

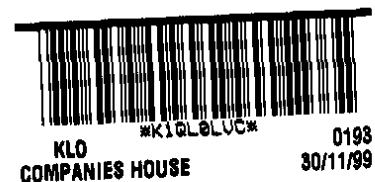


# **THE FREEDOM BREWING COMPANY LIMITED**

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## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st JANUARY 1999**

**Company registration number 2957982**



**THE FREEDOM BREWING COMPANY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31st JANUARY 1999**

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# **THE FREEDOM BREWING COMPANY LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 31st JANUARY 1999**

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The directors present their annual report together with the audited financial statements for the year ended 31st January 1999.

### **PRINCIPAL ACTIVITIES**

During the year the company's principal activities were the brewing and selling of premium lager and the management of a retail micro brewery, bar and restaurant business.

### **RESULTS AND DIVIDENDS**

The loss for the year before taxation was £313,269 (1998 - £172,981). The directors do not recommend that any dividend be paid.

### **DIRECTORS AND THEIR INTERESTS IN THE COMPANY**

The directors who served during the year and their beneficial interests in the share capital of the company were:

		<b>Ordinary Shares</b>	
		<b>at resignation or 31st January 1999</b>	<b>at 31st January 1998</b>
P Parker		89	-
A Hoffmann		1492	46
J Johnstone	(resigned 31st August 1998)	1	1
G Sarson	(resigned 14th May 1998)	36	9

A Hoffmann's beneficial interest in the shares of the company derives from his interest as beneficiary of certain Trusts which control the ultimate parent undertaking (see note 16).

## **THE FREEDOM BREWING COMPANY LIMITED**

### **DIRECTORS' REPORT (continued)**

**YEAR ENDED 31st JANUARY 1999**

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#### **STATEMENT OF 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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

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

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. They 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.

#### **FIXED ASSETS**

The changes in fixed assets during the year are shown in note 5 to the financial statements.

#### **AUDITORS**

Messrs Harding Edgar & Co have expressed their willingness to remain in office as Auditors and, accordingly, a resolution will be placed before the Annual General Meeting to re-appoint Harding Edgar & Co as auditors for the ensuing year, in accordance with Section 384(2) of the Companies Act 1985.

#### **SMALL COMPANY EXEMPTIONS**

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

#### **BY ORDER OF THE BOARD**



**P SAUNDERS**  
Secretary

80 Parsons Green Lane  
London  
SW6 4HU

22nd November 1999

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
THE FREEDOM BREWING COMPANY LIMITED**

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We have audited the Financial Statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

**Respective responsibilities of directors and auditors**

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the company's affairs as at 31st January 1999 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

*Harding Edgar & Co*

**HARDING EDGAR & CO**

Registered Auditors  
Chartered Accountants

9 Limes Road  
Beckenham  
Kent BR3 6NS

22nd November 1999

**THE FREEDOM BREWING COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31st JANUARY 1999**

	Notes	Year ended 31st January 1999 £	Year ended 31st January 1998 £
<b>TURNOVER</b>	2	312,727	295,967
Cost of sales		(314,696)	(292,277)
<b>GROSS (LOSS)/PROFIT</b>		(1,969)	3,690
Administrative expenses	2	(213,231)	(152,750)
Selling & distribution expenses		(130,908)	(60,403)
<b>OPERATING (LOSS)</b>		(346,108)	(209,463)
Other income	3	31,712	37,505
Interest receivable		6,036	39
Interest payable		(4,909)	(1,062)
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(313,269)	(172,981)
<b>TAXATION</b>	4	-	-
<b>(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	(313,269)	(172,981)

1. Turnover and operating loss are derived solely from continuing operations.
2. All recognised gains and losses for the current and previous years are included in the profit and loss account.
3. A statement of the movement in shareholders' funds is shown in note 17 to the accounts.

