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Mercury Taverns plc

Report and Accounts

30 September 1995

ERNST & YOUNG



Mercury Taverns plc

CHAIRMAN'S STATEMENT

DIRECTORS

O C Darby	Non-executive Chairman
R Bourton	Group Managing Director
A R Sanders	Group Managing Director
A D Marshall FCCA	Group Financial Director
M Butler	Managing Director Mercury Management
K Thornton FCMA	Financial Director Mercury Management
N MacFadyen	Non-executive Director
K Reynolds	Non-executive Director

SECRETARY

A D Marshall FCCA

AUDITORS

Ernst & Young
PO Box One
One Colmore Row
Birmingham
B3 2DB

BANKERS

Bank of Scotland
124 Colmore Row
Birmingham
B3 3AY

SOLICITORS

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

REGISTERED OFFICE

Mercury House
Amber Business Village
Amington
Tamworth
B77 4RP

CHAIRMAN'S STATEMENT

I am pleased to report a very satisfactory performance in this our second year of trading. The Group achieved a profit before tax of £1,331,000. This represents an increase of 61% over 1994 on turnover almost 9% higher at £15.2m.

In line with our policy to continuously improve the quality of our estate, in excess of £2.5m was spent on house improvements and the acquisition of 3 managed and 4 tenanted houses, whilst 3 houses were disposed of during the year.

Of the 3 managed house acquisitions, 2 have been developed as Irish theme pubs under the Dublin Pub Company banner and the third, Churchills at Warrington is a city centre high profile music venue. Trading as Fibber McGees in the centre of Birmingham, and Brennans Bar in Perth (Scotland), both Irish pubs are performing ahead of expectations. A third house, Clancy's in Cardiff, also trading under the Dublin Pub Company banner, was developed from within our original estate and has become our most profitable house.

The company is committed to developing more city centre sites as part of its planned retail development.

Since the end of the financial year the Group has extended its trading area into the North East of England with the acquisition of 21 houses from Thornaby Leisure Limited. To fund this and other planned developments the Group has replaced its existing senior debt with a new longer-term debt and expansion facility provided by the Bank of Scotland on terms more favourable to the Group.

With its expansion finance in place and team of experienced and committed employees the Group is well placed to meet the challenging times ahead.

On behalf of my fellow directors, I would like to thank all employees, tenants and managers for their significant efforts during the past year.

O C Darby

Chairman

29 March 1996

Mercury Taverns plc

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 1995.

RESULTS AND DIVIDENDS

The group profit for the year, after taxation, amounted to £1,250,000 (1994 - £826,000).

The directors do not recommend a final ordinary dividend. After providing for dividends on the preference shares of £568,000 (1994: £549,000), preferred shares of £17,000 (1994: £18,000) and redeemable preferred shares of £7,000 (1994: £7,000) and other appropriations of £30,000 (1994: £30,000) a profit of £628,000 (1994: £200,000) has been retained and transferred to reserves.

PRINCIPAL ACTIVITY

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.

REVIEW OF THE BUSINESS

The group continues to expand its consultancy business both in England and Scotland.

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 10 and 11 to the accounts.

During the year a professional valuation of the estate was undertaken, resulting in a revaluation surplus of £5.4 million.

Subsequent to the year end the Group acquired 21 houses from Thornaby Leisure Limited for a consideration of £2,850,000.

SHARE CAPITAL

Full details of the share capital of the company, the rights attached to each respective class of share and changes during the period are summarised in note 20 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.

DIRECTORS' REPORT

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the group made various charitable contributions totalling £2,655. No political contributions were made.

