


Wellington Pub Company Plc

Financial statements for the year ended
31 December 2001

Registered Number: 3406623

 ERNST & YOUNG



BIR
COMPANIES HOUSE

370C8C42

0312
01/07/02

Wellington Pub Company Plc

Registered No. 3406623

DIRECTORS

H Osmond
A McIntosh
T Teichman
B Baldock
J Carrafiell
R Myers
M Jonas

SECRETARY

Trusec Limited

AUDITORS

Ernst & Young LLP
1 Colmore Row
Birmingham
B3 2DB

BANKERS

Nat West
PO Box 75
3 Cornmarket
Thame
Oxon
OX9 3YS

SOLICITORS

Slaughter & May
35 Basinghall Street
London
EC2V 5DB

REGISTERED OFFICE

54 Baker Street
London
W1M 1DJ

 **ERNST & YOUNG**

Wellington Pub Company Plc

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,108,000 (2000: £5,118,000). The directors do not propose a dividend this year. (2000: £1,250,000).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is managing leased properties.

In the opinion of the directors the activities of the company will remain substantially as described above.

CHARITABLE DONATIONS

During the year the company made charitable donations of £nil (2000: £5,000).

DIRECTORS AND THEIR INTERESTS

A McIntosh
H Osmond
T Teichman
M Jonas
R Myers
B Baldock
J Carrafiell

None of the directors had any declarable interest in the shares of the company at 31 December 2001.

A McIntosh, H Osmond, M Jonas, B Baldock, T Teichman and R Myers are also directors of the parent undertaking and controlling party, Wellington Investments Ltd.

Their interests in Wellington Investments Limited are shown as follows:

	<i>No. of shares at 31 December 2001</i>		<i>No. of shares at 31 December 2000</i>	
	<i>Ordinary</i>	<i>"B" Shares</i>	<i>Ordinary</i>	<i>"B" Shares</i>
A McIntosh	39,328	-	6,832	-
H Osmond	73,801	-	13,333	-
M Jonas	26,812	-	3,835	-
B Baldock	-	20	-	20
T Teichman	-	14	-	20
R Myers	102,094	-	16,667	-

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2001, the company had an average of 30 days purchases outstanding in trade creditors.

DIRECTORS' REPORT

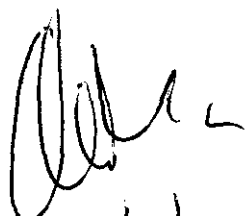
AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board

A McIntosh
Director

Dated


6/6/02

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 of the profit or loss of the company 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 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 accounts 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELLINGTON PUB COMPANY PLC

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

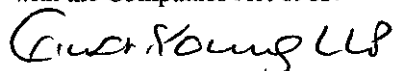
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

Dated 6 June 2002

Wellington Pub Company Plc

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
TURNOVER	2	24,710	24,208
Administrative expenses		(3,122)	(3,172)
Other operating income		508	573
		<hr/>	<hr/>
OPERATING PROFIT	3	22,096	21,609
Interest receivable		1,097	1,008
Interest payable and similar charges	5	(16,636)	(16,788)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,557	5,829
Taxation	6	(2,449)	(711)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,108	5,118
Dividend		-	(1,250)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	14	4,108	3,868
		<hr/>	<hr/>

There were no recognised gains and losses other than the results as shown above.

NOTE OF HISTORICAL COST PROFIT AND LOSSES for the year ended 31 December 2001

	2001 £000	2000 £000
Reported profit on ordinary activities before taxation	6,557	5,829
Realisation of property revaluation gains of previous years	223	18
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	6,780	5,847
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation, Minority interests, dividends and other appropriations	4,331	5,865
	<hr/>	<hr/>