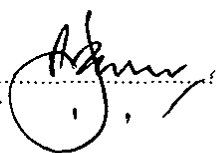
**THE FREEDOM BREWING COMPANY LIMITED****BALANCE SHEET****AT 31st JANUARY 1999**

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	5	129,011	112,767
<b>CURRENT ASSETS</b>			
Stock	6	32,464	21,083
Debtors	7	80,583	63,352
Cash at bank and in hand		51,916	52,118
		164,963	136,553
<b>CREDITORS: DUE WITHIN ONE YEAR</b>	8	(147,059)	(111,374)
<b>NET CURRENT ASSETS</b>		17,904	25,179
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		146,915	137,946
<b>CREDITORS: DUE AFTER MORE THAN ONE YEAR</b>	9	(76,967)	(348,101)
		69,948	(210,155)
<b>SHARE CAPITAL</b>	10	1,791	180
<b>SHARE PREMIUM ACCOUNT</b>	11	826,581	234,820
<b>PROFIT AND LOSS ACCOUNT (DEFICIT)</b>	12	(758,424)	(445,155)
		69,948	(210,155)

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

The accounts were approved by the Board on 22nd November 1999 and signed on its behalf by:

P Parker



# THE FREEDOM BREWING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st JANUARY 1999

### 1. ACCOUNTING POLICIES

#### Accounting basis

The financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards.

#### Depreciation

Depreciation is calculated on a straight line basis by reference to the estimated lives of the assets concerned at the following rates:-

Leasehold improvements	-	over the period of the lease
Plant & Machinery	-	10% per annum on cost
Office Equipment	-	25% per annum on cost
Motor Vehicles	-	25% per annum on cost

#### Stocks

Stocks of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

#### Cashflow statement

The company is a small company as defined by Section 247 of the Companies Act 1985. As such it has taken advantage of the exemption conferred by Section 246 of the Companies Act 1985 not to prepare a cashflow statement in accordance with Financial Reporting Standard No. 1.

#### Deferred taxation

Provision is made for deferred taxation using the liability method in respect of all material timing differences other than those which are expected to continue for the foreseeable future.

### 2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents the invoiced amount of goods sold stated net of Value Added Tax. All of the company's turnover was in the UK.

	1999	1998
	£	£
Loss on ordinary activities is shown after charging:		
Auditors' remuneration (for audit services)	2,000	1,833
Directors' remuneration	64,583	31,664
Hire of equipment	1,378	844
Depreciation & amortisation	24,937	23,695
Loss on disposal of fixed assets	1,520	1,250
	=====	=====

### 3. OTHER INCOME

Consultancy fees	25,000	25,000
Contribution to overheads	3,793	11,075
Miscellaneous	2,919	1,430
	=====	=====



**THE FREEDOM BREWING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31st JANUARY 1999**

**4. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

No liability arises to UK Corporation Tax on the loss for the year. There are losses of approximately £720,000 available to carry forward to offset against future profits of the same trade.

**5. TANGIBLE FIXED ASSETS**

	Leasehold Improvements £	Plant & Machinery £	Office Equipment & Fittings £	Motor Vehicles £	Total £
<b>COST</b>					
At 31st January 1998	10,522	139,373	10,359	6,793	167,047
Additions	-	17,837	1,964	23,900	43,701
Disposals	-	-	-	(6,793)	(6,793)
At 31st January 1999	10,522	157,210	12,323	23,900	203,955
<b>DEPRECIATION</b>					
At 31st January 1998	5,022	41,066	3,919	4,273	54,280
Charge for year	3,470	15,723	2,994	2,750	24,937
Eliminated on disposals	-	-	-	(4,273)	(4,273)
At 31st January 1999	8,492	56,789	6,913	2,750	74,944
<b>NET BOOK VALUE</b>					
At 31st January 1999	2,030	100,421	5,410	21,150	129,011
At 31st January 1998	5,500	98,307	6,440	2,520	112,767

**6. STOCKS**

	1999 £	1998 £
Raw materials	14,799	13,734
Work in progress	3,970	5,326
Finished goods	13,695	2,023
	32,464	21,083

**7. DEBTORS**

Share capital unpaid	1,008	1,000
Trade debtors	60,663	56,174
Other debtors	4,612	5,263
Prepayments	14,300	915
	80,583	63,352

**THE FREEDOM BREWING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31st JANUARY 1999**

<b>8. CREDITORS: DUE WITHIN ONE YEAR</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Trade creditors	91,558	68,730
Other creditors & accruals	16,454	17,122
Other taxes and social security costs	11,280	4,178
Bank loans	20,618	20,618
Other loans	726	726
Hire purchase	6,423	-
	<u>147,059</u>	<u>111,374</u>
	=====	=====

The bank loans are secured by a fixed and floating charge over the company's assets. £18,281 of these loans are also secured under the Small Firms Loan Guarantee Scheme. They carry interest at variable commercial rates and are repayable in instalments ending between April 2000 and June 2001.