DIRECTORS AND THEIR INTERESTS

The directors during the period ended at 30 September 1995 and their interests in the share capital of the company were as follows:

	<i>30 September 1995</i>	<i>1 October 1994</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
R Bourton	58,500	58,500
A R Sanders	58,500	58,500
M Butler	6,500	6,500
O C Darby	-	-
A D Marshall	-	-
K Thornton	6,500	6,500
N MacFadyen	-	-
P J N Linthwaite (resigned 19 July 1995)	-	-
K Reynolds	-	-

CLOSE COMPANY STATUS

The company is not a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1988.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the period the group purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

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 D Marshall
Secretary

29 March 1996

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 26, 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 page 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 30 September 1995 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

Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham

29 March 1996

Mercury Taverns plc

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1995

		12 months ended 30 September 1995 £000	13 months ended 1 October 1994 £000
	Notes		
TURNOVER - continuing operations			
Cost of sales	2	15,213 (6,341)	13,976 (5,149)
GROSS PROFIT		8,872	8,827
Administrative expenses:			
Before exceptional items		6,436	6,261
Exceptional item: Start up costs		-	524
After exceptional items		(6,436)	(6,785)
OPERATING PROFIT - continuing operations	3	2,436	2,042
Profit on disposal of tangible fixed assets		542	228
Bank interest receivable		8	9
Interest payable	6	(1,655)	(1,453)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,331	826
Tax on profit on ordinary activities	7	81	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,250	826
Minority interests - equity shares		-	22
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		1,250	804
Dividends - provided on non-equity shares	8	592	574
Other appropriations - non-equity shares	9	30	30
RETAINED PROFIT FOR THE YEAR	21	628	200

Mercury Taverns plc

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 September 1995

	<i>12 months ended 30 September 1995 £'000</i>	<i>13 months ended 1 October 1994 £'000</i>
Profit attributable to members of the parent company	1,250	804
Surplus on revaluation of properties	5,365	-
Total recognised gains and losses relating to the year	<u>6,615</u>	<u>804</u>

RECONCILIATION OF SHAREHOLDERS' FUNDS for the year ended 30 September 1995

	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
Total recognised gains and losses	6,615	804
Dividends	(592)	(574)
New shares issued	-	7,544
Share issue costs	-	(306)
Goodwill written off	(23)	(212)
Total movements during the year	<u>6,000</u>	<u>7,256</u>
Shareholders' funds at beginning of year	7,256	-
Shareholders' funds at end of year	<u>13,256</u>	<u>7,256</u>

Mercury Taverns plc

GROUP BALANCE SHEET

at 1 October 1994

	Notes	30 September 1995 £000	1 October 1994 £000
FIXED ASSETS			
Tangible assets	10	30,413	23,450
CURRENT ASSETS			
Stocks	12	729	747
Debtors	13	2,498	1,928
Cash at bank and in hand		495	554
		3,722	3,229
CREDITORS: amounts falling due within one year	15	(7,885)	(5,653)
NET CURRENT LIABILITIES		(4,163)	(2,424)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,250	21,026
CREDITORS: amounts falling due after more than one year	16	(12,994)	(13,743)
		13,256	7,283
PROVISIONS FOR LIABILITIES AND CHARGES	19	-	(5)
		13,256	7,278
MINORITY INTERESTS - Equity shares		-	(22)
		13,256	7,256
CAPITAL AND RESERVES			
Called up share capital	20	7,530	7,530
Share premium account	21	14	14
Revaluation reserve	21	5,365	-
Goodwill reserve	21	(235)	(212)
Profit and loss account - surplus/(deficit)	21	582	(76)
Total shareholders' funds			
Equity:		6,103	132
Non-equity:		7,153	7,124
		13,256	7,256

A R Sanders Director

A D Marshall Director

29 March 1996

Mercury Taverns plc

BALANCE SHEET

at 30 September 1995

	Notes	30 September 1995 £000	1 October 1994 £000
FIXED ASSETS			
Tangible assets	10	29,803	23,263
Investments	11	144	144
		<u>29,947</u>	<u>23,407</u>
CURRENT ASSETS			
Stocks	12	673	649
Debtors	13	2,812	1,734
Cash in bank and in hand		286	394
		<u>3,771</u>	<u>2,777</u>
CREDITORS: amounts falling due within one year	15	<u>(7,555)</u>	<u>(5,108)</u>
NET CURRENT LIABILITIES		<u>(3,784)</u>	<u>(2,331)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,163</u>	<u>21,076</u>
CREDITORS: amounts falling due after more than one year	16	<u>(12,896)</u>	<u>(13,731)</u>
		<u>13,267</u>	<u>7,345</u>
CAPITAL AND RESERVES			
Called up share capital	20	7,530	7,530
Share premium account	21	14	14
Revaluation reserve	21	5,400	-
Profit and loss account - surplus/(deficit)	21	323	(199)
Total shareholders' funds:		<u>13,267</u>	<u>7,345</u>
Equity:		<u>6,114</u>	<u>221</u>
Non-equity:		<u>7,153</u>	<u>7,124</u>
		<u>13,267</u>	<u>7,345</u>

