

2850597

# Mercury Taverns plc

## Report and Accounts

28 September 1997

 ERNST & YOUNG



# Mercury Taverns plc

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Registered No. 2850597

## **DIRECTORS**

O C Darby	Non-executive Chairman
R Bourton	Joint Group Managing Director
A R Sanders	Joint Group Managing Director
A W Clark CA	Finance Director
N Lechett	
D I Clewley	
R G Findlay	

## **SECRETARY**

A W Clark CA

## **AUDITORS**

Ernst & Young  
One Colmore Row  
Birmingham  
B3 2DB

## **BANKERS**

Barclays Bank plc  
Queen Square  
Wolverhampton  
WV1 1DS

## **SOLICITORS**

Memery Crystal  
31 Southampton Row  
London  
WC1B 5HT

Wragge & Co  
55 Colmore Row  
Birmingham  
B3 2AS

## **REGISTERED OFFICE**

Mercury House  
Amber Business Village  
Amington  
Tamworth  
B77 4RP

# Mercury Taverns plc

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## MANAGING DIRECTOR'S STATEMENT

I am pleased to report that, for the period ended 28 September 1997, the Group made a profit of £507,000 as opposed to a loss of £1,538,000 last year. Within the year under review we managed to increase operating profit from continuing operations to £2,911,000 from last years figure of £2,398,000. This was principally due to a tighter cost control and a full years contribution from the ex-Saxon Inns Pubs purchased last year.

We feel that 1997 forms a base from which the Company can go forward and expand our estate and provide both value for money for our customers and shareholders.

The Company strategy is well defined to go forward as a tenanted PubCo and we will continue to sell our managed houses and re-invest into quality tenanted pubs. The Company is also undertaking to be accredited with Investors in People during the near future showing our interest and responsibility towards staff.

I thank all our operational and Head Office staff for their continued support and hard work.

A R Sanders  
Joint Group Managing Director

1 June 1998

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 28 September 1997.

### RESULTS AND DIVIDENDS

The group profit for the year, after taxation and write-offs, amounted to £507,000 (1996: loss £1,538,000).

The directors do not recommend a final ordinary dividend. After providing for dividends on the preference shares of £Nil (1996: £450,000), preferred shares of £Nil (1996: £14,000) and redeemable preferred shares of £Nil (1996: £5,000) and other appropriations of £Nil (1996: £30,000) a profit of £507,000 (1996: loss £2,037,000) has been transferred to reserves.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity during the period was the operation of a managed and tenanted public house estate and the provision of consultancy services to other owners of licensed properties situated in the United Kingdom.

A review of the business is given in the Chairman's Statement.

### FUTURE DEVELOPMENTS

The group will continue to seek to expand its estate by acquiring individual or groups of properties as and when the opportunity arises.

### MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors the market value of land and buildings is not less than the amount at which it is stated in the accounts.

### FIXED ASSETS

The changes in fixed assets during the period are summarised in notes 11 and 12 to the accounts.

### DISABLED EMPLOYEES

The group 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 group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### EMPLOYEE INVOLVEMENT

During the period, the policy of providing employees with information about the group has been continued through the newsletter 'Mercury Matters' in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the group made various charitable contributions totalling £5,287 (1996: £3,212). No political contributions were made (1996: £Nil).

# Mercury Taverns plc

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS

The directors during the period ended at 28 September 1997 and their interests in the share capital of the company were as follows:


	<i>28 September 1997</i>	<i>30 September 1996</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
R Bourton	-	58,500
A R Sanders	-	58,500
A W Clark (appointed 3 February 1997)	-	-
O C Darby	-	-
I W Brown (resigned 4 September 1997)	-	-
D I Clewley	-	-
J Q Mair (resigned 27 November 1997)	-	-
R G Findlay	-	-
N Lechett (appointed 4 September 1997)	-	-
D Marshall (resigned 13 December 1996)	-	-

R Bourton and A R Sanders being directors of Mercury Taverns Holdings Limited, each hold 2,275 ordinary shares of £1 each in that company.

### AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



A W Clark  
Secretary

1 June 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
**to the members of Mercury Taverns plc**

We have audited the accounts on pages 7 to 23, which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and on the basis of the accounting policies set out on pages 11 and 12.

**Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

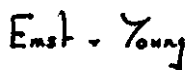
**Basis of opinion**

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 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 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 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 and of the group as at 28 September 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Birmingham

1 June 1998

# Mercury Taverns plc

## GROUP PROFIT AND LOSS ACCOUNT

for the year ended 28 September 1997

		28 September 1997 £000	30 September 1996 £000
	Notes		
TURNOVER - continuing operations	2	13,684	15,691
Cost of sales		(7,788)	(6,515)
<b>GROSS PROFIT</b>		<b>5,896</b>	<b>9,176</b>
Administrative expenses		(2,985)	(6,778)
<b>OPERATING PROFIT - continuing operations</b>	3	<b>2,911</b>	<b>2,398</b>
Interest payable and similar charges	7	(2,532)	(2,642)
Bank interest receivable		-	15
Profit on disposal of tangible fixed assets		128	(30)
Permanent diminution in value of land and buildings		-	(934)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>507</b>	<b>(1,193)</b>
Tax charge on profit/(loss) on ordinary activities	8	-	(345)
<b>PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	9	<b>507</b>	<b>(1,538)</b>
Dividends - provided on non-equity shares	10	-	(469)
Other appropriations - non-equity shares	10	-	(30)
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	22	<b>507</b>	<b>(2,037)</b>

### NOTE OF HISTORICAL COST PROFITS AND LOSSES

	28 September 1997 £000	30 September 1996 £000
Reported profit/(loss) on ordinary activities before taxation	507	(1,193)
Realisation of property revaluation on disposal of land and buildings	23	68
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<b>530</b>	<b>(1,125)</b>
<b>Historical cost retained profit/(loss) after taxation, dividends and other appropriations</b>	<b>530</b>	<b>(1,969)</b>

## Mercury Taverns plc

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 28 September 1997

	<i>28 September 1997 £'000</i>	<i>30 September 1996 £'000</i>
Profit/(loss) attributable to members of the parent company	507	(1,538)
Deficit on revaluation of properties	-	(3,799)
Total recognised gains and (losses) relating to the year	<u>507</u>	<u>(5,337)</u>

### RECONCILIATION OF SHAREHOLDERS' FUNDS for the year ended 28 September 1997

	<i>28 September 1997 £000</i>	<i>30 September 1996 £000</i>
Total recognised gains and (losses)	507	(5,337)
Dividends	-	(469)
Total movements during the year	<u>507</u>	<u>(5,806)</u>
Shareholders' funds at beginning of year	7,450	13,256
Shareholders' funds at end of year	<u>7,957</u>	<u>7,450</u>

# Mercury Taverns plc

## GROUP BALANCE SHEET at 28 September 1997

		28 September 1997	30 September 1996
	Notes	£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	11	38,473	34,655
<b>CURRENT ASSETS</b>			
Stocks	13	929	689
Debtors	14	5,046	2,691
Cash at bank and in hand	15	609	202
		6,584	3,582
<b>CREDITORS: amounts falling due within one year</b>	15	(37,096)	(30,721)
		(30,512)	(27,139)
<b>NET CURRENT LIABILITIES</b>			
		7,961	7,516
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>CREDITORS: amounts falling due after more than one year</b>	16	(4)	(66)
		7,957	7,450
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	-	-
		7,957	7,450
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	7,530	7,530
Share premium account	21	14	14
Revaluation reserve	21	1,475	1,498
Goodwill reserve	21	(235)	(235)
Profit and loss account - (deficit)	21	(827)	(1,357)
<b>Total shareholders' funds</b>		7,957	266
<b>Equity:</b>		-	7,184
<b>Non-equity:</b>		7,957	7,450

A R Sanders Director

A W Clark Director

1 June 1998

# Mercury Taverns plc

## BALANCE SHEET at 28 September 1997

		28 September 1997	30 September 1996
	Notes	£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	11	36,020	32,019
Investments	12	144	144
		<u>36,164</u>	<u>32,163</u>
<b>CURRENT ASSETS</b>			
Stocks	13	898	655
Debtors	14	7,434	4,930
Cash at bank and in hand		212	160
		<u>8,544</u>	<u>5,745</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(36,820)</u>	<u>(30,538)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(28,276)</u>	<u>(24,793)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,888</u>	<u>7,370</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17	<u>(4)</u>	<u>(63)</u>
		<u>7,884</u>	<u>7,307</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	7,530	7,530
Share premium account	22	14	14
Revaluation reserve	22	1,717	1,468
Profit and loss account - (deficit)	22	(1,377)	(1,705)
<b>Total shareholders' funds:</b>		<u>7,884</u>	<u>123</u>
<b>Equity:</b>		<u>7,884</u>	<u>123</u>
<b>Non-equity:</b>		<u>-</u>	<u>7,184</u>
		<u>7,884</u>	<u>7,307</u>