Wellington Pub Company Plc

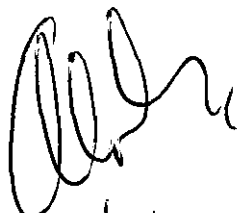
BALANCE SHEET

at 31 December 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	8	242,966	243,516
CURRENT ASSETS			
Debtors	9	1,921	1,814
Cash at bank and in hand	10	25,509	20,073
		<u>27,430</u>	<u>21,887</u>
CREDITORS: amounts falling due within one year	11	(9,856)	(9,230)
NET CURRENT ASSETS		<u>17,574</u>	<u>12,657</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		260,540	256,173
CREDITORS: amounts falling due after more than one year	12	(225,575)	(227,765)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	7	(3,640)	(1,191)
		<u>31,325</u>	<u>27,217</u>
CAPITAL AND RESERVES			
Called up share capital	13, 14	13	13
Revaluation reserve	14	22,776	22,999
Profit and loss account	14	8,536	4,205
TOTAL EQUITY SHAREHOLDERS FUNDS		<u>31,325</u>	<u>27,217</u>

A McIntosh
Director

Dated


6/6/02

Wellington Pub Company Plc

STATEMENT OF CASH FLOW for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15(a)	21,578	21,017
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(16,654)	(16,720)
Interest received		1,110	1,057
		<u>(15,544)</u>	<u>(15,663)</u>
TAXATION		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(1,061)	(2,417)
Receipts from sales of tangible fixed assets		2,722	934
		<u>1,661</u>	<u>(1,483)</u>
EQUITY DIVIDENDS PAID		-	(1,250)
NET CASH FLOW BEFORE FINANCING		<u>7,695</u>	<u>2,621</u>
FINANCING			
Re-payment of debt	15(b)	(2,259)	-
		<u>(2,259)</u>	<u>-</u>
INCREASE IN CASH		<u>5,436</u>	<u>2,621</u>

NOTES TO THE ACCOUNTS

at 31 December 2001

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention as modified to include the revaluation of properties and have been prepared in accordance with applicable accounting standards.

Investment properties

Expenditure on additions and improvements to investment properties is capitalised as the expenditure is incurred. Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and
- (ii) no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Depreciation

Depreciation is provided on all tangible fixed assets, other than all freehold investment properties and leasehold investment properties where the lease was 20 years or more to run, 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 shorter of the term and 20 years

Fixtures and fittings – 20% straight line method

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Repairs and maintenance

Expenditure on repairs and maintenance is charged to profit on the basis of costs incurred.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which 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.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Wellington Pub Company Plc

NOTES TO THE ACCOUNTS

at 31 December 2001

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Capital instruments

The issue costs recognised in the profit and loss account are allocated to periods over the life of the bonds.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover relates to one continuing activity, leasing of public houses to independent publicans. All of the company's business is performed in the United Kingdom.

3. OPERATING PROFIT

This is stated after charging/(crediting)

	2001 £000	2000 £000
Depreciation:		
short leasehold buildings	18	18
other	7	-
Professional fees	2,212	2,225
Maintenance and repairs	230	162
Auditors' remuneration		
audit services	20	17
Operating lease rentals - land and buildings	77	81
Profit on sale of properties	(1,136)	(566)
	<u> </u>	<u> </u>

The company contracts a third party administrator to manage the pub portfolio as well as to perform the credit control function and other accounting functions. These costs are described as professional fees above. As a result the company has not hired any full time staff.

4. DIRECTORS EMOLUMENTS

The company was charged management fees of £600,000 for the year by Wellington Investments Limited. At 31 December 2001, there was £100,000 remaining to be paid. The directors, apart from T Teichman whose fees are disclosed in note 18, are paid from Wellington Investments Limited. The directors believe that it is not practicable to apportion this amount between their services as directors of this company and their services as directors of Wellington Investments Limited.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £000	2000 £000
Interest on bonds	16,564	16,751
Amortisation of issue costs	69	34
Other interest payable	3	3
	<u>16,636</u>	<u>16,788</u>

