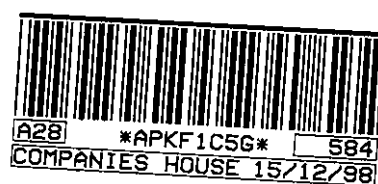


Mayfair Taverns Limited

Directors' report and financial statements

31 March 1998

Registered number 3121375



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

Principal activities

The company's principal activity is the ownership and management of tenanted properties.

Business review

The directors consider the results for the year to be satisfactory. There have been no significant changes in the principal activities of the company during the year.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of an ordinary dividend. A non-equity dividend of £822,700 (1997: £704,100) has been accrued. Retained profits of £847,924 (1997: loss £386,015) have been transferred to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

A Wilkinson
J Foster resigned 29 September 1997
I Hawkins
S Freethy
S Wiley
V Taylor

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

	Class of share	Interest at end of year	Interest at start of year or date of appointment
A Wilkinson	Ordinary 1p share	30,000	30,000
S Wiley	Ordinary 1p share	10,000	10,000

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Tangible Fixed Assets

A revaluation of land and buildings was performed as at 31 March 1998. For details see Note 8.

Year 2000 Issues

The "Year 2000 issue", which stems from computer programmes using two digits rather than four to define the applicable year, could result in processing faults on the change of entry, producing a wide variety of potential consequences.

The company has plans in hand for ensuring that computers and computer systems employed in the business continue to operate into the Year 2000. Key suppliers will be asked to confirm they have similar plans in place.



A Wilkinson
Director

The Old Malthouse
St Johns Road
Banbury
OX16 8HX

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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Norfolk House
Silbury Boulevard
Central Milton Keynes
Buckinghamshire, MK9 2HA

Report of the auditors to the members of Mayfair Taverns Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

24 October 1998

Profit and loss account
for the year ended 31 March 1998

	<i>Note</i>	1998 £	1997 £
Turnover		7,770,590	6,739,207
Administrative expenses		(3,076,319)	(2,597,938)
Operating profit		4,694,271	4,141,269
Interest receivable and similar income		106,386	102,762
Interest payable and similar charges	5	(2,277,558)	(2,075,801)
Exceptional item - start up costs		-	(1,351,353)
Profit on ordinary activities before taxation	2-4	2,523,099	816,877
Tax on profit on ordinary activities	6	(852,475)	(498,792)
Profit for the financial year		1,670,624	318,085
Dividends on non-equity shares	7	(822,700)	(704,100)
Retained profit/(loss) for the year		847,924	(386,015)

All items relate to continuing operations. All recognised gains and losses in the period are included in the profit and loss account for the year.


There is no material difference between the reported profit on ordinary activities before tax and historical cost profit on ordinary activities before tax.

Balance sheet
at 31 March 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	8		39,740,457		24,703,207
Investments	9		1		1
			<hr/>		<hr/>
Current assets			39,740,458		24,703,208
Debtors	10	901,923		673,889	
Cash at bank and in hand		953,709		2,925,844	
		<hr/>		<hr/>	
		1,855,632		3,599,733	
Creditors: amounts falling due within one year	11	(4,522,759)		(3,491,754)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			(2,667,127)		107,979
			<hr/>		<hr/>
Total assets less current liabilities			37,073,331		24,811,187
Creditors: amounts falling due after more than one year	12		(22,054,544)		(22,323,825)
			<hr/>		<hr/>
Net assets			15,018,787		2,487,362
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		7,385,812		7,385,812
Share premium account	15		414,563		414,563
Revaluation reserve	15		11,683,501		-
Profit and loss account	15		(4,465,089)		(5,313,013)
			<hr/>		<hr/>
Shareholders' funds					
Equity		6,520,481		(5,597,738)	
Non-equity	15	8,498,306		8,085,100	
		<hr/>		<hr/>	
			15,018,787		2,487,362
			<hr/>		<hr/>

