

**THE DEVONSHIRE PUB COMPANY
LIMITED**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 1998

Company Number : 2588480



THE DEVONSHIRE PUB COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

Company registration number: 2588480

Registered office: Trinity Court
16 John Dalton Street
Manchester
M60 8HS

Directors: W A McLean
S Padgett
A P A Snape

Secretary: A P A Snape

Bankers: Bank of Scotland
St Andrews Chambers
21/22 Park Row
Leeds
LS1 5JF

Solicitors: Hammond Suddards
Trinity Court
16 John Dalton Street
Manchester
M60 8HS

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Heron House
Albert Square
Manchester
M60 8GT

THE DEVONSHIRE PUB COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 14

THE DEVONSHIRE PUB COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the financial statements for the year ended 31 March 1998.

Principal activity

The principal activity of the company is the acquisition, development, management and operation of licensed premises.

Results and dividends

The profit for the year after taxation amounted to £305,066 (1997 : £542,707). The directors do not recommend the payment of a dividend (1997 : £Nil) and the retained profit has been transferred to reserves.

Directors

The present membership of the Board is set out below. All directors served throughout the year unless otherwise stated. None of the directors had beneficial or other interests in the company at 1 April 1997 or 31 March 1998.

W A McLean

F Birt (resigned 23 September 1998)

T J Doubleday (resigned 6 April 1998)

S W Padgett

P M Robinson (resigned 6 April 1998)

A P A Snape (appointed 4 June 1998)

D S Winterbottom (appointed 7 August 1997 and resigned 23 September 1998)

A P A Snape was appointed a director on 4 June 1998.

The interests of W A McLean, F Birt, T J Doubleday and D S Winterbottom in the share capital of the ultimate parent undertaking, The Devonshire Leisure Group Limited, are disclosed in that company's financial statements.

At 31 March 1998, S W Padgett held 4,800 £1 'A' ordinary shares and P M Robinson 2,400 £1 'A' ordinary shares in The Devonshire Leisure Group Limited.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year 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 that period. In preparing those financial statements, the directors are required to :

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

THE DEVONSHIRE PUB COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company is in the process of assessing the risks resulting from this issue. When the analysis is complete, the company will consider the likely impact on the business, develop action plans to deal with the key risks, and estimate the costs to be incurred.

Post balance sheet events

On 1 June 1998, 54 tenanted houses were disposed of to Pubmaster plc at a profit after costs of approximately £4.1 million.


On 16 September 1998, 6 managed houses were transferred to a company controlled by Fred Birt as settlement of a dividend of £1.3 million.

On 23 September 1998 the company was party to a new £25 million lending facility with the Bank of Scotland to assist the company to be acquired by DPC Holdings Limited as part of a restructuring of the company's share capital.

Auditors

Arthur Andersen resigned as auditors during the year and Grant Thornton were appointed to fill the casual vacancy. Grant Thornton offer themselves for reappointment in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



A P A Snape
Secretary

23 September 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE DEVONSHIRE PUB COMPANY LIMITED**

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

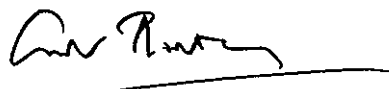
Basis of opinion

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 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 the company's affairs at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER**

23 September 1998

THE DEVONSHIRE PUB COMPANY LIMITED

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover comprises amounts receivable for goods sold in the normal course of business, net of trade discounts and VAT.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value by equal annual instalments over their estimated useful lives as follows :

Land and buildings	2%
Fixtures and fittings	varying rates to 20%
Office equipment	20%
Motor vehicles	25%

Interest charges which can be allocated to a specific site are capitalised for the period that the building and refurbishment work is undertaken.