Wellington Pub Company Plc

NOTES TO THE ACCOUNTS

at 31 December 2001

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Group relief	-	(257)
Deferred taxation (note 7)	2,449	1,191
	<u>2,449</u>	<u>934</u>
Corporation tax over provided in previous years	-	(223)
	<u>2,449</u>	<u>711</u>

7. DEFERRED TAXATION

Deferred taxation provided and deferred taxation not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	2001 £000	2000 £000	2001 £000	2000 £000
ACA's	3,640	1,191	-	-
Taxation on revalued estate	-	-	643	1,576
	<u>3,640</u>	<u>1,191</u>	<u>643</u>	<u>1,576</u>

Deferred tax has not been provided on the revaluation surplus, as there is no intention to dispose of the properties.

NOTES TO THE ACCOUNTS
at 31 December 2001

8. TANGIBLE FIXED ASSETS

	<i>Investment Properties £000</i>	<i>fixtures and fittings £000</i>	<i>Total £000</i>
Valuation:			
At 31 December 2000	243,534	-	243,534
Additions	905	156	1,061
Disposals	(1,586)	-	(1,586)
At 31 December 2001	242,853	156	243,009
Depreciation:			
At 31 December 2000	18	-	18
Charge for year	18	7	25
At 31 December 2001	36	7	43
Net Book Value:			
At 31 December 2001	242,817	149	242,966
At 31 December 2000	243,516	-	243,516

The split of leasehold buildings is as follows:

	<i>Long Leasehold £000</i>	<i>Short Leasehold £000</i>	<i>Total £000</i>
Valuation:			
At 31 December 2000 and 2001	6,198	969	7,167
Depreciation:			
At 31 December 2000	-	18	18
Charge for year	-	18	18
At 31 December 2001	-	36	36
Net Book Value:			
At 31 December 2001	6,198	933	7,131
At 31 December 2000	6,198	951	7,149

Wellington Pub Company Plc

NOTES TO THE ACCOUNTS

at 31 December 2001

8. TANGIBLE FIXED ASSETS *(continued)*

On the 2 February 1998, Davis Coffey Lyons valued the pubs on a portfolio basis to £240 million. The valuation was performed on an open market basis and was in accordance with RICS Appraisal and Valuation Manual with the exception of the following:

- (1) no individual property values were assigned to each of the pubs nor was an aggregate of individual property values given
- (2) inspections of a sample were undertaken

Subsequent to the valuation there was a project undertaken by the company to allocate the net book value to individual pubs.

9. DEBTORS

	2001 £000	2000 £000
Trade debtors	957	1,077
Other debtors	337	103
Prepayments and accrued income	125	154
Amounts owed by group undertakings	502	480
	<u>1,921</u>	<u>1,814</u>

10. CASH AT BANK AND IN HAND

Included in cash is £6 million held in a liquidity reserve account. This was set up as part of the bond issue and may be used for any deficiency of funds for interest payments on bond issue.

11. CREDITORS: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	39	217
Other creditors	148	83
Other taxes	1,244	728
Accruals and deferred income	4,868	4,553
Amounts owed to group undertakings	126	590
Accrued interest on subordinated debt and bond issue	3,431	3,059
	<u>9,856</u>	<u>9,230</u>

NOTES TO THE ACCOUNTS
at 31 December 2001

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

	2001 £000	2000 £000
<i>Not wholly repayable within five years</i>		
Class A secured fixed rate bonds at 6.735% repayable January 2029	160,000	160,000
Class B secured fixed rate bonds at 7.335% repayable January 2029	51,000	51,000
Class C secured fixed rate bonds at 11% repayable January 2029	17,741	20,000
	<u>228,741</u>	<u>231,000</u>
Less: Unamortised issue costs	(3,166)	(3,235)
	<u>225,575</u>	<u>227,765</u>

On the 2 March 1998, the company performed a bond issue for £231 million. The issue costs of £3.3 million are being amortised over the life of the bonds at a constant rate on the carrying amount.