These financial statements were approved by the board of directors on
signed on its behalf by:

and were


A Wilkinson
Director
23rd October 1998

Statement of total recognised gains and losses
for the year ended 31 March 1998

	1998 £	1997 £
Profit for the financial year	1,670,624	318,085
Unrealised surplus on revaluation of properties	11,683,501	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	13,354,125	318,085
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the year ended 31 March 1998

	1998 £	1997 £
Profit for the financial year	1,670,624	318,085
Accrued dividends on non-equity shares	(822,700)	(704,100)
Goodwill written off to reserves	-	(4,926,998)
	<hr/>	<hr/>
	847,924	(5,313,013)
New share capital subscribed	-	7,800,375
Other recognised gains and losses relating to the year (net)	11,683,501	-
	<hr/>	<hr/>
Net addition to shareholders' funds	12,531,425	2,487,362
Opening shareholders' funds	2,487,362	-
	<hr/>	<hr/>
Closing shareholders' funds	15,018,787	2,487,362
	<hr/> <hr/>	<hr/> <hr/>

Cash flow statement
for the year ended 31 March 1998

	<i>Note</i>	1998 £	1997 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		4,694,271	4,141,269
Depreciation charges		90,699	82,516
Permanent diminution in tangible fixed assets		60,000	-
Profit on sale of fixed assets		(16,879)	(9,598)
(Increase)/decrease in debtors		(73,053)	(497,864)
Increase/(decrease) in creditors		432,133	1,341,529
		<hr/>	<hr/>
Net cash inflow from operating activities		5,187,171	5,057,852
		<hr/>	<hr/>
Cash flow statement			
Cash flow from operating activities		5,187,171	5,057,852
Returns on investments and servicing of finance	17	(2,169,777)	(877,906)
Taxation		(501,960)	-
Capital expenditure and financial investment	17	(3,487,569)	(31,054,477)
		<hr/>	<hr/>
Cash (outflow)/inflow before management of liquid resources and financing		(972,135)	(26,874,531)
Financing	17	(1,000,000)	29,800,375
		<hr/>	<hr/>
Increase/(decrease) in cash in the period		(1,972,135)	2,925,844
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
	18		
Increase/(decrease) in cash in the period		(1,972,135)	2,925,844
Cash to repurchase debenture		1,000,000	-
New loans		-	(22,000,000)
		<hr/>	<hr/>
Movement in net debt in the period		(972,135)	(19,074,156)
Net debt at the start of the period		(19,074,156)	-
		<hr/>	<hr/>
Net debt at the end of the period		(20,046,291)	(19,074,156)
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. As a result these financial statements present information about the company as an individual undertaking and not about its group.

Goodwill

Goodwill arising as a result of the fair value of purchase consideration exceeding the fair value of net tangible assets acquired is written off directly to reserves.

Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the ownership and management of tenanted property including, rents receivable at invoiced amounts, brewery commission and amusements with prizes (AWP) income.

Fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets, except freehold and long leasehold land and buildings, over their expected useful lives as follows:

Short leasehold land and buildings with an unexpired lease period of less than 20 years	-	by equal instalments over the unexpired length of the lease
Owned property fixtures and fittings	-	4 years straight line
Office equipment	-	5 years straight line
Computer equipment	-	2 years straight line

No depreciation is provided on freehold buildings and leasehold buildings with an unexpired lease period of more than twenty years (including premises and associated costs incurred in periods whilst outlets are temporarily closed for development, prior to their re-opening), since it is the Company's practice to maintain such properties in a continual state of sound repair. Maintenance is regularly undertaken and charged to the profit and loss account. The Directors consider that the lives of these assets are so long and residual values so high that any depreciation involved would not be material. The appraisal of residual values is based on prices prevailing at the time of acquisition or revaluation. Provision will be made in the profit and loss account in the event of any permanent diminution in residual value. In the opinion of the Directors this accounting policy ensures that the financial statements show a true and fair value.