<b>9. CREDITORS: DUE AFTER MORE THAN ONE YEAR</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Bank loans	16,064	37,375
Other loans	50,734	310,726
Hire purchase	10,169	-
	<u>76,967</u>	<u>348,101</u>
	=====	=====

The bank loans are secured by a fixed and floating charge over the company's assets. £18,281 of these loans are also secured under the Small Firms Loan Guarantee Scheme. They carry interest at variable commercial rates and are repayable in instalments ending between April 2000 and June 2001.

The other loans are unsecured, interest free and have no fixed repayment date.

<b>10. CALLED UP SHARE CAPITAL</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
2,500 shares of £1 each	<u>2,500</u>	<u>1,000</u>
	=====	=====
<b>Issued</b>		
1,791 shares of £1 each	<u>1,791</u>	<u>180</u>
	=====	=====

By a special resolution dated 3rd June 1998 the company's authorised share capital was increased to £2,500. During the year 1,611 ordinary shares of £1 were issued at prices between par and £400 per share as part of a capital restructuring to provide working capital for the company.

<b>11. SHARE PREMIUM ACCOUNT</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Balance brought forward at 1st February 1998	234,820	234,820
Premium on shares issued in the year	591,761	-
	<u>826,581</u>	<u>234,820</u>
	=====	=====

# THE FREEDOM BREWING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31st JANUARY 1999

### 12. PROFIT AND LOSS ACCOUNT – DEFICIT

	1999 £	1998 £
At 1st February 1998	445,155	272,174
Loss for the financial year	313,269	172,981
At 31st January 1999	<u>758,424</u>	<u>445,155</u>

### 13. MATERIAL TRANSACTIONS WITH DIRECTORS

On 1st May 1998 the company entered into trading arrangements to provide goods and services to The Soho Brewing Company Limited, a fellow subsidiary undertaking of which A Hoffmann is a director. Goods to the value of £19,477 and services to the value of £25,000 were provided in the year on an arms length basis.

From 1st November 1998 the company provided management services to The Soho Brewing Company Limited. The company derived no revenue from the provision of these services during the year.

### 14. COMMITMENTS UNDER OPERATING LEASES

The company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and Buildings £	Other £	Land and Building £	Other £
Operating leases which expire:				
In less than 2 years	26,600	-	26,000	-
In 2 to 5 years	-	7,952	-	7,952

### 15. POST BALANCE SHEET EVENTS

After the year end the parent undertaking made further unsecured loans to the company amounting to £244,000. A resolution will be proposed at the Annual General Meeting to issue £1,200,000 of unsecured convertible Loan Stock to the parent undertaking in exchange for the outstanding loans and to provide additional working capital. This Loan Stock is convertible into ordinary shares at the earlier of flotation of the company or three years from the date of issue of the Loan Stock.

After the year end the company entered into a further agreement with The Soho Brewing Company Limited whereby the company acquired an option to purchase the whole of the share capital of The Soho Brewing Company Limited if certain financial targets of that company were met.

### 16. ULTIMATE PARENT UNDERTAKING

In the opinion of the directors the company's ultimate parent undertaking is Tourtoulén Limited, a company incorporated in Jersey.

**THE FREEDOM BREWING COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED 31st JANUARY 1999**

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**17. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Shareholders' funds at 1st February 1998	(210,155)	(37,174)
Proceeds from issue of shares	593,372	-
	<u>383,217</u>	<u>(37,174)</u>
Profit and loss account deficit for the year	(313,269)	(172,981)
Shareholders' funds at 31st January 1999	<u>69,948</u>	<u>(210,155)</u>

**18. DIRECTORS' INTERESTS IN OPTIONS**

On 3rd June 1998 the company granted an option to P Parker to acquire 15% of the issued share capital of the company at a price of £1 per share. The option is exercisable under certain circumstances. At 31st January 1999 the option had not been exercised.