A R Sanders Director

A D Marshall Director

29 March 1996

Mercury Taverns plc

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 September 1995

		12 months ended 30 September 1995 £000	13 months ended 1 October 1994 £000
	Notes		
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	3,234	2,388
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		8	9
Interest paid		(1,572)	(1,379)
Interest element of finance lease rental payments		(20)	(11)
Dividends paid		(296)	-
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,880)	(1,381)
TAXATION			
Corporation tax paid (including advance corporation tax)		(134)	(27)
TAX PAID		(134)	(27)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(3,046)	(24,472)
Receipts from sales of tangible fixed assets		1,679	1,070
Net outflow from acquisitions	11	(45)	(24)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,412)	(23,426)
NET CASH OUTFLOW BEFORE FINANCING		(192)	(22,446)
FINANCING			
Issue of share capital	20	-	(7,400)
Share issue costs	21	-	306
New long-term loan	17	(90)	(15,234)
Repayments of capital element of finance lease rentals	18	140	182
Bank loan repayments	17	860	-
NET CASH OUTFLOW/(INFLOW) FROM FINANCING		910	(22,146)
DECREASE IN CASH AND CASH EQUIVALENTS	14	(1,102)	(300)
		(192)	(22,446)

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

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.

Fixed assets

All fixed assets are initially recorded at cost. Land and buildings have subsequently been revalued at 30 September 1995, with the revaluation surplus being taken to the revaluation reserve.

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	-	3 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.

Pensions

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

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

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 period.

3. OPERATING PROFIT

	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
(a) This is stated after charging/(crediting):		
Auditors' remuneration - audit services	29	23
- non-audit services	19	12
Depreciation of owned fixed assets	150	229
Depreciation of assets held under finance leases and hire purchase contracts	139	54
Operating lease rentals - office equipment	77	78
- land and buildings	168	44
Exceptional items: start up costs written off	-	524
(b) Reconciliation of operating profit to net cash inflow from operating activities		
	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
Operating profit	2,436	2,042
Depreciation	289	283
Increase in debtors	(480)	(1,304)
Decrease/(Increase) in stocks	141	(212)
Increase in creditors	848	1,579
Net cash inflow from continuing operating activities	3,234	2,388

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

4. DIRECTORS' REMUNERATION

	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
Fees	16	26
Other emoluments (including pension contributions)	533	408
Compensation for loss of office	-	30
	<u>549</u>	<u>464</u>
The emoluments of the Chairman (excluding pension contributions)	<u>30</u>	<u>Nil</u>
The emoluments of the highest paid director (excluding pension contributions)	<u>114</u>	<u>87</u>
The emoluments (excluding pension contributions) of the directors during the period fell within the following ranges:		

	<i>1995 No.</i>	<i>1994 No.</i>
£nil - £5,000	3	3
£10,001 - £15,000	-	2
£25,001 - £30,000	1	-
£45,001 - £50,000	-	2
£55,001 - £60,000	2	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1
£85,001 - £90,000	-	2
£110,001 - £115,000	2	-

5. STAFF COSTS

	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
Wages and salaries	2,802	3,164
Social security costs	217	224
Other pension costs	168	111
	<u>3,187</u>	<u>3,499</u>

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

5. STAFF COSTS (continued)

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

	<i>12 months ended 30 September 1995 No.</i>	<i>13 months ended 1 October 1994 No.</i>
Managed houses	582	385
Administration	68	56
	<u>650</u>	<u>441</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
Bank loans and overdrafts and other loans wholly repayable within five years	79	45
Loans not wholly repayable within five years	1,495	1,334
Finance charges payable under finance leases and hire purchase contracts	20	11
Amortisation of issue costs on bank loans	61	63
	<u>1,655</u>	<u>1,453</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	<i>12 months ended 30 September 1995 £000</i>	<i>13 months ended 1 October 1994 £000</i>
Based on the profit for the period:		
Corporation tax at 33%	86	-
Deferred taxation (prior year adjustment)	(5)	-
	<u>81</u>	<u>-</u>

The charge to corporation tax is low in relation to profit before tax because of the use of losses brought forward and the availability of capital allowances on non-depreciated assets. The Group has losses to carry forward of approximately £1.69 million.