Notes (continued)

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

2 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	15,000	16,000
Other services	-	3,220
Depreciation and other amounts written off tangible fixed assets	90,699	82,516
Permanent diminution in value of tangible fixed assets	60,000	-
Hire of plant and machinery - rentals payable under operating leases	92,636	94,721
Hire of other assets - operating leases	-	18,120
Bad debts written off	121,238	104,693
Exceptional start-up costs:		
Finance arrangement fees	-	926,625
Auditors' remuneration for non audit	-	95,535
Legal costs re-acquisition of public house division of Ascot Plc	-	200,000
Legal costs re-employee matters	-	46,554
Public houses property valuation	-	50,000
Other start-up costs	-	33,090
<i>after crediting</i>		
Profit on disposal of tangible fixed assets	(16,879)	(9,598)

The exceptional start-up costs in 1997 represent the cash flows occurring in that year and have been included in the appropriate headings of the cash flow statement.

Notes (continued)

3 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	239,162	149,827
Company contributions to money purchase pension schemes	9,848	13,800
Compensation for loss of office	-	115,000
Amounts paid to third parties in respect of directors' services	42,524	37,470
	<u>291,534</u>	<u>316,097</u>

The emoluments of the highest paid director were £147,035 (1997: £90,645), and company pension contributions of £8,723 (1997: £8,500) were made to a money purchase scheme on his behalf.

	Number of directors 1998	1997
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>2</u>	<u>2</u>

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 1998	1997
Supervisory and administrative staff	22	20
Directors	5	6
	<u>27</u>	<u>26</u>

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	867,601	774,755
Social security costs	64,181	66,011
Other pension costs	24,653	31,878
	<u>956,435</u>	<u>872,644</u>

Notes (continued)

5 Interest payable and similar charges

	1998 £	1997 £
On debenture loans	2,270,750	2,061,901
On bank loans and overdrafts	6,808	13,900
	<u>2,277,558</u>	<u>2,075,801</u>

6 Taxation

	1998 £	1997 £
UK corporation tax @ 31%/33%	900,000	498,792
Overprovision in prior years	(47,525)	-
	<u>852,475</u>	<u>498,792</u>

7 Dividends and other appropriations

	1998 £	1997 £
Equity shares:		
Final dividend proposed	Nil	Nil
Other dividends on non-equity shares:		
Undeclared non equity preference dividend	822,700	704,100
	<u>822,700</u>	<u>704,100</u>

The preference dividend is not payable until redemption of the preference share capital.

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Tenanted house fixtures and fittings	Office equipment	Computer equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At beginning of year	22,684,651	1,765,265	266,001	46,982	22,824	24,785,723
Reclassification	70,000	(70,000)	-	-	-	-
Additions	3,090,730	433,763	98,047	398	3,929	3,626,867
Disposals	-	-	(151,234)	-	-	(151,234)
Revaluation	10,452,619	1,200,972	-	-	-	11,653,591
At end of year	36,298,000	3,330,000	212,814	47,380	26,753	39,914,947
Depreciation						
At beginning of year	-	(13,692)	(55,308)	(5,464)	(8,052)	(82,516)
Charge for year	-	(16,218)	(52,522)	(9,427)	(12,532)	(90,699)
Permanent diminution of value	(60,000)	-	-	-	-	(60,000)
Disposals	-	-	28,815	-	-	28,815
Revaluation	-	29,910	-	-	-	29,910
At end of year	(60,000)	-	(79,015)	(14,891)	(20,584)	(174,490)
Net book value						
At 31 March 1998	36,238,000	3,330,000	133,799	32,489	6,169	39,740,457
At 31 March 1997	22,684,651	1,751,573	210,693	41,518	14,772	24,703,207

The net book value of leasehold land and buildings comprises:

	1998 £	1997 £
Long leasehold	1,760,000	1,295,265
Short leasehold	1,570,000	456,308
	<u>3,330,000</u>	<u>1,751,573</u>

Notes (continued)