Stocks

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

Finance costs

Finance costs of debt and non-equity shares are treated in line with FRS4 in that the debt or shares are initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Deferred taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

THE DEVONSHIRE PUB COMPANY LIMITED

PRINCIPAL ACCOUNTING POLICIES

Leased assets

Where assets are financed by leasing agreements which give risks and rewards approximating to ownership ("finance leases") they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element (which reduces the outstanding liability) and an interest charge.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Contributions to pension funds

Defined Contribution Scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

THE DEVONSHIRE PUB COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1998

	Note	1998 £	1997 £
Turnover			
- continuing operations		6,462,510	4,530,108
- discontinued operations		<u>5,629,933</u>	<u>3,376,351</u>
	1	<u>12,092,443</u>	<u>7,906,459</u>
 Cost of sales		 <u>(7,800,247)</u>	 <u>(4,982,098)</u>
 Gross profit		 4,292,196	 2,924,361
 Other operating expenses		 <u>(2,056,891)</u>	 <u>(1,465,443)</u>
 Operating profit			
- continuing operations		1,187,233	1,123,267
- discontinued operations		<u>1,048,072</u>	<u>335,651</u>
	1	<u>2,235,305</u>	<u>1,458,918</u>
 Exceptional items	2	(178,639)	-
 Interest payable and similar charges	3	<u>(1,751,600)</u>	<u>(916,211)</u>
 Profit on ordinary activities before taxation	2	305,066	542,707
 Tax on profit on ordinary activities	5	-	-
 Profit for the financial year	14	<u><u>305,066</u></u>	<u><u>542,707</u></u>

There were no recognised gains or losses in either period other than the profit for each year.

The accompanying accounting policies and notes form an integral part of these financial statements.

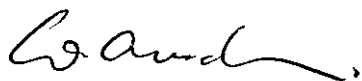
THE DEVONSHIRE PUB COMPANY LIMITED

BALANCE SHEET AT 31 MARCH 1998

	Note	1998 £	1997 £
Fixed Assets			
Tangible assets	6	<u>27,238,053</u>	<u>20,595,944</u>
Current assets			
Stocks	7	164,260	144,315
Debtors	8	803,088	692,716
Cash at bank and in hand		-	1,177,963
		<u>967,348</u>	<u>2,014,994</u>
Creditors : amounts falling due within one year	9	<u>(5,997,710)</u>	<u>(1,618,264)</u>
Net current (liabilities)/assets		<u>(5,030,362)</u>	<u>396,730</u>
Total assets less current liabilities		22,207,691	20,992,674
Creditors : amounts falling due after more than one year	10	<u>(20,152,604)</u>	<u>(19,242,653)</u>
		<u>2,055,087</u>	<u>1,750,021</u>
Capital and reserves			
Called up share capital	13	1,000	1,000
Revaluation reserve	14	1,570,669	1,570,669
Profit and loss account	14	483,418	178,352
Equity shareholders' funds	15	<u>2,055,087</u>	<u>1,750,021</u>

These financial statements were approved by the Board of Directors on 23 September 1998.

W A McLean



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

1 TURNOVER AND OPERATING PROFIT

The turnover and operating profit are attributable to the company's principal activity, which is carried out entirely in the UK.

	1998			1997		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Turnover	6,462,510	5,629,933	12,092,443	4,530,108	3,376,351	7,906,459
Cost of sales	(4,537,479)	(3,262,768)	(7,800,247)	(2,881,193)	(2,100,905)	(4,982,098)
Gross profit	1,925,031	2,367,165	4,292,196	1,648,915	1,275,446	2,924,361
Other operating expenses	(737,798)	(1,319,093)	(2,056,891)	(525,648)	(939,795)	(1,465,443)
Operating profit	1,187,233	1,048,072	2,235,305	1,123,267	335,651	1,458,918

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging/(crediting) :

	1998 £	1997 £
Auditors' remuneration		
- audit services	15,000	15,000
- non audit services	3,000	5,098
Operating lease charges		
- plant and machinery	23,427	8,502
- other	25,170	25,170
Depreciation		
- owned	510,226	350,621
- held under finance leases	13,725	14,383
Loss/(profit) on sale of tangible fixed assets	5,099	(4,615)
Restructuring costs	178,639	-