A H Sanders Director

A W Clark Director

1 June 1998

# Mercury Taverns plc

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## NOTES TO THE ACCOUNTS

at 28 September 1997

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The group accounts consolidate the accounts of Mercury Taverns plc and its subsidiary undertakings drawn up to 30 September each year. No profit and loss account is presented for Mercury Taverns plc as permitted by section 230 of the Companies Act 1985.

#### *Goodwill*

Purchased goodwill is transferred to a goodwill reserve and deducted from gross shareholders' funds.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, except freehold land and buildings and leasehold land and buildings with lease terms in excess of 20 years, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Leasehold land and buildings	-	over the lease term, when less than 20 years
Motor vehicles	-	4 years
Fixtures and fittings	-	7 years

It is the group's policy to maintain the licensed estate in such condition that the value of each unit is not impaired by the passage of time. As a consequence, any element of depreciation would, in the opinion of the directors, be immaterial.

#### *Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

#### *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

NOTES TO THE ACCOUNTS

at 28 September 1997

1. ACCOUNTING POLICIES (*continued*)

*Pensions*

The group operates a number of defined contribution pension schemes, contributions to which are charged to the profit and loss account as incurred.

2. TURNOVER AND SEGMENTAL ANALYSIS

The whole of the Group's turnover is derived from the provision of goods and services which fall within its principal activity, stated net of value added tax. There was no turnover which was derived from overseas during the year.

3. OPERATING PROFIT

	1997 £000	1996 £000
(a) This is stated after charging		
Auditors' remuneration - audit services	30	37
- non-audit services	22	15
Depreciation of owned fixed assets	427	175
Depreciation of assets held under finance leases and hire purchase contracts	85	126
Operating lease rentals - office equipment	32	38
- land and buildings	788	401
	<u>          </u>	<u>          </u>

4. EXCEPTIONAL ITEMS

	1997 £000	1996 £000
Recognised in arriving at operating profit:		
Restructuring costs	-	266
Recognised below operating profit:		
Refinancing costs written off	14	498
(Profit)/loss on disposal of tangible fixed assets	(128)	30
Permanent diminution in valuation of land and buildings	-	934
	<u>          </u>	<u>          </u>
	(114)	1,462
	<u>          </u>	<u>          </u>
	(114)	1,728
	<u>          </u>	<u>          </u>

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS

at 28 September 1997

### 5. DIRECTORS' REMUNERATION

	1997 £000	1996 £000
Emoluments	414	399
Company contributions to defined contribution pension scheme	94	89
	<u>508</u>	<u>488</u>

The amount in respect of the highest paid director is as follows:

Emoluments	117	99
Company contributions to defined contribution pension scheme	43	31
	<u>160</u>	<u>130</u>

Four directors are members of the group defined contribution pension scheme.

### 6. STAFF COSTS

	1997 £000	1996 £000
Wages and salaries	3,098	2,577
Social security costs	318	208
Other pension costs	210	180
	<u>3,626</u>	<u>2,965</u>

The average weekly number of employees during the year was made up as follows:

	1997 No.	1996 No.
Managed houses	306	204
Administration	54	61
	<u>360</u>	<u>265</u>

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts and other loans wholly repayable within five years	2,476	1,990
Finance charges payable under finance leases and hire purchase contracts	17	28
Interest payable on dividends	-	124
Other interest	25	2
Write off of issue costs and termination fees on refinancing	14	498
	<u>2,532</u>	<u>2,642</u>

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Based on the profit for the period:		
Corporation tax at 32% (1996: 33%)	-	-
Prior year adjustments:		
Corporation tax	-	(34)
Deferred taxation	-	-
	<u>-</u>	<u>(34)</u>
Advance corporation tax written off	-	379
	<u>-</u>	<u>345</u>

The Group has trading losses to carry forward of approximately £3.5m (1996 : £3.3m).

In the 1996 accounts, in accordance with SSAP8, advance corporation tax recoverable was written off as it would not be relieved within the next financial year. The resulting contingent asset will be relieved against future corporation tax liabilities arising in the group.

