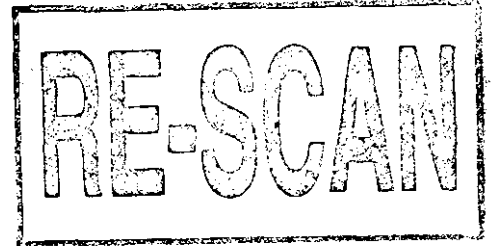


REGISTERED NUMBER: 3438235



**THE GRAND PUB COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM INCORPORATION ON  
17 SEPTEMBER 1997 TO 30 JUNE 1998**



5599/465

# **THE GRAND PUB COMPANY LIMITED**

## **REPORT OF THE DIRECTORS**

The directors present their report together with the audited financial statements for the period from incorporation on 17 September 1997 to 30 June 1998.

### **Change of company name**

The company was incorporated on 17 September 1997 under the name The Grand Cap Pub Company Ltd. On 18 September 1997 the name of the company was changed to The Grand Pub Company Limited. On 30 November 1998 the name of the company was changed to The Unique Pub Company Limited. The name was changed back to The Grand Pub Company Limited on 18 March 1999.

### **Principal activities and business review**

The principle activity of the Grand Pub Company Limited is that of a holding company having completed the acquisition of the Innpreneur Pub Company Limited group and Spring Inns Limited on 25 March 1998, a group whose principal activity is that of property investment, primarily public houses. The company also issued warrants to subscribe for ordinary shares to a member of the Nomura Securities Group of companies.

### ***Results for the period***

For the period to 30 June 1998, the company is reporting a loss after tax of £26,469,000.

### **Post balance sheet date events**

Details of events occurring after the balance sheet date are given in note 17.

### **Dividend**

No dividend is proposed by the directors.

# **THE GRAND PUB COMPANY LIMITED**

## **REPORT OF THE DIRECTORS (CONTINUED)**

### **Directors**

The directors who held office throughout the period were:

B Reeves	(appointed 17 September 1997, resigned 17 September 1997)
R J Hart	(appointed 17 September 1997, resigned 12 June 1998)
G Hands	(appointed 18 September 1997, resigned 3 July 1998, reappointed 5 August 1998)
G A Thorley	(appointed 17 September 1997, resigned 3 July 1998, reappointed 22 December 1998)
J A R Turner	(appointed 18 September 1997, resigned 3 July 1998)
M Hurdlebrink	(appointed 26 May 1998, resigned 5 August 1998)
R Punja	(appointed 3 July 1998, resigned 5 August 1998)
F S McFadyen	(appointed 3 July 1998)
F S Duncan	(appointed 5 August 1998)
G Turner	(appointed 22 December 1998)
J Dunstan	(appointed 25 March 1999)
L Howes	(appointed 25 March 1999)

None of the directors who held office during the year had any disclosable interest in the shares of the company.

### **Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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:

- 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 GRAND PUB COMPANY LIMITED**

## **REPORT OF THE DIRECTORS (CONTINUED)**

### **Statement of directors' responsibilities (continued)**

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

By order of the Board.

A handwritten signature in black ink, appearing to read 'Finlay M. G. G. G.', written over the printed name 'Finlay M. G. G. G.'.

Director

30 April 1999

# THE GRAND PUB COMPANY LIMITED

## REPORT OF THE AUDITORS

### TO THE MEMBERS OF THE GRAND PUB COMPANY LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies on page 8.

#### *Respective responsibilities of directors and auditors*

As described on page 2, 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 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 30 June 1998 and of its loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants  
and Registered Auditors  
London

30 April 1999

# THE GRAND PUB COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998

		Period 17 September 1997 to 30 June 1998 £000
	Note	
Turnover		-
Administrative expenses		<u>(2,514)</u>
<b>Operating loss</b>		(2,514)
Net interest payable and similar charges	4	<u>(23,955)</u>
<b>Loss on ordinary activities before taxation</b>		(26,469)
Taxation	5	-
<b>Loss on ordinary activities after taxation and transferred from reserves</b>		<u><u>(26,469)</u></u>

The notes on pages 8 to 15 form part of these financial statements.

All of the operations of the company are continuing.

A statement of total recognised gains and losses is shown in note 12.

There is no difference between the loss for the period as stated and the loss under the historical cost basis.