Interest and principal payments on the Class B Bonds will be subordinated to such payments on the Class A Bonds so that Class B Bondholders will not be entitled to receive any payment of interest or principal unless and until all amounts of interest due or overdue and principal then due to Class A Bondholders have been paid in full.

Interest and principal payments on the Class C Bonds will be subordinated to such payments on the Class B Bonds so that Class C Bondholders will not be entitled to receive any payment of interest or principal unless and until all amounts of interest due or overdue and principal then due to Class A Bondholders and Class B Bondholders have been paid in full.

During the year, the company repaid £2,259,000 of the class C secured fixed rate bonds. A related portion of the issue costs was written off in the profit and loss account.

Wellington Pub Company Plc

NOTES TO THE ACCOUNTS at 31 December 2001

13. SHARE CAPITAL

	<i>Authorised</i>	
	2001	2000
	£	£
Ordinary shares of £0.50 each	50,000	50,000
	<u> </u>	<u> </u>
	<i>Called up and fully paid</i>	
	2001	2000
	No.	No.
	£	£
Ordinary shares of £0.50 each	400	200
	<u> </u>	<u> </u>
	<i>Called up and partly paid</i>	
	2001	2000
	No.	No.
	£	£
Ordinary shares of £0.50 each	99,600	12,450
	<u> </u>	<u> </u>

The allotted share capital equalled 100,000 shares at £.50p each, 400 shares which were fully paid and 99,600 shares which were partly paid at £.125p each.

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share Capital</i>	<i>Revaluation Reserve</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£000	£000	£000	£000
At 1 January 2000	13	23,017	319	23,349
Revaluation	-	(18)	18	-
Profit for year	-	-	3,868	3,868
At 31 December 2000	13	22,999	4,205	27,217
Revaluation	-	(223)	223	-
Profit for year	-	-	4,108	4,108
At 31 December 2001	13	22,776	8,536	31,325

NOTES TO THE ACCOUNTS
at 31 December 2001

15. NOTES TO THE CASHFLOW STATEMENT

(a) *Reconciliation of operating profit to net cash inflow from operating activities*

	2001 £000	2000 £000
Operating profit	22,096	21,609
Depreciation	25	18
Increase in debtors	(3,120)	(204)
Increase in creditors	3,713	160
Profit on sale of tangible fixed assets	(1,136)	(566)
Net cash inflow from operating activities	21,578	21,017

(b) *Reconciliation of net cashflow to movement in net debt*

	2001 £000	2000 £000
Increase in cash in the year	5,436	2,621
Amortisation of issue costs	(69)	(34)
Cash outflow from decrease in subordinated debt	2,259	-
Movement in net debt	7,626	2,587
Net debt at 1 January 2001	(207,692)	(210,279)
Net debt at 31 December 2001	(200,066)	(207,692)

(c) *Analysis of changes in net debt*

	At 1 January 2001 £000	Cash Flows £000	Amortisation of issue costs £000	At 31 December 2001 £000
Cash at bank and in hand	20,073	5,436	-	25,509
Debt due before one year	-	-	-	-
Debt due after one year	(227,765)	2,259	(69)	(225,575)
	(207,692)	7,695	(69)	(200,066)

Wellington Pub Company Plc

NOTES TO THE ACCOUNTS

at 31 December 2001

16. CAPITAL COMMITMENTS

There were no capital commitments at either year end.

17. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 December 2001, the Company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Operating lease which expire:		
Within one year	-	49
Within two to five years	-	-
In over five years	192	-
	<u>192</u>	<u>49</u>

18. RELATED PARTY DISCLOSURE

The company was recharged £27,338 by Wellington Investments Limited (of which £4,000 was outstanding at 31 December 2001) for non-executive directors fees of B Baldock. The company was also charged £15,197 for the period directly by Glasshouse Associates Limited for the fees of T Teichman as non-executive director.

19. PARENT UNDERTAKING

The company's parent undertaking and controlling party is Wellington Investments Limited. Copies of its group accounts are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.