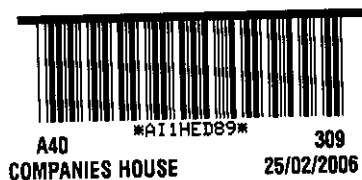


**THE DEVONSHIRE PUB COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 1 MAY 2005**

**Company Registration Number 2588480**



**Tenon Limited**  
Charnwood House  
Gregory Boulevard  
Nottingham  
NG7 6NX

**THE DEVONSHIRE PUB COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**52 WEEKS ENDED 1 MAY 2005**

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**THE DEVONSHIRE PUB COMPANY LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**52 WEEKS ENDED 1 MAY 2005**

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**The board of directors**

JE Baer  
GBL Wardman  
TC Alston

**Company secretary**

T C Alston

**Business address**

Derby House  
Lytham Road  
Fulwood  
Preston  
PR2 8JE

**Registered office**

Derby House  
Lytham Road  
Fulwood  
Preston  
PR2 8JE

**Auditors**

Tenon Audit Limited  
Charnwood House  
Gregory Boulevard  
Nottingham  
NG7 6NX

**Accountants**

Tenon Limited  
Charnwood House  
Gregory Boulevard  
Nottingham  
NG7 6NX

# THE DEVONSHIRE PUB COMPANY LIMITED

## THE DIRECTORS' REPORT

52 WEEKS ENDED 1 MAY 2005

The directors present their report and the financial statements of the company for the 52 weeks ended 1 May 2005.

### Principal activities and business review

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

The directors consider the results to be satisfactory and the company is believed to be well placed to develop its position in the future.

### Results and dividends

The trading results for the 52 weeks and the company's financial position at the end of the 52 weeks are shown in the attached financial statements.

The directors have recommended the following dividends:

	2005 £	2004 £
Proposed dividends on ordinary shares	2,375,000	—
Dividends paid on ordinary shares	—	2,700,000
	<u>2,375,000</u>	<u>2,700,000</u>

### Directors

The directors who served the company during the 52 weeks were as follows:

JE Baer  
GBL Wardman  
TC Alston  
APA Snape

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

TC Alston was appointed as a director on 7 February 2005.

APA Snape resigned as a director on 29 October 2004.

### Directors' responsibilities

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 at the end of the 52 weeks and of the profit or loss for the 52 weeks then ended. 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
- 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

## THE DIRECTORS' REPORT *(continued)*

52 WEEKS ENDED 1 MAY 2005

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### **Directors' responsibilities *(continued)***

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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### **Employee involvement**

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the company through participation in share option schemes.

### **Auditors**

Tenon Audit Limited were appointed during the year to fill the vacancy following the resignation of KPMG Audit PLC

A Resolution in accordance with section 384 of the Companies Act 1985 for the appointment of Tenon Audit Limited as auditors of the company is to be proposed at the Annual General Meeting.

Signed by order of the directors



T C Alston  
Company Secretary

Approved by the directors on 17 February 2006

## THE DEVONSHIRE PUB COMPANY LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE DEVONSHIRE PUB COMPANY LIMITED

52 WEEKS ENDED 1 MAY 2005

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We have audited the financial statements of The Devonshire Pub Company Limited for the 52 weeks ended 1 May 2005 on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

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 auditors' 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

## THE DEVONSHIRE PUB COMPANY LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE DEVONSHIRE PUB COMPANY LIMITED *(continued)*

52 WEEKS ENDED 1 MAY 2005

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#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 1 May 2005 and of its profit for the 52 weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Tenon Audit Limited*

Tenon Audit Limited  
Registered Auditor

Charnwood House  
Gregory Boulevard  
Nottingham  
NG7 6NX

Date: 21 February 2006

**THE DEVONSHIRE PUB COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**

**52 WEEKS ENDED 1 MAY 2005**

	<b>Note</b>	<b>2005 £</b>	<b>2004 (restated) £</b>
<b>Turnover</b>	2	10,798,842	12,051,864
Cost of sales		(6,627,535)	(7,460,887)
<b>Gross profit</b>		<u>4,171,307</u>	<u>4,590,977</u>
Administrative expenses		(2,564,647)	(3,596,529)
<b>Operating profit</b>	3	<u>1,606,660</u>	<u>994,448</u>
Profit on disposal of fixed assets	5	102,138	209,756
<b>Profit on ordinary activities before taxation</b>		<u>1,708,798</u>	<u>1,204,204</u>
Tax on profit on ordinary activities	6	(1,493,694)	(336,068)
<b>Profit on ordinary activities after taxation</b>		<u>215,104</u>	<u>868,136</u>
Dividends	7	(2,375,000)	(2,700,000)
<b>Loss for the financial 52 weeks</b>		<u>(2,159,896)</u>	<u>(1,831,864)</u>

All of the activities of the company are classed as continuing.

