

**REGISTRAR OF
COMPANIES**

Inn Business Limited

Report and Financial Statements

Period Ended

30 September 1999



BDO Stoy Hayward
Chartered Accountants

INN BUSINESS LIMITED

Annual report and financial statements for the period ended 30 September 1999

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Director

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Director

S D Lambert

Secretary and registered office

C G Harrington, 4 Drovers Way, Newton Longville, Bucks, MK17 0HR.

Company number

3052693

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

INN BUSINESS LIMITED

Report of the director for the period ended 30 September 1999

The director presents his report together with the audited financial statements for the period ended 30 September 1999.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the period.

The directors propose a final dividend of £Nil (30 September 1998 - £4,100,000). No interim dividend was paid during the period (30 September 1998 - £Nil).

Principal activities, trading review and future developments

The company is principally engaged in the operation of public houses. During the period, the trade, assets and liabilities of certain group companies were transferred to the company. The directors are satisfied with the profit for the period and are confident of continued profitability in the future.

Year 2000

An assessment of the Year 2000 on the company's business was undertaken in April 1997 as part of the group's Head Office consolidation. An action plan was implemented at that time to ensure all systems were compliant. The costs of this implementation have been charged to operating profit during the years ended 30 November 1997 and 1998.

We have consulted with key suppliers regarding their compliance and the board is confident that we have achieved as good a state of readiness as can be expected from a company of our size.

Directors

The directors of the company during the period, none of whom had any interest in the ordinary share capital of the company, were:

S D Lambert

A M Jackson (resigned 3 September 1999)

Their interests in the shares of the parent company are shown in that company's financial statements.

INN BUSINESS LIMITED

Report of the director for the period ended 30 September 1999 (Continued)

Director's responsibilities

Company law requires the director to prepare financial statements for each financial period 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 director is 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for maintaining 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. He is 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.

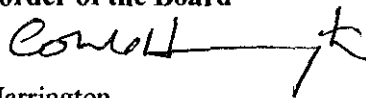
Creditors payment policy

The company's policy for the period to 30 September 1999 for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days' purchases represented by the company's period end trade creditors was 32.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office.

By order of the Board



C Harrington

Secretary

23 December 1999

INN BUSINESS LIMITED

Report of the auditors

To the members of Inn Business Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

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

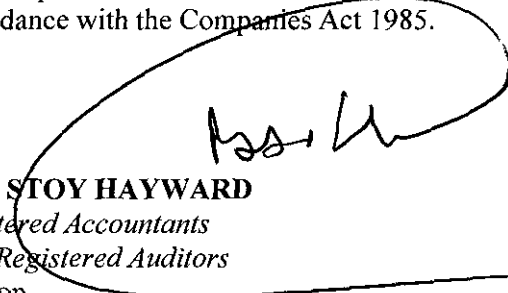
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

23 December 1999

INN BUSINESS LIMITED

Profit and loss account for the period ended 30 September 1999

	Note	Period ended 30 September 1999		Year ended 30 November 1998	
		£	£	£	£
Turnover - Continuing operations	2	31,483,544		14,980,463	
- Acquisitions		2,628,139		-	
			34,111,683		14,980,463
Cost of sales			(15,182,864)		(10,040,004)
Gross profit			18,928,819		4,940,459
Administrative expenses			(12,565,390)		(3,439,047)
Re-organisation costs	6		(856,274)		-
Operating profit - Continuing operations		4,709,571		1,501,412	
- Acquisitions		797,584		-	
			5,507,155		1,501,412
Interest receivable			70,754		118,899
Interest payable	5		(187,477)		(23,425)
Profit on ordinary activities before taxation	7		5,390,432		1,596,886
Tax	8		637,100		-
Profit on ordinary activities after taxation			4,753,332		1,596,886
Dividends	9		-		(4,100,000)
Retained profit/(loss) for the period			4,753,332		(2,503,114)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 13 form part of these financial statements

