000
Cost or valuation	
At 30 April 2000	774,756
Additions	14,041
Revaluation to reflect impairment	(1,649)
Disposals – External	(7,571)
Disposals – Group	(151,227)
At 29 April 2001	628,349
Depreciation	
At 30 April 2000	18,863
Charge for year	4,756
Exceptional depreciation	15,769
Disposals – External	(378)
Disposals – Group	(5,791)
At 29 April 2001	33,219
Net book value	
At 29 April 2001	595,130
At 30 April 2000	755,893

The net book value of land and buildings comprises:

	29 April 2001 £000	30 April 2000 £000
Freehold	**524,190**	618,514
Long leasehold	**40,370**	57,035
Short leasehold	**30,570**	80,344
	595,130	755,893

Fixed assets are stated at cost or at professional valuation by qualified chartered surveyors. Under the transitional arrangements of FRS15 the valuation of assets has not been updated. A revaluation of the group's freehold and long leasehold properties took place on 27 April 1997 on an open market existing use basis.

Notes *(continued)*

8. Tangible fixed assets *(continued)*

The total at cost or valuation for land and buildings comprises:

	29 April 2001 **£000**	30 April 2000 £000
At 1997 professional valuation	**333,910**	444,584
At 1993 professional valuation	**41,629**	41,629
At cost	**252,810**	288,543
	628,349	774,756

Particulars relating to land and buildings are given below:

	29 April 2001 **£000**	30 April 2000 £000
Historical cost to the Cleveland Place Holdings PLC group	467,132	598,144
Aggregate depreciation based on historical cost	(10,401)	(11,201)
Historical cost net book value	456,731	586,943

Other tangible fixed assets, including subsequent additions to land and buildings, are included at cost.

9. Debtors: amounts falling due within one year

	29 April 2001 **£000**	30 April 2000 £000
Amounts owed by parent and fellow subsidiary undertakings	-	255,311
Prepayments and accrued income	**4,884**	4,884
Group relief receivable	**2,187**	4,605
Deferred tax (see note 10)	-	34
	7,071	264,834

Notes *(continued)*

10. Deferred tax

	29 April 2001		30 April 2000	
	£000		£000	
	Provided	**Unprovided**	Provided	Unprovided
Accelerated capital allowances:				
liability/(asset)	-	**8,766**	-	3,761
Other timing differences	-	**(46)**	(34)	-

The potential tax liabilities which might arise in the event of the disposal of revalued properties or for capital gains deferred under the terms of S152, Taxation of Chargeable Gains Act 1992, are not quantified as the Directors do not consider them to constitute timing differences, after taking account of expected roll-over relief.

11. Creditors: amounts falling due within one year

	29 April 2001	30 April 2000
	£000	£000
Trade creditors	**2,749**	-
Amounts owed to parent and fellow subsidiary undertakings	**100,707**	566,879
Accruals and deferred income	**15,886**	27,498
	119,342	594,377

12. Creditors: amounts falling due after one year

	29 April 2001	30 April 2000
	£000	£000
Amounts owed to parent and fellow subsidiary undertakings	**259,197**	242,237
Unsecured other loans	**73,500**	42,000
	332,697	284,237

Amounts owed to parent and fellow subsidiary undertakings above constitute loan stock which can be converted into 295 million £1 preference shares on 26 March 2003 by Scottish & Newcastle plc. Unsecured other loans constitute a Eurobond loan due for repayment on 5 March 2003.

Notes *(continued)*

Analysis by year of repayment

	29 April 2001 £000	30 April 2000 £000
Within two to five years – other than by instalment	**301,197**	284,237

13. Called up share capital

	29 April 2001 £000	30 April 2000 £000
Authorised		
326,250 ordinary shares of £1 each	**326**	326
295,000,000 preference shares of £1 each	**295,000**	295,000
	295,326	295,326
Allotted, called up and fully paid		
Ordinary shares of £1 each	**326**	326

14. Reconciliation of movements in shareholders' funds

	Share capital £000	**Profit and loss account £000**	**Revaluation reserve £000**	**Total £000**
At 2 May 1999	326	(65,267)	174,036	109,095
Retained profit for the year	-	25,218	-	25,218
Goodwill reinstated on disposal	-	7,800	-	7,800
Depreciation and realisation of property revaluation gains	-	5,086	(5,086)	-
At 30 April 2000	326	(27,163)	168,950	142,113
Retained profit for the year	-	8,049	-	8,049
Depreciation, realisation of property revaluation gains and impairment	-	9,460	(9,460)	-
At 29 April 2001	326	(9,654)	159,490	150,162

Goodwill previously eliminated against reserves amounted to £26,186,000 *(2000 : £26,186,000).*

Notes *(continued)*

15. Contingent liabilities

The company's assets fall under a floating charge which secures £29,126,000 *(2000: £29,477,000)* of debenture stocks of its holding company Cleveland Place Holdings PLC. In the opinion of the directors no losses are likely to arise in respect of these undertakings.

16. Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made:

	29 April 2001	30 April 2000
	£000	£000
Contracted	**109**	76

(ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings	
	29 April 2001	30 April 2000
	£000	£000
Operating leases which expire:		
Within one year	**201**	188
In the second to fifth years inclusive	**490**	652
Over five years	**21,790**	23,600
	22,481	24,440

17. Related party transactions

The company leases a number of properties from The Public House Investment Company Limited, an associated company of Scottish & Newcastle plc. The amount of rent paid during the year was £18,636,000 *(2000 : £20,228,000).*

18. Post Balance Sheet Event

On 18 June 2001 Scottish & Newcastle plc, the ultimate parent company, entered into agreements to sell 646 managed houses for a gross cash consideration of £354m plus working capital adjustments. The company managed passing rental payments for 151 of these managed houses.

A subsidiary of Enterprise Inns Plc is acquiring 432 outlets for approximately £260m plus £3.6m working capital (subject to adjustment). A newly formed special purpose vehicle to be managed by Noble House Leisure Ltd is acquiring 214 outlets for £94m plus £3.1m working capital (subject to adjustment). In order to facilitate part of the transaction a Scottish & Newcastle group company has acquired for a consideration of £111m, freehold control of the 151 outlets referred to above, formerly part of a property joint venture in which Scottish & Newcastle plc had a 50% interest. The net book value of the outlets being disposed of, including the cost of the joint venture buy out, is £452m none of which is in the accounts of this company.

Notes *(continued)*

19. Parent company

The ultimate parent undertaking, which is also the parent for the largest group of undertakings for which group accounts are drawn up and of which the company is a member, is Scottish & Newcastle plc, a company registered in Scotland.

The parent for the smallest group of undertakings for which group accounts are drawn up and of which the company is a member, is Cleveland Place Holdings PLC, a company registered in England and Wales.

Group accounts for both companies may be obtained from the Company Secretary, Scottish & Newcastle plc, 33 Ellersly Road, Edinburgh, EH12 6HX..