8 Tangible fixed assets (continued)

	1998 £	1997 £
<i>Land and buildings</i>		
Per valuation as at 31 March 1998	39,568,000	-
Aggregate depreciation thereon	-	-
	<u>39,568,000</u>	<u>-</u>
Historical cost of revalued assets	27,974,409	24,449,916
Aggregate depreciation based on historical cost	(29,910)	(13,692)
	<u>27,944,499</u>	<u>24,436,224</u>

Land and buildings were valued by an independent valuer, Humberts Leisure. The properties were valued at the Open Market Value in accordance with the Royal Institute of Chartered Surveyors, Statement of Asset Valuation Practice and Guidance Notes.

9 Fixed asset investments

	Shares in group undertakings £
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	<u>1</u>
Shares in group undertakings comprise:	£
<i>Subsidiary undertakings</i>	<u>1</u>

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Mayfair Taverns Trustees Limited	Great Britain	Holder of parent company shares as ESOP trust	Ordinary 100%

In the opinion of the directors the investments in the company's subsidiary undertaking is worth at least the amount at which it is stated in the balance sheet.

Notes (continued)

10 Debtors

	1998 £	1997 £
Trade debtors	199,802	179,808
ACT recoverable	331,006	176,025
Other debtors	4,758	3,023
Prepayments and accrued income	366,357	315,033
	<u>901,923</u>	<u>673,889</u>

Debtors include ACT recoverable of £331,006, which is due after more than one year.

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Debenture loans (see note 12)	1,848,110	1,651,433
Trade creditors	285,509	415,617
Corporation Tax	849,307	498,792
Other creditors including social security and other taxes	831,947	740,459
Accruals and deferred income	656,206	185,453
ACT payable	51,680	-
	<u>4,522,759</u>	<u>3,491,754</u>

Included in Debenture loans is £723,110 (1997: £651,433) of interest payable.

12 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Debenture loans	20,657,912	21,443,700
ACT payable	279,326	176,025
Preference dividend proposed	1,117,306	704,100
	<u>22,054,544</u>	<u>22,323,825</u>

Notes (continued)

12 Creditors: amounts falling due after more than one year (continued)

Included in Debenture loans is £782,912 (1997: £443,700) of rolled up interest payable.

Analysis

	1998	1997
	£	£
Debenture debt can be analysed as falling due:		
in one year or less, or on demand	1,848,110	1,937,733
between one and two years	1,375,000	1,125,000
between two and five years	5,750,000	4,875,000
in five years or more	13,532,912	15,157,000
	<u>22,506,022</u>	<u>23,094,733</u>

The debenture loans are secured by way of a fixed and floating charge over the assets of the company and also by way of assignment of a life assurance policy over the life of Tony Wilkinson amounting to £500,000.

ACT payable of £279,326 (1997: £176,024) falls due upon payment of the preference share dividend of £1,117,306 (1997: £704,100), which is due upon redemption of the preference share capital.

Notes (continued)

13 Provisions for liabilities and charges

No provision has been made in respect of deferred taxation (1997: £Nil). The amounts for deferred taxation not provided are set out below:

	1998 Unprovided £000	1997 Unprovided £000
	e	
Difference between accumulated depreciation and amortisation and capital allowances	77,623	45,444
Other timing differences	18,555	-
	<u>96,178</u>	<u>45,444</u>

14 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
Equity: 500,000 Ordinary shares of £0.01 each	5,000	5,000
Non-equity: 7,381,000 10% cumulative redeemable preference shares of £1 each	7,381,000	7,381,000
	<u>7,386,000</u>	<u>7,386,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: 481,250 Ordinary shares of £0.01 each	4,812	4,812
Non-equity: 10% cumulative redeemable preference shares of £1 each	7,381,000	7,381,000
	<u>7,385,812</u>	<u>7,385,812</u>

The preference shares are redeemable on 30 April 2005 at par, subject to early redemption clauses contained in the Articles of Association. On a winding up the dividend payable would rank in priority over the rights of the holders of any other class of shares. No voting rights are attached.