INN BUSINESS LIMITED

Balance sheet at 30 September 1999

	Note	30 November 1999 £	30 September 1998 £
Fixed assets			
Tangible assets	10	835,440	890,602
Current assets			
Stocks	11	193,826	-
Debtors	12	12,597,182	1,406,554
Cash at bank and in hand		1,179,526	1,487,149
		<u>13,970,534</u>	<u>2,893,703</u>
Creditors: amounts falling due within one year	13	<u>9,621,873</u>	<u>3,363,150</u>
Net current assets/(liabilities)		<u>4,348,661</u>	<u>(469,447)</u>
Total assets less current assets/liabilities		<u>5,184,101</u>	<u>421,155</u>
Creditors: amounts falling due after more than one year	14	<u>94,101</u>	<u>84,487</u>
		<u>5,090,000</u>	<u>336,668</u>
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account	16	5,089,998	336,666
Shareholders' funds	17	<u>5,090,000</u>	<u>336,668</u>

All amounts within shareholders' funds are equity.

The financial statements were approved by the Board on 23 December 1999


S D Lambert
Director

The notes on pages 6 to 13 form part of these financial statements

INN BUSINESS LIMITED

Notes forming part of the financial statements for the period ended 30 September 1999

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Properties and depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated on the original cost of the assets at the following rates per annum:

Plant and equipment	- 10%
Fixtures and fittings	- 10%
Computer equipment	- 20%
Motor vehicles	- 25%

No depreciation is provided on freehold properties or properties on leases with twenty years and over to run at the balance sheet date. In the opinion of the directors the lives of these properties are so long and residual values so high that their depreciation is insignificant. Residual value estimates are based on the prices prevailing at the time of their acquisition or subsequent independent valuation. Provision will be made should any permanent diminution in value of these properties occur.

Properties and stocks

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

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital part reduces the amounts payable to the lessor.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

INN BUSINESS LIMITED

Notes forming part of the financial statements for the period ended 30 September 1999 (Continued)

1 Accounting policies (Continued)

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

2 Turnover and profits

The turnover and profit before taxation is attributable to the principal activity of the company and generated solely in the UK.

3 Employees

	Period ended 30 September 1999 £	Year ended 30 November 1998 £
Staff costs (including directors) consist of:		
Wages and salaries	2,528,692	1,277,373
Social security costs	287,032	130,214
Other pension costs	130,458	120,106
	<hr/>	<hr/>
	2,946,182	1,527,693
	<hr/>	<hr/>
The average number of employees during the period was as follows:		
	Number	Number
Part time	104	162
Full time	63	94
	<hr/>	<hr/>
	167	256
	<hr/>	<hr/>

INN BUSINESS LIMITEDNotes forming part of the financial statements for the period ended 30 September 1999 (*Continued*)**4 Directors' emoluments**

	Period ended 30 September 1999 £	Year ended 30 November 1998 £
Salaries	866,975	498,329
Pension contributions	106,811	54,600
Compensation for loss of office	404,986	70,000
	<u>1,378,772</u>	<u>622,929</u>

5 Interest payable

Bank loans and overdrafts	171,823	-
Finance lease interest	15,654	23,425
	<u>187,477</u>	<u>23,425</u>

6 Re-organisation costs

These comprise directors' bonuses and fees, the pension settlement costs in the year and loan bank fees resulting from the refinancing of the group. Costs in relation to the acquisition of the group are also included in re-organisation costs.

7 Profit on ordinary activities before taxation

	Period ended 30 September 1999 £	Year ended 30 November 1998 £
This is arrived at after charging:		
Depreciation	361,275	234,425
Auditors' remuneration - audit services	50,000	27,500
Directors' emoluments (note 4)	1,378,772	622,929
Operating lease rentals - land and buildings	274,000	266,000
	<u></u>	<u></u>

INN BUSINESS LIMITED

Notes forming part of the financial statements for the period ended 30 September 1999 *(Continued)*

8 Taxation on profits on ordinary activities

	Period ended 30 September 1999	Year ended 30 November 1998
	£	£
Corporation tax	637,100	-
	<u> </u>	<u> </u>

9 Dividends

Final dividend - proposed	-	4,100,000
	<u> </u>	<u> </u>

INN BUSINESS LIMITED

Notes forming part of the financial statements for the period ended 30 September 1999 (Continued)