**Statement of total recognised gains and losses:**

	<b>Note</b>	<b>2005 £</b>	<b>2004 (restated) £</b>
Profit for the financial year attributable to the shareholders		<u>215,104</u>	<u>868,136</u>
Total recognised gains and losses relating to the year		215,104	868,136
Prior year adjustment	3	(49,901)	-
Total gains and losses recognised since the last annual report		<u>165,203</u>	<u>918,037</u>

The notes on pages 8 to 14 form part of these financial statements.



**THE DEVONSHIRE PUB COMPANY LIMITED**

**BALANCE SHEET**

**1 MAY 2005**

		<b>2005</b>		<b>2004</b> <i>(restated)</i>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Tangible assets	8		10,785,331		13,794,960
<b>Current assets</b>					
Stocks	9	228,649		287,116	
Debtors	10	1,223,286		2,057,013	
Cash at bank		921,265		405,012	
		<u>2,373,200</u>		<u>2,749,141</u>	
<b>Creditors: Amounts falling due within one year</b>	11	<u>(1,075,766)</u>		<u>(854,495)</u>	
<b>Net current assets</b>			1,297,434		1,894,646
<b>Total assets less current liabilities</b>			<u>12,082,765</u>		<u>15,689,606</u>
<b>Creditors: Amounts falling due after more than one year</b>	12		<u>(10,350,320)</u>		<u>(12,835,959)</u>
			1,732,445		2,853,647
<b>Provisions for liabilities and charges</b>					
Deferred taxation	13		<u>(1,707,500)</u>		<u>(668,806)</u>
			<u>24,945</u>		<u>2,184,841</u>
<b>Capital and reserves</b>					
Called-up share capital	17		1,000		1,000
Profit and loss account	18		23,945		2,183,841
<b>Shareholders' funds</b>	19		<u>24,945</u>		<u>2,184,841</u>

These financial statements were approved by the directors on the 17 February 2006 and are signed on their behalf by:

JE Baer  
Director



The notes on pages 8 to 14 form part of these financial statements.

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

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### 1. Accounting policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

#### Turnover

The turnover shown in the profit and loss account represents amounts receivable in respect of goods and services supplied during the 52 weeks ended 1 May 2005.

#### Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost comprises all incidental expenditure incurred in bringing assets into working condition for its intended use. Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Freehold Property	- 2% straight line
Leasehold Property	- Over the period of the lease
Fixtures & Fittings	- 10% reducing balance/ 20% straight line *
Motor Vehicles	- 25% reducing balance

\* Assets acquired prior to 2 May 2004 attract 10% reducing balance depreciation, assets acquired post 2 May 2004 attract 20% straight line depreciation.

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 valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is defined as purchase price from supplier.

#### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

#### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is capitalised in the balance sheet as a tangible fixed asset at its fair value and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

### 1. Accounting policies *(continued)*

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2005 £	2004 £
United Kingdom	<u>10,798,842</u>	<u>12,051,864</u>

### 3. Operating profit

Operating profit is stated after charging/(crediting):

	2005 £	2004 (restated) £
Depreciation of owned fixed assets	247,649	190,239
Operating lease costs:		
-Plant and machinery	7,167	7,660
-Other	85,276	86,000
Management charges	635,000	1,750,000
Prior year adjustment	<u>-</u>	<u>49,901</u>

Following a detailed review by the directors, liabilities which had not been recorded and other balance sheet errors that existed at 2 May 2004 amounting to £49,901 have been identified. To correct these errors a prior year adjustment has been made and the profit and loss account for 2004 restated to include an additional charge of £49,901. As a consequence the profit for that year and the net assets of the company at 2 May 2004 reduced by £49,901. There was no material impact on the tax charge for 2004.

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

### 4. Particulars of employees

The average number of staff employed by the company during the financial 52 weeks amounted to:

	2005 No	2004 No
Sales and Marketing	<u>296</u>	<u>385</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	2,111,704	2,842,685
Social security costs	<u>129,723</u>	<u>177,272</u>
	<u>2,241,427</u>	<u>3,019,957</u>

### 5. Profit on disposal of fixed assets

	2005 £	2004 £
Profit on disposal of fixed assets	<u>102,138</u>	<u>209,756</u>

### 6. Taxation on ordinary activities

#### (a) Analysis of charge in the 52 weeks

	2005 £	2004 £
Corporation tax		
(Over)/under provision in prior year	<u>455,000</u>	<u>—</u>
	<u>455,000</u>	<u>—</u>
Deferred tax:		
Origination and reversal of timing differences	<u>1,038,694</u>	<u>336,068</u>
Total deferred tax (note 13)	<u>1,038,694</u>	<u>336,068</u>
Tax on profit on ordinary activities	<u>1,493,694</u>	<u>336,068</u>

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

### 6. Taxation on ordinary activities *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the 52 weeks is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005	2004 <i>(restated)</i>
	£	£
Profit on ordinary activities before taxation	1,708,801	1,204,204
Profit/(loss) on ordinary activities by rate of tax	512,640	361,261
Effects of:		
Expenses not deductible for tax purposes	(15,251)	15,051
Capital allowances for period in excess of depreciation	(160,180)	(229,647)
Utilisation of tax losses	(337,209)	(161,636)
Adjustments to tax charge in respect of previous periods	455,000	-
Sundry	-	14,971
Total current tax (note 6(a))	455,000	-