3 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Bank loans and overdrafts	1,771,151	982,435
Finance leases	3,727	6,705
Finance issue costs amortised	100,000	61,588
Interest capitalised	(123,278)	(134,517)
	1,751,600	916,211

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

4 DIRECTORS AND EMPLOYEES

	1998	1997
	£	£
Staff costs during the year were as follows :		
Wages and salaries	1,807,490	987,255
Social security costs	110,392	60,556
Pension costs	27,650	767
	<u>1,945,532</u>	<u>1,048,578</u>

The average number of persons employed by the company during the year was as follows :

	Number	Number
Building department and administration	100	27
Sales and marketing	430	225
	<u>530</u>	<u>252</u>

The remuneration of the directors was as follows :

	£	£
Emoluments	351,903	11,006
Pension contributions to money purchase pension schemes	27,650	767
	<u>379,553</u>	<u>11,773</u>

The amounts set out above include remuneration in respect of the highest paid director as follows :

	£	£
Emoluments	92,267	11,006
Pension contributions to money purchase pension schemes	9,000	767
	<u>101,267</u>	<u>11,773</u>

During the year, 4 directors (1997 : 1 director) participated in money purchase pension schemes.

5 TAXATION

There is no taxation on the profit on ordinary activities for the year due to the availability of losses brought forward (see note 12).

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

6 TANGIBLE FIXED ASSETS

Cost or valuation	Land and buildings £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
At 1 April 1997	14,782,493	5,936,069	341,557	139,641	21,199,760
Reclassification	4,834,472	(4,625,749)	(185,500)	(3,900)	19,323
Additions	6,171,090	994,017	20,236	16,591	7,201,934
Disposals	-	-	-	(76,255)	(76,255)
At 31 March 1998	<u>25,788,055</u>	<u>2,304,337</u>	<u>176,293</u>	<u>76,077</u>	<u>28,344,762</u>
Depreciation					
At 1 April 1997	75,262	438,272	36,184	54,098	603,816
Reclassification	-	19,323	-	-	19,323
Provision for year	98,449	371,157	28,988	25,357	523,951
Eliminated on disposals	-	-	-	(40,381)	(40,381)
At 31 March 1998	<u>173,711</u>	<u>828,752</u>	<u>65,172</u>	<u>39,074</u>	<u>1,106,709</u>
Net book value					
At 31 March 1998	<u>25,614,344</u>	<u>1,475,585</u>	<u>111,121</u>	<u>37,003</u>	<u>27,238,053</u>
At 31 March 1997	<u>14,707,231</u>	<u>5,497,797</u>	<u>305,373</u>	<u>85,543</u>	<u>20,595,944</u>

Included above are motor vehicles and fixtures and fittings held under finance leases with a net book value of £15,714 and £34,870 (1997 : £72,429 and £nil) respectively.

The net book value of land and buildings comprised :

	1998 £	1997 £
Freehold land and buildings	24,080,438	14,259,481
Long leasehold properties	1,399,313	338,300
Short leasehold properties	134,593	109,450
	<u>25,614,344</u>	<u>14,707,231</u>

On an historical cost basis, land and buildings would be stated at :

	1998 £	1997 £
Cost	24,217,386	13,211,824
Accumulated depreciation	(162,496)	(65,581)
Net book value	<u>24,054,890</u>	<u>13,146,243</u>

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

7 STOCKS

	1998 £	1997 £
Finished goods and goods for resale	<u>164,260</u>	<u>144,315</u>

8 DEBTORS

	1998 £	1997 £
Due within one year		
Trade debtors	220,137	395,939
Other debtors	11,423	87,372
Prepayments	<u>571,528</u>	<u>209,405</u>
	<u>803,088</u>	<u>692,716</u>

9 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank loan (note 11)	1,125,000	-
Bank overdrafts (note 11)	2,118,411	-
Obligations under finance leases	17,598	3,172
Trade creditors	964,759	742,747
Amounts due to group undertakings	84,750	-
Other creditors	297,974	320,345
Other taxation and social security	260,954	12,642
Accruals	<u>1,128,264</u>	<u>539,358</u>
	<u>5,997,710</u>	<u>1,618,264</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Obligations under finance lease (note 11)	20,102	51,114
Bank loans (note 11)	15,370,791	14,445,712
Loans from parent undertaking	<u>4,761,711</u>	<u>4,745,827</u>
	<u>20,152,604</u>	<u>19,242,653</u>

Loans from parent undertaking are unsecured, bear no interest and have no fixed repayment date.