10 Tangible assets

	Computer equipment £	Motor vehicles £	Total £
<i>Cost</i>			
At beginning of period	667,973	693,469	1,361,442
Additions	187,653	169,628	357,281
Disposals	-	(124,076)	(124,076)
At end of period	855,626	739,021	1,594,647
<i>Depreciation</i>			
At beginning of period	171,889	298,951	470,840
Charge for the period	228,116	133,159	361,275
Disposals	-	(72,908)	(72,908)
At end of period	400,005	359,202	759,207
<i>Net book value</i>			
At 30 September 1999	455,621	379,819	835,440
At 30 November 1998	496,084	394,518	890,602

The net book value of assets held under finance leases is £370,143 (30 November 1998 - £385,102). Depreciation charged on these items in the period amounts to £132,456.

11 Stocks

	30 September 1999 £	30 November 1998 £
Food and liquor	193,826	-

The replacement value of stock is not materially different from its book value.

INN BUSINESS LIMITED**Notes forming part of the financial statements for the period ended 30 September 1999 (Continued)****12 Debtors**

	30 September 1999 £	30 November 1998 £
Trade debtors	2,152,143	510,885
Amounts owed by group undertaking	9,242,287	-
Prepayments and accrued income	1,202,752	229,667
Other debtors	-	666,002
	<hr/>	<hr/>
	12,597,182	1,406,554
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	30 September 1999 £	30 November 1998 £
Trade creditors	4,563,000	603,384
Amounts owed to group undertakings	-	1,063,227
Other creditors	2,508,704	893,710
Creditors for taxation and social security	431,638	284,054
Accruals	738,430	391,675
Obligations under finance leases	113,947	127,100
Corporation tax payable	1,266,154	-
	<hr/>	<hr/>
	9,621,873	3,363,150
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Included in other creditors is an amount of £1,543,589 (30 November 1998 - £418,431) in respect of deposits received against tenants' rents. A similar sum is held on deposit and included within cash at bank.

INN BUSINESS LIMITEDNotes forming part of the financial statements for the period ended 30 September 1999 *(Continued)***14 Creditors: amounts falling due after more than one year**

	30 September 1999 £	30 November 1998 £
Obligations under finance leases are due as follows:		
Between 1 and 2 years	89,475	65,992
Between 2 and 5 years	4,626	18,495
	<u>94,101</u>	<u>84,487</u>

15 Share capital*Authorised, allotted, called up and fully paid*

Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

16 Profit and loss account

Opening balance	336,666	2,839,780
Retained profit/(loss) for the period	4,753,332	(2,503,114)
	<u>5,089,998</u>	<u>336,666</u>

17 Reconciliation of movement in shareholders' funds

Shareholders' funds at 1 December 1998	336,668	2,839,782
Profit for the period	4,753,332	1,596,886
Dividend	-	(4,100,000)
	<u>5,090,000</u>	<u>336,668</u>

18 Capital commitments

There were no capital commitments contracted for at the balance sheet date.

INN BUSINESS LIMITED

Notes forming part of the financial statements for the period ended 30 September 1999 (*Continued*)

19 Financial commitments

As at 30 September 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	30 September 1999	30 November 1998
	£	£
Operating leases which expire:		
Within one year	-	-
Two to five years	23,968	17,845
In over five years	328,726	307,270
	<hr/>	<hr/>
	352,694	325,115
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20 Ultimate parent company

The ultimate parent company is Punch Group Limited, a company registered in England. Copies of the consolidated financial statements of Punch Group Limited are available from the registered office.

21 Cash flow statement

The company has taken advantage of the exemption conferred under FRS1 not to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of an EU parent, in whose financial statements a consolidated cash flow statement is prepared.

22 Related party transactions

The company has taken advantage of the exemption not to disclose any transactions with entities that are part of the group as it is a wholly-owned subsidiary and consolidated financial statements are publicly available.

23 Transfer of trade

From 1 December 1998 the trade of Inn Business Marr Limited and Inn Business Sycamore Limited was transferred to Inn Business Limited. In addition, from 10 February, the trade of Trent Taverns, which was acquired on this date, was also transferred to Inn Business Limited.