

PUBMASTER HOLDINGS LIMITED
(formerly Polarcrown Limited)

ANNUAL REPORT

26 SEPTEMBER 1999

Registered number 3720775



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PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 26 September 1999.

PRINCIPAL ACTIVITIES

The company's principal activity is that of an intermediate holding company.

REVIEW OF BUSINESS

The company was incorporated on 25 February 1999 as Polarcrown Limited. The company changed its name to Pubmaster Holdings Limited on 17 June 1999.

The company has not traded since its incorporation and consequently has made neither a profit nor a loss.

DIRECTORS AND DIRECTORS' INTERESTS

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

Mr F E J G Brackenbury	(appointed 11 June 1999)
Mr J R Sands	(appointed 11 June 1999)
SPV Management Limited	(appointed 11 June 1999)
Mr R Turnbull	(appointed 11 June 1999)
Mr P J Charlton	(appointed 25 February 1999, resigned 11 June 1999)
Mr M E Richards	(appointed 25 February 1999, resigned 11 June 1999)

The directors' hold no beneficial interest in the shares of the company. The beneficial interests of the Directors at the end of the period in the shares of the ultimate parent company Pubmaster Group Limited, are disclosed in that company's accounts.

YEAR 2000

The company is addressing Year 2000 issues in its information technology systems utilising in-house resources. Any hardware containing embedded chips are currently being addressed. The costs incurred to date have been expensed by the group during the year, whilst future costs are considered by the directors to be immaterial.

AUDITORS

The directors are to propose a resolution that PricewaterhouseCoopers be reappointed auditors of the Company at the general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

DIRECTORS' REPORT (continued)

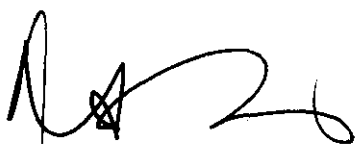
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 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


Secretary

21 December 1999

AUDITORS' REPORT TO THE MEMBERS OF PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 at 26 September 1999 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Chartered Accountants and Registered Auditors
Newcastle upon Tyne
21 December 1999**

PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

PROFIT AND LOSS ACCOUNT

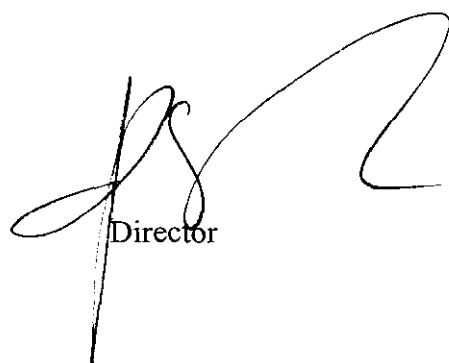
The company has remained dormant since its incorporation and has therefore made neither a profit nor a loss in the period.

PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

BALANCE SHEET - AT 26 SEPTEMBER 1999

	<u>1999</u> £'000
FIXED ASSETS	
Investments (Note 3)	84,000
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NET ASSETS	84,000
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CAPITAL AND RESERVES	
Called up share capital (Note 4)	84,000
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EQUITY SHAREHOLDERS' FUNDS	84,000
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These financial statements were approved by the board of directors on 21 December 1999 and were signed on its behalf by:


Director

PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

NOTES TO THE ACCOUNTS – 26 SEPTEMBER 1999

1 ACCOUNTING POLICIES

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

(a) 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 S228 of the Companies Act 1985 from the requirement to prepare group accounts.

(b) Investments

Investments held as fixed assets are carried at cost less any provision for permanent *diminution in value*.

2 DIRECTORS' REMUNERATION

None of the Directors received any remuneration in the year.

PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

NOTES TO THE ACCOUNTS – 26 SEPTEMBER 1999 (continued)

3 INVESTMENTS

Cost	£'000
Additions	84,000
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At 26 September 1999	84,000
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During the year the company acquired the entire issued share capital of Pubmaster Limited and its subsidiary undertakings from Pubmaster Group Limited, the ultimate parent company.

The company owns the following wholly owned subsidiary undertakings:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class and percentage of shares held
<u>Held by Pubmaster Holdings Limited</u>			
Pubmaster Limited	England	Operator of public houses	Ordinary 100%
Pubmaster Finance Limited	Cayman Islands	Finance	Ordinary 100%
<u>Held by subsidiary undertakings</u>			
Cousin of Pubmaster Limited	England	Non trading	Deferred 100% Ordinary 100%
Son of Pubmaster Limited	England	Non trading	Ordinary 100%
Daughter of Pubmaster Limited	England	Non trading	Ordinary 100%
Mercury Taverns (Holdings) Limited	England	Non trading	Ordinary 100%
Mercury Taverns plc	England	Non trading	Ordinary 100%

PUBMASTER HOLDINGS LIMITED (formerly Polarcrown Limited)

NOTES TO THE ACCOUNTS – 26 SEPTEMBER 1999 (continued)

4 SHARE CAPITAL

1999
£

Authorised, allotted, called up and fully paid

84,000,100 Ordinary shares of £1	84,000,100
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During the year the company issued 84,000,100 shares at par.

5 CONTINGENT LIABILITIES

Under the terms of a Trust Deed dated 30 June 1999, the company has guaranteed the payments of principal of, and interest on, the Notes issued by Pubmaster Finance Limited. The total outstanding indebtedness of the Notes at 26 September 1999 was £305,000,000.

6 ULTIMATE PARENT COMPANY AND RELATED PARTY DISCLOSURES

The company is a subsidiary of Pubmaster Group Limited, the ultimate parent company and ultimate controlling party, a company registered in England and Wales.

Transactions with other companies within the Pubmaster Group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related Party Disclosures".