# THE GRAND PUB COMPANY LIMITED

## BALANCE SHEET AT 30 JUNE 1998

	Note	30 June 1998 £000
<b>Fixed assets</b>		
Investment in shares in subsidiaries	6	469,019
<b>Current assets</b>		
Debtors	7	685,396
		<hr/> 685,396
<b>Creditors - amounts falling due within one year</b>	8	(104,966)
<b>Net current assets</b>		<hr/> 580,430
<b>Total assets less current liabilities</b>		<hr/> 1,049,449
<b>Creditors - amounts falling due after one year</b>	9	(1,040,824)
<b>Net assets</b>		<hr/> 8,625
<b>Capital and reserves</b>		
Called up share capital	10	1
Revaluation reserve	11	35,093
Profit and loss account	11	(26,469)
<b>Equity shareholders' funds</b>		<hr/> 8,625

The financial statements on pages 5 to 15 were approved by the Board of Directors on 30 April 1999 and were signed on their behalf by:

*David V. Nowak*  
DIRECTOR

*Finlay Macleay*  
Director

# THE GRAND PUB COMPANY LIMITED

## CASH FLOW STATEMENT FOR THE PERIOD FROM 17 SEPTEMBER 1997 TO 30 JUNE 1998

	Note	1998 £000
Net cash outflow from operating activities	13	(1,975)
Returns on investment and servicing of finance	14	(61,583)
Taxation		-
Capital expenditure and financial investment		-
Acquisitions and disposals	14	(433,926)
Equity dividends paid		<u>-</u>
		(497,484)
Management of liquid resources		
Financing	14	489,518
Decrease in cash in the period	15	<u><u>(7,966)</u></u>



# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998

### 1. Accounting policies

#### (1) *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

The company has taken advantage of the exemption under S228(2) of the Companies Act 1985 not to prepare group accounts as it is a wholly owned subsidiary of Le Grand Cap Limited.

#### (2) *Related party disclosures*

FRS 8 'Related party disclosures' requires disclosure of the details of material transactions between the reporting entity and any related parties. The disclosure requirements are dealt with in note 16 to the financial statements.

#### (3) *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 taxation deferred if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

#### (4) *Investments*

Investments in subsidiaries are carried at amounts equivalent to the underlying net assets of these subsidiaries less any permanent diminution in value.

### 2. Directors' emoluments

During the period the directors received no emoluments for their services to the company.

### 3. Employees

The company had no employees in the period.

### 4. Net interest payable

Period 17 September 1997  
to 30 June 1998  
£000

On bank loans repayable wholly within 5 years	34,188
Amortisation of issue costs (see note 9)	<u>2,713</u>
	36,901
Less: interest receivable from subsidiary undertakings	(12,887)
interest receivable from third parties	(59)
	<u><u>23,955</u></u>
Net interest payable	

# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)

5. Tax on profit on ordinary activities Period 17 September 1997  
to 30 June 1998  
£000

UK corporation tax at 31% on the  
loss on ordinary activities for the period -

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6. Fixed assets - investment in shares in subsidiaries

1998  
£000

Subsidiary undertakings acquired in the period 469,019

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469,019

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The company's principal subsidiary undertakings are as follows:

Inntrepreneur Pub Company  
Spring Inns Limited  
Inntrepreneur Pub Company (GL)  
Inntrepreneur Pub Company (CPC)  
SupplyLine Services Limited  
RetailLink Management Limited  
Thame Pub Management Limited

All of the above subsidiaries are engaged in the ownership of public houses in England or other related activities, are wholly owned and are registered in England and Wales.

The investment in subsidiaries is shown at fair value, being the aggregate net asset values of the companies acquired. The cost of investment was £433,926,000 and the difference between cost and valuation of £35,093,000 is included within the revaluation reserve.

# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)

### 7. Debtors

	1998 £000
Amounts owed by subsidiary undertakings	683,044
Other debtors	<u>2,352</u>
	<u>685,396</u>

### 8. Creditors - amounts falling due within one year

	1998 £000
Bank overdraft	7,966
Loan interest	5,144
Other creditors	2,903
Amounts owed to subsidiary undertaking	<u>88,953</u>
	<u>104,966</u>

### 9. Creditors - amounts falling due after more than one year

	1998 £000
	Repayable
Bank loan	2003 670,000
Mezzanine loan	2003 150,000
Junior loan	2003 <u>250,721</u>
	1,070,721
Unamortised issue costs	<u>(42,210)</u>
	1,028,511
Loan interest	<u>12,313</u>
	<u>1,040,824</u>

The bank loan is secured on the investment properties held by the company's subsidiary undertakings. The Grand Pub Company Limited is obliged under its financing arrangements, together with its subsidiary companies, to maintain certain specified financial covenants. Under the terms of the Facility Agreement dated 25 March 1998 the net proceeds from property disposals are transferred to a "Blocked" account and utilised to reduce external debt.

# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)

### 9. Creditors - amounts falling due after more than one year (continued)

The bank loan comprises a Term Facility, a Revolving Facility and a Guarantee Facility, details of which are set out below:-

	Facility £000	Utilisation at 30 June 1998 £000
Term	600,000	600,000
Revolving	70,000	70,000
Guarantee	30,000	-
	<u>700,000</u>	<u>670,000</u>

The rate of interest payable on the Bank loan was 1.25% over LIBOR.

Other unsecured loans include:-

	Amount	Rate	Subscriber
Mezzanine debt	£150.0m	11.0%	Thame Finance plc
Junior debt	£250.7m	12.5%	Thame Finance plc

Thame Finance plc is a fellow member of the Le Grand Cap Limited Group. Issue costs of £44.9 million were incurred in respect of refinancing the bank loans on 27 March 1998. These costs are being amortised over the period to which they relate in accordance with FRS4.

