

# Wellington Pub Company Plc

Financial statements for the year  
ended 31 December 1999

*Registered Number: 3406623*



# Wellington Pub Company Plc

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Registered No. 3406623

## **DIRECTORS**

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

## **SECRETARY**

Trusec Limited

## **AUDITORS**

Ernst & Young  
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 1999.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,097,145 (1998: £4,865,000 loss). The directors do not propose a dividend.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is managing leased properties.

The company was incorporated on 11 July 1997 as Trushelfco (No. 2281) Limited. On 29 October 1997 the name of the company was changed to Grovebase Properties Limited and on 16 January 1998, the company re-registered as a public company with limited liability under the name of Wellington Finance Plc. On the 23 February 1998, the company changed its name to Wellington Pub Company Plc.

### 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 1999.

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:

	No. of shares at 31 December 1999		No. of shares at 31 December 1998	
	Ordinary	"B" Shares	Ordinary	"B" Shares
A McIntosh	6,832	-	6,832	-
H Osmond	13,333	-	13,333	-
M Jonas	3,835	-	3,835	-
B Baldock	-	20	-	20
T Teichman	-	20	-	20
R Myers	16,667	-	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 1999, the company had an average of 30 days purchases outstanding in trade creditors.

DIRECTORS' REPORT

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**YEAR 2000 COMPLIANCE**

Prior to 31 December 1999, steps were taken to review computer and date dependent systems critical to the company's ongoing operations and preparation of financial information to establish the impact, if any, which the Year 2000 might have on the accuracy of their calculations, processing and reporting. Although in the future it is not possible to guarantee that no Year 2000 problems remain, the company believes that its internal systems are Year 2000 compliant.

The company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers. Contingency plans have been developed to minimise the risk of disruption. No significant disruption has occurred to date.

Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office.

By order of the board

A McIntosh  
Director

Dated

14 April 2000



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.

**REPORT OF THE AUDITORS**  
**to the members of Wellington Pub Company Plc**

We have audited the accounts on pages 6 to 15, 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 9.

**Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

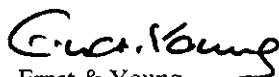
**Basis of opinion**

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 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 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 as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
Birmingham

Dated 7 June 2000

# Wellington Pub Company Plc

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

		<i>Year ended Period ended</i>	
		<i>31 December 1999</i>	<i>31 December 1998</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
TURNOVER	2	23,673	26,931
Administrative expenses		(2,973)	(4,495)
Other operating income		545	103
		<hr/>	<hr/>
OPERATING PROFIT	3	21,245	22,539
		<hr/>	<hr/>
Interest receivable		705	700
Interest payable and similar charges	5	(16,853)	(21,264)
Exceptional finance costs	6	-	(6,840)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		5,097	(4,865)
Taxation		-	-
		<hr/>	<hr/>
RETAINED PROFIT/(LOSS) FOR THE YEAR		5,097	(4,865)
		<hr/>	<hr/>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1999

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Profit/(loss) for the financial year/period	5,097	(4,865)
Unrealised loss on revaluation of freehold land and buildings	(28)	-
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	5,069	(4,865)
	<hr/>	<hr/>

# Wellington Pub Company Plc

## BALANCE SHEET at 31 December 1999

	Notes	1999 £000	1998 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	241,490	242,324
<b>CURRENT ASSETS</b>			
Debtors	9	1,174	1,581
Cash at bank and in hand	10	17,452	13,728
		<u>18,626</u>	<u>15,309</u>
<b>CREDITORS: amounts falling due within one year</b>	11	(9,036)	(11,590)
<b>NET CURRENT ASSETS</b>		<u>9,590</u>	<u>3,719</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		251,080	246,043
<b>CREDITORS: amounts falling due after more than one year</b>	12	(227,731)	(227,763)
		<u>23,349</u>	<u>18,280</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13, 14	13	13
Revaluation reserve	14	23,017	23,132
Profit and loss account	14	319	(4,865)
		<u>23,349</u>	<u>18,280</u>