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit attributable to members of the parent company includes profits of £49,000 earned by Mercury Management (UK) Limited and profits of £87,000 earned by Mercury Management (Scotland) Limited.

The profit dealt with in the accounts of the parent company was £1,114,000.

9. DIVIDENDS AND OTHER APPROPRIATIONS

	12 months ended 30 September 1995 £000	13 months ended 1 October 1994 £000
<i>Dividends:</i>		
Provision for non-equity dividends:		
Redeemable preferred ordinary shares	7	7
Preference shares	568	549
Preferred ordinary shares	17	18
	<u>592</u>	<u>574</u>
<i>Other appropriations (non-equity):</i>		
Amortisation of issue costs on preference shares	30	30
	<u>30</u>	<u>30</u>

10. TANGIBLE FIXED ASSETS

Group	Land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation:				
At 1 October 1994	22,768	638	334	23,740
Additions	2,364	682	101	3,147
Transfer to current assets	-	(123)	-	(123)
Disposals	(1,114)	(45)	(133)	(1,292)
Surplus on revaluation	5,331	-	-	5,331
At 30 September 1995	<u>29,349</u>	<u>1,152</u>	<u>302</u>	<u>30,803</u>
Depreciation:				
At 1 October 1994	19	148	123	290
Provided during year	19	131	139	289
Disposals	-	(35)	(120)	(155)
Surplus on revaluation	(34)	-	-	(34)
At 30 September 1995	<u>4</u>	<u>244</u>	<u>142</u>	<u>390</u>
Net book value:				
At 30 September 1995	<u>29,345</u>	<u>908</u>	<u>160</u>	<u>30,413</u>
At 1 October 1994	<u>22,749</u>	<u>490</u>	<u>211</u>	<u>23,450</u>

Mercury Taverns plc

NOTES TO THE ACCOUNTS at 30 September 1995

10. 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 1 October 1994	22,768	401	198	23,367
Additions	2,121	439	92	2,652
Transfer to current assets	-	(123)	-	(123)
Disposals	(1,114)	(45)	(113)	(1,272)
Surplus on revaluation	5,370	-	-	5,370
At 30 September 1995	29,145	672	177	29,994
Depreciation:				
At 1 October 1994	19	60	25	104
Provided during the year	15	111	53	179
Disposals	-	(35)	(27)	(62)
Surplus on revaluation	(30)	-	-	(30)
At 30 September 1995	4	136	51	191
Net book value:				
At 30 September 1995	29,141	536	126	29,803
At 1 October 1994	22,749	341	173	23,263
The net book value of land and buildings comprises:				
	<i>Group 1995 £000</i>	<i>Company 1995 £000</i>	<i>Group 1994 £000</i>	<i>Company 1994 £000</i>
Freehold	25,865	25,668	20,534	20,534
Long leasehold	3,247	3,247	2,046	2,046
Short leasehold	233	226	169	169
	29,345	29,141	22,749	22,749

The net book values of motor vehicles above relate solely to leased assets and assets acquired under hire purchase contracts.

The licensed house estate is stated at its valuation of £29,487,250 as at 30 September 1995. This valuation was carried out by Humberts Leisure and based on the open market value for existing use in accordance with the requirements contained with the current edition of the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.