### 9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the company was £577,000 (1996: loss £2,191,000)

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 10. DIVIDENDS AND OTHER APPROPRIATIONS

	1997 £000	1996 £000
<i>Dividends:</i>		
Provision for non-equity dividends:		
Redeemable preferred ordinary shares	-	5
Preference shares	-	450
Preferred ordinary shares	-	14
	<u>-</u>	<u>469</u>
Other appropriations (non-equity):		
Amortisation of issue costs on preference shares	-	30
	<u>-</u>	<u>30</u>

Effective from 18 July 1996 the holders of the redeemable preferred ordinary shares, the preference shares, and the preferred ordinary shares waived their rights to any dividends.

### 11. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings £000</i>	<i>Fixtures and fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost or valuation:				
At 30 September 1996	33,239	1,470	506	35,215
Additions	3,881	757	57	4,695
Transfer to current assets	-	(15)	-	(15)
Disposals	(242)	-	(191)	(433)
	<u>36,878</u>	<u>2,212</u>	<u>372</u>	<u>39,462</u>
At 28 September 1997	36,878	2,212	372	39,462
Depreciation:				
At 30 September 1996	99	300	161	560
Provided during year	195	226	91	512
Transfer to current assets	-	(1)	-	(1)
Disposals	-	-	(82)	(82)
	<u>294</u>	<u>525</u>	<u>170</u>	<u>989</u>
At 28 September 1997	294	525	170	989
Net book value:				
At 28 September 1997	36,584	1,687	202	38,473
	<u>36,584</u>	<u>1,687</u>	<u>202</u>	<u>38,473</u>
At 30 September 1996	33,140	1,170	345	34,655
	<u>33,140</u>	<u>1,170</u>	<u>345</u>	<u>34,655</u>

The net book value of motor vehicles includes £126,870 (1996: £345,000) held under finance leases and hire purchase contracts.

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 11. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Land and buildings £000</i>	<i>Fixtures and fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost or valuation:				
At 30 September 1996	30,825	1,077	381	32,283
Additions	3,237	619	40	3,896
Transfer to current assets	-	(15)	-	(15)
Transfer to subsidiary undertaking	273	-	-	273
Transfer from subsidiary undertaking	475	-	-	475
Disposals	(242)	-	(146)	(388)
At 28 September 1997	34,568	1,681	275	36,524
Depreciation:				
At 30 September 1996	55	152	57	264
Provided during the year	45	160	77	282
Transfer to current assets	-	(1)	-	(1)
Disposals	-	-	(41)	(41)
At 28 September 1997	100	311	93	504
Net book value:				
At 28 September 1997	34,468	1,370	182	36,020
At 30 September 1996	30,770	925	324	32,019

The net book value of motor vehicles includes £106,811 (1996: £324,000) in respect of assets held and finance leases and hire purchase contracts.

The net book value of land and buildings comprises:

	<i>Group 1997 £000</i>	<i>Company 1997 £000</i>	<i>Group 1996 £000</i>	<i>Company 1996 £000</i>
Freehold	29,696	29,175	26,441	25,582
Long leasehold	4,929	4,814	5,169	5,053
Short leasehold	1,959	479	1,530	135
	36,584	34,468	33,140	30,770

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 11. TANGIBLE FIXED ASSETS *(continued)*

Cost or valuation of land and buildings at 28 September 1997 comprises:	<i>Group</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>
Cost	8,158	7,619
Valuation 1995	1,104	472
Valuation 1996	27,616	26,477
	<u>36,878</u>	<u>34,568</u>

The valuation was carried out on the open market value for existing use basis by an external surveyor in 1995 and by the Directors in 1996.

The historical cost of amounts included at valuation is as follows:-

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost	27,558	23,524	25,395	23,307
Depreciation	(313)	(118)	(163)	(118)
Net book value	<u>27,245</u>	<u>23,406</u>	<u>25,232</u>	<u>23,189</u>

### 12. INVESTMENTS

<i>Company</i>	<i>Subsidiary undertakings</i>
	<i>£000</i>
Cost:	
At 30 September 1996	<u>144</u>
At 28 September 1997	<u>144</u>
Net book value:	
At 28 September 1997	<u>144</u>
At 30 September 1996	<u>144</u>

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 12. INVESTMENTS (continued)