A McIntosh  
Director

Dated



14 April 2000



# Wellington Pub Company Plc

## STATEMENT OF CASH FLOW for the year ended 31 December 1999

		<i>Year ended Period ended</i>	
		<i>31 December 1999</i>	<i>31 December 1998</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	15(a)	21,381	26,246
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid		(17,147)	(17,203)
Interest received		671	588
Issue costs of debt finance		-	(3,327)
Arrangement fee for credit facility		-	(2,100)
Fee for hedging		-	(3,805)
Finance fees for credit facility and subordinated debt		-	(884)
Fee for subordinated debt		-	(200)
Set up costs		(6)	(51)
		<u>(16,482)</u>	<u>(26,982)</u>
<b>TAXATION</b>		-	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(187)	(776)
Receipts from sales of tangible fixed assets		1,412	846
		<u>1,225</u>	<u>70</u>
<b>ACQUISITIONS AND DISPOSALS</b>			
Purchase of properties, assets and liabilities from Phoenix Inns		-	(219,019)
		<u>-</u>	<u>(219,019)</u>
<b>NET CASH FLOW BEFORE FINANCING</b>		<u>6,124</u>	<u>(219,685)</u>
<b>FINANCING</b>			
Issue of ordinary share capital		-	13
Receipt of debt finance from bond issue	15(b)	-	231,000
Receipt of bridge loan	15(b)	-	210,000
Payment of bridge loan	15(b)	-	(210,000)
Receipt of subordinated debt	15(b)	-	10,000
Payment of subordinated debt	15(b)	(2,400)	(7,600)
		<u>(2,400)</u>	<u>233,413</u>
<b>INCREASE IN CASH</b>		<u>3,724</u>	<u>13,728</u>

NOTES TO THE ACCOUNTS

at 31 December 1999

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.

*Tangible fixed assets and depreciation*

Expenditure on additions and improvements to tangible fixed assets is capitalised as the expenditure is incurred.

Surpluses arising from the professional valuation of the estate are taken direct to the revaluation reserve. Valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve. 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.

It is the company's policy to maintain the properties comprising the licensed estate in such a condition that the residual values of the properties, based on prices prevailing at the time of acquisition or subsequent revaluation are at least equal to their book values. Having regard to this, it is the opinion of the directors that depreciation of any such property as required by the Companies Act 1985 and generally accepted accounting practice would not be material.

*Repairs and maintenance*

Expenditure on repairs and maintenance are 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.

*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 at a constant rate on the carrying amount.

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.

# Wellington Pub Company Plc

## NOTES TO THE ACCOUNTS

at 31 December 1999

### 3. OPERATING PROFIT

This is stated after charging/(crediting)

	1999 £'000	1998 £'000
Professional fees	2,138	2,632
Maintenance and repairs	86	76
Auditors' remuneration audit services	7	7
Operating lease rentals - land and buildings	67	76
Profit on sale of properties	(406)	(57)
	<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 £660,000 for the period by Wellington Investments Limited. At 31 December 1999, 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

	1999 £'000	1998 £'000
Interest on bonds	16,670	13,884
Interest on subordinated debt	215	883
Interest on bridge loan	-	6,207
Amortisation of issue costs	(32)	90
Finance fees for subordinated debt	-	200
	<u>          </u>	<u>          </u>
	16,853	21,264
	<u>          </u>	<u>          </u>

### 6. EXCEPTIONAL FINANCE COSTS

	1999 £'000	1998 £'000
Set up costs	-	51
Arrangement fee for credit facility (see note 17)	-	2,100
Fee for hedging (see note 17)	-	3,805
Finance fees for credit facility and subordinated debt (see note 17)	-	884
	<u>          </u>	<u>          </u>
	-	6,840
	<u>          </u>	<u>          </u>

## NOTES TO THE ACCOUNTS

at 31 December 1999

## 7. DEFERRED TAXATION

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

	1999	Provided 1998	1999 £'000	Not provided 1998 £'000
Taxation on revaluation surplus	-	-	3,637	5,191
			3,637	5,191

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

## 8. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £000	Leasehold Buildings £000	Total £000
Valuation:			
At 31 December 1998	235,162	7,162	242,324
Revaluations/Impairment	(97)	-	(97)
Additions	182	5	187
Disposals	(924)	-	(924)
At 31 December 1999	234,323	7,167	241,490

The split of leasehold buildings is as follows:

	Long Leasehold £000	Short Leasehold £000	Total £000
Valuation:			
At 31 December 1998	6,193	969	7,162
Additions	5	-	5
At 31 December 1999	6,198	969	7,167

On the 2 February 1998, Davis Coffey Lyons valued the pubs on a portfolio basis to £240 million including additions of £220,000 prior to the valuation. 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.