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

11 BORROWINGS

	1998 £	1997 £
Analysis of borrowing by year of repayment		
Bank loans fall due for repayment		
Within one year	1,125,000	-
Between one and two years	2,250,000	1,125,000
Between two and five years	9,307,500	11,057,500
After more than five years	4,317,500	2,817,500
	<u>17,000,000</u>	<u>15,000,000</u>
Less: unamortised issue costs	(504,208)	(554,288)
	<u>16,495,791</u>	<u>14,445,712</u>

The bank loan bears interest at variable rates between 2% and 3¼% above LIBOR.

Bank loans and overdrafts are secured by a guarantee from the parent undertaking and by a fixed and floating charge over the accounts of the company.

	1998 £	1997 £
Obligations under finance leases were repayable as follows :		
Within one year	17,598	3,172
Between one and two years	20,102	31,804
Between two and five years	-	19,310
	<u>37,700</u>	<u>54,286</u>

12 PROVISION FOR LIABILITIES AND CHARGES

	1998 £	1997 £
Deferred taxation		
Excess of tax allowances over book depreciation of fixed assets	3,000	458,739
Trading losses	(3,000)	(458,739)
	<u>-</u>	<u>-</u>

The company has unutilised trading losses of approximately £1,900,000 (1997: £1,600,000) available for relief against future profits.

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

13 SHARE CAPITAL

	1998 £	1997 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 April 1997	1,570,669	178,352
Retained profit for year	-	305,066
At 31 March 1998	<u>1,570,669</u>	<u>483,418</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the year	305,066	542,707
Opening shareholders' funds	1,750,021	1,207,314
Closing shareholders' funds	<u>2,055,087</u>	<u>1,750,021</u>

16 CAPITAL COMMITMENTS

	1998 £	1997 £
Contracted for but not provided	<u>133,720</u>	<u>-</u>

17 PENSIONS

The group operates a defined contribution pension scheme for the benefit of directors and senior employees. The assets of the scheme are administered by trustees in a fund independent from those of the group.

THE DEVONSHIRE PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

18 LEASING COMMITMENTS

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	2,995	-	-
Between one and five years	25,170	69,707	25,170	78,692
	<u>25,170</u>	<u>72,702</u>	<u>25,170</u>	<u>78,692</u>

19 RELATED PARTIES TRANSACTIONS

During the year, the group purchased interior design services to the value of £306,981(1997 : £393,448) in the ordinary course of business from Inn Services Limited. W A McLean and F A Birt have significant interests in the ordinary share capital of that company. Amounts payable to Inn Services Limited at the year end were £3,690 (1997 : £1,826).

As a 100% owned subsidiary of The Devonshire Leisure Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by The Devonshire Leisure Group Limited.

20 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is The Devonshire Leisure Group Limited, registered in England and Wales. The largest group of which The Devonshire Pub Company Limited is a member is that headed by The Devonshire Leisure Group Limited.

21 POST BALANCE SHEET EVENTS

On 1 June 1998, 54 tenanted houses were disposed of to Pubmaster plc at a profit after costs of approximately £4.1 million.

On 16 September 1998, 6 managed houses were transferred to a company controlled by Fred Birt as settlement of a dividend of £1.3 million.

On 23 September 1998 the company was party to a new £25 million lending facility with the Bank of Scotland to assist the company to be acquired by DPC Holdings Limited as part of a restructuring of the company's share capital.