#### Subsidiary undertakings

Details of the investments of the company in subsidiary undertakings are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Mercury Taverns (London) Limited	England and Wales	Ordinary shares	(a)	Property ownership
Mercury Management (UK) Limited	England and Wales	Ordinary shares	100%	Management consultants to the licensing trade
Mercury Management (Scotland) Limited	Scotland	Ordinary shares	100% (b)	Management consultants to the licensing trade

(a) The company owns 98 ordinary shares in Mercury Taverns (London) Limited representing 98% of its issued share capital. The voting rights of Mercury Taverns (London) Limited are vested entirely in two preferred shares held by Mr N Lechett, a director of Mercury Taverns plc. Mercury Taverns (London) Limited is deemed to be a subsidiary undertaking of Mercury Taverns plc on the grounds that Mercury Taverns plc has a participating interest and actually exercises a dominant influence over it.

(b) All held by Mercury Management (UK) Limited.

### 13. STOCKS

	<i>Group 1997 £000</i>	<i>Company 1997 £000</i>	<i>Group 1996 £000</i>	<i>Company 1996 £000</i>
Goods held for resale	279	248	260	226
Assets held for resale	650	650	429	429
	<u>929</u>	<u>898</u>	<u>689</u>	<u>655</u>

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 14. DEBTORS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,071	835	907	694
Amounts owed by subsidiary undertakings	-	2,759	-	2,636
Other debtors	988	936	574	509
Prepayments and accrued income	1,087	1,004	1,208	1,091
Corporation tax	-	-	2	-
Amounts owed by parent company	1,900	1,900	-	-
	<u>5,046</u>	<u>7,434</u>	<u>2,691</u>	<u>4,930</u>

### 15. CREDITORS: amounts falling due within one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan (note 17)	30,000	30,000	23,982	23,982
Bank overdraft	2,892	2,875	2,515	2,891
Obligations under finance leases and hire purchase contracts (note 18)	79	77	244	227
Brewery loan	-	-	389	-
Trade creditors	2,330	2,259	1,678	1,644
Other taxes and social security costs	258	225	193	160
Other creditors	423	342	404	368
Accruals	1,104	1,032	980	930
Advance corporation tax payable	10	10	336	336
	<u>37,096</u>	<u>36,820</u>	<u>30,721</u>	<u>30,538</u>

The bank overdraft is secured by unlimited guarantees of its ultimate parent undertaking Mercury Taverns (Holdings) Limited.

### 16. CREDITORS: amounts falling due after more than one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under finance leases and hire purchase contracts (note 18)	4	4	66	63
	<u>4</u>	<u>4</u>	<u>66</u>	<u>63</u>

NOTES TO THE ACCOUNTS  
at 28 September 1997

## 17. LOANS

Amounts due at 28 September 1997 are repayable by instalments as follows:

	<i>Group and Company</i>	
	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Bank loan:		
- within one year	30,000	23,982
	<u>30,000</u>	<u>23,982</u>

The bank loan is secured by fixed charges over various of the group's properties and unlimited guarantees from Marstons, Thompson & Eversheds Plc and Wolverhampton & Dudley Breweries Plc.

## 18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Finance leases:	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable:				
within one year	81	79	261	243
between two and five years	5	5	67	64
	<u>86</u>	<u>84</u>	<u>328</u>	<u>307</u>
Less: finance charges allocated to future periods	(3)	(3)	(18)	(16)
	<u>83</u>	<u>81</u>	<u>310</u>	<u>291</u>
Current (note 15)	79	77	244	227
Non-current (note 16)	4	4	66	63
	<u>83</u>	<u>81</u>	<u>310</u>	<u>290</u>

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

<i>Group</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
between two and five years	-	46	-	41
over five years	810	-	634	-
	<u>810</u>	<u>46</u>	<u>634</u>	<u>41</u>

## NOTES TO THE ACCOUNTS

at 28 September 1997

**18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS** (*continued*)

<i>Company</i>	<i>Land and buildings 1997 £000</i>	<i>Other 1997 £000</i>	<i>Land and buildings 1996 £000</i>	<i>Other 1996 £000</i>
Operating leases which expire:				
between two and five years	-	46	-	41
over five years	788	-	634	-
	<u>788</u>	<u>46</u>	<u>634</u>	<u>41</u>