# Wellington Pub Company Plc

## NOTES TO THE ACCOUNTS

at 31 December 1999

### 9. DEBTORS

	1999 £000	1998 £000
Trade debtors	938	1,350
Other debtors	66	70
Prepayments and accrued income	170	161
	<u>1,174</u>	<u>1,581</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 is used for any deficiency of funds for interest payments on bond issue. This account was not drawn down at any point during the year.

### 11. CREDITORS: amounts falling due within one year

	1999 £000	1998 £000
Trade creditors	21	87
Other creditors	138	124
Subordinated debt	-	2,400
Corporation tax	-	-
Other taxes	795	928
Accruals and deferred income	4,465	4,173
Amounts owed to group undertakings	134	107
Accrued interest on subordinated debt and bond issue	3,483	3,771
	<u>9,036</u>	<u>11,590</u>

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

	1999 £000	1998 £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	20,000	20,000
	<u>231,000</u>	<u>231,000</u>
Less: Unamortised issue costs	(3,269)	(3,237)
	<u>227,731</u>	<u>227,763</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. This represents a change in calculation in comparison to prior year in which the issue costs were initially amortised on a straight line basis. This change has resulted in an increase in unamortised costs of £32k which will be reversed in subsequent years. The bonds are secured on the freehold and leasehold properties of the company.

# Wellington Pub Company Plc

## NOTES TO THE ACCOUNTS

at 31 December 1999

### 13. SHARE CAPITAL

	1999	Authorised 1998 £
Ordinary shares of £0.50 each	50,000	50,000

	1999 No.	1999 £	Called up and fully paid 1998 No.	1998 £
Ordinary shares of £0.50 each	400	200	400	200

	1999 No.	1999 £	Called up and partly paid 1998 No.	1998 £
Ordinary shares of £0.50 each	99,600	12,450	99,600	12,450

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

	Share Capital £000	Revaluation Reserve £000	Profit and loss account £000	Total share- holders' funds £000
At 31 December 1998	13	23,132	(4,865)	18,280
Revaluation	-	(115)	87	(28)
Profit for period	-	-	5,097	5,097
At 31 December 1999	13	23,017	319	23,349

## NOTES TO THE ACCOUNTS

at 31 December 1999

## 15. NOTES TO THE CASHFLOW STATEMENT

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

	1999 £000	1998 £000
Operating profit	21,245	22,539
Decrease in debtors	408	66
Increase in creditors	134	3,698
Profit on sale of tangible fixed assets	(406)	(57)
Net cash inflow from operating activities	21,381	26,246

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

	1999 £000	1998 £000
Increase in cash in the period	3,724	13,728
Cash inflow from increase in debt finance	-	(231,000)
Issue Costs	-	3,327
Amortisation of issue costs	32	(90)
Cash inflow from increase in bridge debt	-	(210,000)
Cash outflow from decrease in bridge debt	-	210,000
Cash inflow from increase in subordinated debt	-	(10,000)
Cash outflow from decrease in subordinated debt	2,400	7,600
	6,156	(216,435)

## (c) Analysis of changes in net debt

	At 31 December 1998 £'000	Cash Flows £'000	Amortisation of Issue Costs £'000	Total £'000
Cash at bank and in hand	13,728	3,724	-	17,452
Debt due before one year	(2,400)	2,400	-	-
Debt due after one year	(227,763)	-	32	(227,731)
At 31 December 1999	(216,435)	6,124	32	(210,279)

NOTES TO THE ACCOUNTS  
at 31 December 1999

16. CAPITAL COMMITMENTS

	1999 £000	1998 £000
Contracted	-	154

17. RELATED PARTY DISCLOSURE

The company was recharged £25,046 by Wellington Investments Limited (of which £4,675 was outstanding at 31 December 1999) for non-executive directors fees of B Baldock. The company was also charged £15,560 for the period directly by NewMedia Investors Limited for the fees of T Teichman as non-executive director.

On 21 June 1999, Wellington Investments Limited acquired all of the £20 million Class C secured fixed rate bonds at 11%, repayable to January 2029 (note 12).

18. 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.