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

	<i>Group 1995 £000</i>	<i>Group 1994 £000</i>	<i>Company 1995 £000</i>	<i>Company 1994 £000</i>
Cost	24,018	-	23,775	-
Depreciation	(38)	-	(34)	-
Net book value	23,980	-	23,741	-

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

11. INVESTMENTS

Company

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 October 1994	144
Additions	-
Disposals	-
At 30 September 1995	144
Amounts written off:	
Charge for the year	-
At 30 September 1995	-
Net book value:	
At 30 September 1995	144
At 1 October 1994	144

Subsidiary undertakings

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

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Mercury Management (UK) Limited	England and Wales	Ordinary shares	100%	Management consultants to the licensing trade
Mercury Management (Scotland) Limited	Scotland	Ordinary shares	100%*	Management consultants to the licensing trade

* All held by Mercury Management (UK) Limited.

During the year Mercury Management (UK) Limited paid £45,000 to acquire the remaining 25% of the issued ordinary share capital of Mercury Management (Scotland) Limited, raising their holding to 100%.

Mercury Taverns plc

NOTES TO THE ACCOUNTS

at 30 September 1995

12. STOCKS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Goods held for resale	257	201	244	146
Assets held for resale	472	472	503	503
	<u>729</u>	<u>673</u>	<u>747</u>	<u>649</u>

The difference between purchase price or cost of stocks and their replacement cost is not material.

13. DEBTORS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	857	532	828	470
Amounts owed by subsidiary undertakings	-	885	-	475
Other debtors	442	316	310	118
Prepayments and accrued income	965	845	646	527
Advance corporation tax recoverable	234	234	144	144
	<u>2,498</u>	<u>2,812</u>	<u>1,928</u>	<u>1,734</u>

14. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the current period:

	<i>1995</i>	<i>1994</i>	<i>Change in</i>
	<i>£000</i>	<i>£000</i>	<i>period</i>
			<i>£000</i>
Cash at bank and in hand	495	554	(59)
Bank overdraft	(1,897)	(854)	(1,043)
	<u>(1,402)</u>	<u>(300)</u>	<u>(1,102)</u>

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15. CREDITORS: amounts falling due within one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan (note 17)	1,666	1,666	1,659	1,659
Bank overdraft	1,897	1,897	854	770
Obligations under finance leases and hire purchase contracts (note 18)	60	41	76	56
Trade creditors	1,775	1,644	1,632	1,389
Amounts owed to subsidiary undertakings	-	76	-	57
Corporation tax	30	-	62	-
Other taxes and social security costs	223	135	141	71
Other creditors	617	512	352	287
Accruals	519	496	159	101
Provision for dividends	870	870	574	574
Advance corporation tax payable	218	218	144	144
Brewery loan	10	-	-	-
	<u>7,885</u>	<u>7,555</u>	<u>5,653</u>	<u>5,108</u>

The bank overdraft is secured by a floating charge over certain of the group's assets.

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

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan (note 17)	12,832	12,832	13,638	13,638
Obligations under finance leases and hire purchase contracts (note 18)	82	64	105	93
Brewery loan	80	-	-	-
	<u>12,994</u>	<u>12,896</u>	<u>13,743</u>	<u>13,731</u>

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17. LOANS

Amounts due at 30 September 1995 are repayable by instalments as follows:

	<i>Group and Company</i>	
	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Bank loan:		
- after five years	6,140	7,000
- between two and five years	5,160	5,160
- between one and two years	1,720	1,720
	<u>13,020</u>	<u>13,880</u>
- within one year	1,720	1,720
	<u>14,740</u>	<u>15,600</u>

Interest on the bank loan is payable at LIBOR plus 2.5% per annum.

Instalments due on the bank loan are analysed as follows:

	<i>Group and Company</i>	
	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Amounts repayable after more than one year	13,020	13,880
- unamortised issue costs	(188)	(242)
	<u>12,832</u>	<u>13,638</u>
Included within creditors: amounts falling due after more than one year (note 16)		
	12,832	13,638
	<u>12,832</u>	<u>13,638</u>
Amounts repayable within one year	1,720	1,720
- unamortised issue costs	(54)	(61)
	<u>1,666</u>	<u>1,659</u>
Included within creditors: amounts falling due within one year (note 15)		
	1,666	1,659
	<u>1,666</u>	<u>1,659</u>

The bank loan is secured by fixed charges over various of the group's properties.