**19. PROVISIONS FOR LIABILITIES AND CHARGES**

## Deferred taxation

There is no provision for taxation since tax losses available for relief against future trading profits exceed all other timing differences

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided 1997 £'000</i>	<i>Not provided 1997 £'000</i>	<i>Provided 1996 £'000</i>	<i>Not provided 1996 £'000</i>
Capital allowances in advance of depreciation	-	964	1,148	166
Other timing differences	-	-	-	(27)
	<u>-</u>	<u>964</u>	<u>1,148</u>	<u>139</u>
Less: losses	-	(945)	(1,148)	-
	<u>-</u>	<u>19</u>	<u>-</u>	<u>139</u>
<i>Company</i>				
Capital allowances in advance of depreciation	-	931	1,148	115
	<u>-</u>	<u>931</u>	<u>1,148</u>	<u>115</u>
Less: losses	-	(931)	(1,148)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>

# Mercury Taverns plc

## NOTES TO THE ACCOUNTS at 28 September 1997

### 20. SHARE CAPITAL

*Authorised, allotted, called up and fully paid*

	1997 No.	1997 £000	1996 No.	1996 £000
Ordinary shares of £1 each	7,530,000	7,530	130,000	130
Cumulative convertible participating preferred ordinary shares of £1 each	-	-	216,667	217
Cumulative convertible redeemable preferred ordinary shares of £1 each	-	-	86,666	87
Cumulative redeemable preference shares of £1 each	-	-	7,096,667	7,096
	<u>7,530,000</u>	<u>7,530</u>	<u>7,530,000</u>	<u>7,530</u>

During the year all the preferred ordinary and preference shares were converted into ordinary shares of £1 each.

### 21. RESERVES

*Group*

	Revaluation reserve £000	Share premium account £000	Goodwill reserve £000	Profit and loss account £000
At 30 September 1996	1,498	14	(235)	(1,357)
Profit for the year	-	-	-	507
Realised on disposal of land and buildings	(23)	-	-	-
At 28 September 1997	<u>1,475</u>	<u>14</u>	<u>(235)</u>	<u>(827)</u>

The cumulative amount of goodwill written off at 28 September 1997, net of goodwill relating to undertakings disposed of, is £235,000 (1996 - £235,000).

*Company*

	Revaluation reserve £000	Share premium account £000	Profit and loss account £000
At 30 September 1996	1,468	14	(1,705)
Prior year transfer	272	-	(272)
	<u>1,740</u>	<u>14</u>	<u>(1,977)</u>
Profit for the year	-	-	577
Realised on disposal of land and buildings	(23)	-	23
At 28 September 1997	<u>1,717</u>	<u>14</u>	<u>(1,377)</u>

In 1996 assets were transferred between Mercury Taverns plc and Mercury (London) Limited, the prior year transfer relates to the revaluation deficit on these assets.

NOTES TO THE ACCOUNTS

at 28 September 1997

**22. CONTINGENT LIABILITY**

The company has granted unlimited guarantees for the bank overdrafts of its subsidiary undertakings. At 28 September 1997 the overdrafts guaranteed amounted to £17,000 (1996 - £216,000).

**23. PENSION COMMITMENTS**

The group operates a number of defined contribution pension schemes for its employees. The assets of such schemes are held separately from those of the group in independently administered funds.

**24. TRANSACTIONS INVOLVING DIRECTORS**

The head office property used by the group is owned by R Bourton and A R Sanders and they have received rentals totalling £74,223 during the year.

From time to time the group enters into transactions with The County Hotel, which is owned by Mr R Bourton and Mr A R Sanders, and provides training services for the group. The total value of such services provided during the year was £12,323.

The above transactions were considered to be conducted at arms length and on a normal commercial basis.

**25. POST BALANCE SHEET EVENTS REVIEW**

On 31 March 1998 Mercury Taverns Plc disposed of Mercury Management (UK) Limited, its 100% owned subsidiary. The proceeds received exceeded the net asset value of Mercury Management (UK) Limited at that date.

**26. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is Mercury Taverns Holdings Limited, a company registered in England and Wales.

**27. OTHER RELATED PARTY TRANSACTIONS**

During the year the group entered into the following transactions, in the ordinary course of business, with other related parties:

	<i>Purchases from related party £000</i>	<i>Amounts owed to related party £000</i>
Marstons, Thompson & Eversheds Plc	6,061	869
Wolverhampton & Dudley Breweries Plc	5,563	790