Notes (continued)

15 Share premium and reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £	Total £
At beginning of year	414,563	-	(5,313,013)	(4,898,450)
Retained profit for the year	-	-	847,924	847,924
Revaluation during the year	-	11,683,501	-	11,683,501
At end of year	414,563	11,683,501	(4,465,089)	7,632,975

Non-equity interests in shareholders' funds are analysed by class of share series or warrant as follows:

	1998 £000	1997 £000
10% cumulative redeemable preference shares of £1 each:		
Share capital	7,381,000	7,381,000
Accrued dividend	1,117,306	704,100
Non-equity interests	8,498,306	8,085,100

16 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1998 £	1997 £
Contracted	31,676	20,000

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

	1998		1997	
	Land & buildings £	Other £	Land & buildings £	Other £
Operating leases which expire:				
Within one year	-	8,339	-	5,602
In the second to fifth years inclusive	-	64,294	-	57,600
Over five years	55,669	-	88,098	-
	55,669	72,633	88,098	63,202

Notes (continued)

17 Analysis of cash flows

	1998 £	1998 £	1997 £	1997 £
Returns on investment and servicing of finance				
Interest received	106,386		102,762	
Interest paid	(1,866,669)		(980,668)	
Preference dividend paid	(409,494)		-	
	<u> </u>	(2,169,777)	<u> </u>	(877,906)
		<u> </u>		<u> </u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(3,626,867)		(24,871,902)	
Sale of fixtures and fittings	139,298		95,776	
Purchase of goodwill and start up expenses	-		(6,278,351)	
	<u> </u>	(3,487,569)	<u> </u>	(31,054,477)
		<u> </u>		<u> </u>
Financing				
Issue of ordinary share capital	-		419,375	
Issue of preference share capital	-		7,381,000	
Issue of departure loans	-		22,000,000	
Repayment of debenture loans	(1,000,000)		-	
	<u> </u>	(1,000,000)	<u> </u>	29,800,375
		<u> </u>		<u> </u>

18 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	2,925,844	(1,972,135)	953,709
Debt due after one year	(1,000,000)	(125,000)	(1,125,000)
Debt due within one year	(21,000,000)	1,125,000	(19,875,000)
	<u> </u>	<u> </u>	<u> </u>
Total	(19,074,156)	(972,135)	(20,046,291)
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

19 Related party transactions

During the year Mayfair Taverns Limited had the following transaction with its related parties:

	Phildrew Nominees Ltd	Bank of Scotland	ABN AMRO Bank N.V. Managers	M Wilkinson	N Wilkinson
Loan repayments	-	(1,000,000)	-	-	-
Interest on loan	-	(1,127,800)	(808,650)	-	-
Remuneration and fees	(20,354)	-	-	(8,070)	(27,171)
Creditor at year end	-	(12,665,374)	(6,386,486)	(1,814)	(6,108)

The above are deemed to be related parties by virtue of the following:

Phildrew Nominees Limited is the majority shareholder in Mayfair Taverns Limited, as disclosed in the director's report. The above amount relates to fees paid for the services of I Hawkins, who is a director of Mayfair Taverns Limited and a partner of Phildrew Ventures. Phildrew Ventures is the investment adviser to the Phildrew Ventures Fourth Fund. The shares in Mayfair Taverns held by the Fourth Fund are held in the name of the nominee, Phildrew Nominees Limited. Ian Hawkins represents the Phildrew Ventures Fourth Fund on the Board.

Due to the constraints and restrictions imposed by the conditions of the debenture loans, the Bank of Scotland and ABN AMRO Bank N.V. are considered to be related parties due to their influence over the operating affairs of Mayfair Taverns Limited.

During the year the £6,000,000 debenture loan previously held by Natwest Venture Managers was transferred to ABN AMRO Bank N.V.

N Wilkinson is the daughter of A Wilkinson.

M Wilkinson is the son of A Wilkinson.