Analysis of changes in group loan financing during the period:

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
At 1 October	15,297	-
Net proceeds of new loans	90	15,234
Amortisation of issue costs	61	63
Repayment	(860)	-
	<u>14,588</u>	<u>15,297</u>
At 30 September		
	14,588	15,297

During the period following the year end the company re-negotiated its loan facilities. As a result of this exercise, the bank loan was paid off in the month after the year end and a new larger term financing package put in place.

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NOTES TO THE ACCOUNTS

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18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable:				
within one year	82	59	92	68
between two and five years	80	59	128	113
	<u>162</u>	<u>118</u>	<u>220</u>	<u>181</u>
Less: finance charges allocated to future periods	(20)	(13)	(39)	(32)
	<u>142</u>	<u>105</u>	<u>181</u>	<u>149</u>
Current (note 15)	60	41	76	56
Non-current (note 16)	82	64	105	93
	<u>142</u>	<u>105</u>	<u>181</u>	<u>149</u>

Analysis of changes in finance leasing during the period:

	<i>Group</i>	
	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
At 1 October 1995	181	-
Obligations of subsidiary undertakings acquired during the period	-	130
Inception of finance lease contracts	101	233
Capital element of finance lease rental payments	(140)	(182)
At 30 September 1995	<u>142</u>	<u>181</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>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
within one year	-	-	-	-
between two and five years	-	9	-	19
over five years	168	-	58	56
	<u>168</u>	<u>9</u>	<u>58</u>	<u>75</u>
<i>Company</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	-	-	-	-
between two and five years	-	9	-	19
over five years	168	-	58	56
	<u>168</u>	<u>9</u>	<u>58</u>	<u>75</u>

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19. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>Deferred</i>	<i>Deferred</i>	<i>Deferred</i>	<i>Deferred</i>
	<i>taxation</i>	<i>taxation</i>	<i>taxation</i>	<i>taxation</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At beginning of year	5	-	-	-
Arising on the acquisition of subsidiary undertaking	-	-	5	-
Utilised	(5)	-	-	-
At end of year	-	-	5	-

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

<i>Group</i>	<i>Provided</i>	<i>Not provided</i>	<i>Provided</i>	<i>Not provided</i>
	<i>1995</i>	<i>1995</i>	<i>1994</i>	<i>1994</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	558	129	290	150
Revaluation surplus	-	1,265	-	-
Other timing differences	-	(37)	-	-
	558	1,357	290	150
Less: losses	(558)	-	(285)	-
	-	1,357	5	150
<i>Company</i>				
Capital allowances in advance of depreciation	558	112	285	152
Revaluation surplus	-	1,288	-	-
Other timing differences	-	-	-	-
	558	1,400	285	152
Less: losses	(558)	-	(285)	-
	-	1,400	-	152

No provision has been made for deferred taxation in respect of the revaluation surplus as there is no present intention to dispose of the properties.

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NOTES TO THE ACCOUNTS

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20. SHARE CAPITAL

Authorised, allotted, called up and fully paid

	1995 No.	1995 £000	1994 No.	1994 £000
Ordinary shares of £1 each	130,000	130	130,000	130
Cumulative convertible participating preferred ordinary shares of £1 each	216,667	217	216,667	217
Cumulative convertible redeemable preferred ordinary shares of £1 each	86,666	87	86,666	87
Cumulative redeemable preferences shares of £1 each	7,096,667	7,096	7,096,667	7,096
	<u>7,530,000</u>	<u>7,530</u>	<u>7,530,000</u>	<u>7,530</u>

The authorised share capital of the company has been set at £7,530,000 by the creation of 130,000 ordinary shares of £1 each, 216,667 cumulative convertible participating preferred ordinary shares of £1 each ("the preferred shares"), 86,666 cumulative convertible redeemable preferred ordinary shares of £1 each ("the redeemable preferred shares"), and 7,096,667 cumulative redeemable preference shares of £1 each ("the preference shares").