### 7. Dividends

The following dividends have been proposed in respect of the 52 weeks ended 1 May 2005:

	2005	2004 <i>(restated)</i>
	£	£
Proposed dividend of £2,375 per equity share	2,375,000	-
Dividend paid of £2,700 per equity share	-	2,700,000
	2,375,000	2,700,000

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

### 8. Tangible fixed assets

	Freehold & Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>Cost</b>				
At 2 May 2004	13,097,122	2,717,003	6,001	15,820,126
Additions	317,677	367,340	—	685,017
Disposals	(3,508,478)	(226,020)	—	(3,734,498)
At 1 May 2005	<u>9,906,321</u>	<u>2,858,323</u>	<u>6,001</u>	<u>12,770,645</u>
<b>Depreciation</b>				
At 2 May 2004	821,333	1,200,100	3,733	2,025,166
Charge for the 52 weeks	60,789	186,293	567	247,649
On disposals	(269,950)	(17,551)	—	(287,501)
At 1 May 2005	<u>612,172</u>	<u>1,368,842</u>	<u>4,300</u>	<u>1,985,314</u>
<b>Net book value</b>				
At 1 May 2005	<u>9,294,149</u>	<u>1,489,481</u>	<u>1,701</u>	<u>10,785,331</u>
At 2 May 2004	<u>12,275,789</u>	<u>1,516,903</u>	<u>2,268</u>	<u>13,794,960</u>

### 9. Stocks

	2005 £	2004 £
Finished goods held for resale	<u>228,649</u>	<u>287,116</u>

### 10. Debtors

	2005 £	2004 £
Trade debtors	—	700,000
Amounts owed by group undertakings	842,424	842,424
Other debtors	600	1,781
Prepayments and accrued income	380,262	512,808
	<u>1,223,286</u>	<u>2,057,013</u>

### 11. Creditors: Amounts falling due within one year

	2005 £	2004 (restated) £
Corporation tax	455,000	—
PAYE and social security	488,829	612,409
Other creditors	374	58,938
Accruals and deferred income	131,563	183,148
	<u>1,075,766</u>	<u>854,495</u>

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

### 12. Creditors: Amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group undertakings	7,975,320	10,135,959
Dividends payable	2,375,000	2,700,000
	<u>10,350,320</u>	<u>12,835,959</u>

### 13. Deferred taxation

The movement in the deferred taxation provision during the 52 weeks was:

	2005 £	2004 £
At 3 May 2004	668,806	332,738
Profit and loss account movement arising during the 52 weeks	1,038,694	336,068
At 1 May 2005	<u>1,707,500</u>	<u>668,806</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005 £	2004 £
Excess of taxation allowances over depreciation on fixed assets	2,034,915	1,655,153
Tax losses available	(867,415)	(986,347)
Held over gains	540,000	-
	<u>1,707,500</u>	<u>668,806</u>

### 14. Commitments under operating leases

At 1 May 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Land &amp; buildings</i>	
	2005 £	2004 £
Operating leases which expire:		
Within 2 to 5 years	7,000	30,108
After more than 5 years	86,000	85,000
	<u>93,000</u>	<u>115,108</u>

### 15. Contingencies

The company is party to an unlimited guarantee with the group undertakings in favour of the bank to secure facilities, which are secured by a fixed and floating charge over the assets of the group.

# THE DEVONSHIRE PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

52 WEEKS ENDED 1 MAY 2005

### 16. Related party transactions

The company has taken advantage of the exemption from disclosing transactions with other group companies as it is a 100% subsidiary whose holding company has prepared consolidated accounts.

### 17. Share capital

#### Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

#### Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

### 18. Profit and loss account

	2005	2004
	£	(restated) £
Balance brought forward	2,183,841	4,015,705
Accumulated loss for the financial 52 weeks		
	(2,159,896)	(1,831,864)
Balance carried forward	<u>23,945</u>	<u>2,183,841</u>

### 19. Reconciliation of movements in shareholders' funds

	2005	2004
	£	(restated) £
Profit for the financial 52 weeks	215,104	918,037
Dividends	(2,375,000)	(2,700,000)
	(2,159,896)	(1,781,963)
Opening shareholders' equity funds	2,184,841	4,016,705
Prior year adjustment (note 3)	-	(49,901)
Closing shareholders' equity funds	<u>24,945</u>	<u>2,184,841</u>

### 20. Ultimate parent company and controlling party

The parent undertaking is Honeycombe Leisure Plc (the smallest and largest company in which the results of the company are consolidated) a company registered in England. The accounts of this company are available by writing to Honeycombe Leisure Plc, Derby House, Fulwood, Preston, PR2 8JE.

Honeycombe Leisure Plc, is considered to be the controlling party by virtue of its shareholding interest in the company.