The company has the following interest rate hedging programmes in place:

- interest rate caps which provide for a ceiling rate of interest of 8% on bank loans as follows:

Amount	From	To	Cap %
£445m	27 March 1998	27 March 1999	8%
£305m	27 March 1998	27 March 2000	8%
£165m	27 March 1998	27 March 2001	8%

# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)

### 10. Called up share capital

17 September 1997 and  
30 June 1998  
£

#### *Authorised*

100,000 ordinary shares of 1p	1,000
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#### *Allotted, called up and fully paid*

1 ordinary share of 1p	-
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99,999 share warrants of 1p	1,000
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### 11. Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At 17 September 1997	-	-	-
Revaluation of investment in subsidiaries	35,093		35,093
Loss for the period		(26,469)	(26,469)
<b>At 30 June 1998</b>	<b>35,093</b>	<b>(26,469)</b>	<b>8,624</b>

#### *Reconciliation of movement in shareholders' funds*

	1998 £000
Total recognised loss for the period	(26,469)
Revaluation of investment in subsidiaries	35,093
Shareholders' funds at 17 September 1997	1
<b>Shareholders' funds at end of period</b>	<b>8,625</b>

# **THE GRAND PUB COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)**

### **12. Statement of total recognised gains and losses**

	<b>1998 £000</b>
Loss for the period	(26,469)
Revaluation of investment in subsidiaries	35,093
<b>Total recognised gains and losses</b>	<u>8,624</u>

### **13. Reconciliation of operating profit to net cash outflow from operating activities**

	<b>1998 £000</b>
Operating loss	(2,514)
Increase in debtors	(393)
Increase in creditors	932
<b>Net cash outflow from operating activities</b>	<u>(1,975)</u>

# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)

### 14. Analysis of cash flows for headings netted in the cash flow statement

	£000	£000
<b>Returns on investment and servicing of finance:</b>		
Interest received	59	
Interest paid	(16,719)	
CAP premium paid	(597)	
Issue costs of debt	<u>(44,326)</u>	
Net cash outflow for returns on investment and servicing of finance		<u>(61,583)</u>
<b>Acquisitions and disposals:</b>		
Purchase of subsidiary undertakings	<u>(433,926)</u>	
Net cash outflow from acquisitions and disposals		<u>(433,926)</u>
<b>Finance:</b>		
Issue of ordinary share capital	1	
Debt due after more than 1 year	1,070,721	
Debt issues to subsidiary undertakings	<u>(581,204)</u>	
Net cash inflow from financing		<u>489,518</u>

### 15. Reconciliation of net cash flow to movement in net debt

	£000
Decrease in cash in the period	<u>(7,966)</u>
Change in net debt in the period (increase in overdraft)	<u>(7,966)</u>
Net debt at 17 September 1997	-
Net funds at 30 June 1998	<u><u>(7,966)</u></u>

# THE GRAND PUB COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 17 SEPTEMBER 1997 TO 30 JUNE 1998 (CONTINUED)

### 16. Related party transactions

As at 30 June 1998 the company had interest receivable from its subsidiaries totalling £12,887,000. This relates to interest accrued during the period of these accounts.

Included within the issue costs is a charge of £36,000,000 payable to Nomura International plc.

### 17. Post balance sheet events

Since the balance sheet date the following significant transactions have occurred:-

		£000
26 August 1998	Acquisition of pubs from subsidiary undertakings	833,080
1 October 1998	Acquisition of pubs from subsidiary undertakings	8,815
5 February 1999	Acquisition of pubs from subsidiary undertakings	8,213
18 March 1999	Disposal of pubs to subsidiary undertakings	492,868

On 30 March 1999, the pubs still owned by the company were sold to Unique Pub Properties Limited for an amount of £357,132,000, as supported by a valuation performed by Christie & Co., Surveyors, Valuers & Agents. On the same date, the company repaid the Term and Revolving Bank Loans in full, together with all accrued interest thereon, £156,768,000 of mezzanine debt principal and accrued interest and sold its investment in SupplyLine Services Limited, RetailLink Management Limited and Thame Pub Management Limited to The Unique Pub Company PLC at net asset value.

On 30 March 1999 also the warrant holders exercised 90,000 warrants in accordance with the Warrant Instrument, in settlement of which £112,062,000 was paid to Nomura International plc.

The company name has been changed, details of which are set out in the Directors Report.

### 18. Going concern

The parent company has undertaken to ensure that the company can meet its liabilities as they fall due and for this reason the accounts have been prepared on a going concern basis.

### 19. Ultimate parent company

Le Grand Cap Limited is the ultimate holding company of The Grand Pub Company Limited. The Nomura Securities Group of companies, of which Nomura International plc is the principal UK subsidiary, has the ability to exercise a controlling influence over The Grand Pub Company Limited through the Nomura Group's holding of warrants to subscribe for ordinary shares of The Grand Pub Company Limited.

Copies of the group financial statements can be obtained from TJG Secretaries Ltd Carmelite, 50 Victoria Embankment, Blackfriars, EC4Y 0DX.