The redeemable preferred shares are redeemable immediately prior to (but after redemption of the preference shares) the occurrence of a sale or flotation of the company between 1 October 1993 and 30 September 1998, the number of redeemable preferred shares capable of being redeemed being dependent on the market capitalisation value of the company at the respective date. If a sale or flotation has not occurred by 30 September 1998 the redeemable preferred shares lose their right to redemption. The redeemable preferred shares are redeemable at one pence per thousand shares.

The preference shares are redeemable at par immediately prior to the occurrence of a sale or flotation of the company, or by instalments of 355,000 shares commencing on 31 October 1996 and continuing on each 30 April and 31 October thereafter.

The preferred shares and the redeemable preferred shares remaining in issue after the relevant number of shares have been redeemed are convertible at the option of the shareholder upon a flotation or sale of the company on the basis of one ordinary share for each share converted.

The preference shares, redeemable preferred shares and preferred shares each carry a right to a dividend of eight pence per year, payable half-yearly in arrears on 30 April and 31 October. The dividend rights are cumulative. Distributions must be made first to the preference shareholders, second to the redeemable preferred shareholders and third to the preferred shareholders, subject to the available profits of the company.

The preferred shares also carry a right to cumulative participating dividends of 10 per cent of the net profits of the company in the year ending 30 September 1997 and 20 per cent of the net profits of the company in the years ending 30 September 1998 and 1999.

The preferred shares, the redeemable preferred shares and the ordinary shares rank *pari passu* for ordinary dividends after the fixed and cumulative participating dividends have been met.

The preference shares carry no votes at meetings unless the dividend thereon is 60 days or more in arrears, the payment of any money on redemption of any shares is in arrears, or the rights attaching to the preference shares are varied in which event each holder will be entitled to one vote for each share held by them.

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NOTES TO THE ACCOUNTS

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20. SHARE CAPITAL (continued)

The holders of the redeemable preferred shares, the preferred shares and the ordinary shares are entitled to one vote for each share held by them.

On a winding up of the company the preference shares, redeemable preferred shares and preferred shares each carry a right to receive, in preference to payments to ordinary shareholders, an amount equal to the amount paid or credited as paid on them (including any premium) plus any accrued dividend. Applications must be made first to the preference shareholders, second to the redeemable preferred shareholders and third to the preferred shareholders, subject to the availability of surplus assets of the company. After payment to the holder of the ordinary shares an aggregate amount per share equal to the amount paid or credited as paid upon them (including any premium), the preferred shares, the redeemable preferred shares and the ordinary shares rank *pari passu* for receipt of the balance of the assets of the company.

Analysis of changes in share capital during the period:

	1995 £000	1994 £000
At 1 October	7,530	-
Net cash inflow from financing	-	7,400
Shares issued for non-cash consideration	-	130
At 30 September	<u>7,530</u>	<u>7,530</u>

21. RESERVES

Group	Revaluation reserve £000	Share premium account £000	Goodwill reserve £000	Profit and loss account £000
At 1 October 1994	-	14	(212)	(76)
Arising on acquisition of minority interest	-	-	(23)	-
Retained profit for the year	-	-	-	628
Amortisation of preference share issue costs	-	-	-	30
Surplus on revaluation	5,365	-	-	-
At 30 September 1995	<u>5,365</u>	<u>14</u>	<u>(235)</u>	<u>582</u>

The cumulative amount of goodwill written off at 30 September 1995, net of goodwill relating to undertakings disposed of, is £235,000 (1994 - £212,000).

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NOTES TO THE ACCOUNTS

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21. RESERVES (continued)

Company

	<i>Revaluation reserve £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>
At 1 October 1994	-	14	(199)
Amortisation of preference share issue costs	-	-	30
Retained profit for the year	-	-	492
Surplus on revaluation	5,400	-	-
At 30 September 1995	<u>5,400</u>	<u>14</u>	<u>323</u>

22. CONTINGENT LIABILITY

The company has granted unlimited guarantees for the bank overdrafts of its subsidiary undertakings. At 30 September 1995 the overdrafts guaranteed amounted to £41,000 (1994 - £84,000).

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 Mr R Bourton and Mr A R Sanders and they have received rentals totalling £76,000 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 £10,000.

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