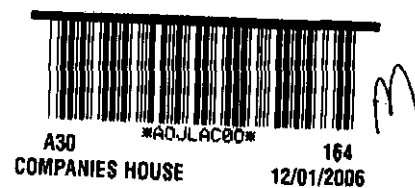


New Century Inns Limited
Annual report and accounts
for the 52 weeks ended 25 September 2005

Registered Number 3726909



New Century Inns Limited
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New Century Inns Limited

Directors' report for the 52 weeks ended 25 September 2005

The directors present their report and the audited financial statements of the company for the 52 weeks ended 25 September 2005.

Principal activity

The principal activity of the company is the ownership and operation of public houses.

Results and dividends

The company's profit before taxation for the period was £1,014,889 (2004: £539,879).

During the year an interim dividend of £80,078 (35.5p per share) was paid (2004: £Nil).

Directors and their interests

The directors of the company during the period were:

A G Arkley
B E Lowe
B Whitehead

Directors' shareholdings at the period end:

	25 September 2005	26 September 2004
	Ordinary	Ordinary
A G Arkley	82,090	82,090
B E Lowe	77,269	77,269
B Whitehead	47,549	47,549

Acquisition of own shares

On 23 December 2004 the company made a permissible payment of £42,116 to redeem 1,337 ordinary shares with a nominal value of £1,337. This represented 0.59% of the called up share capital at that time.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the 52 weeks ended 25 September 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

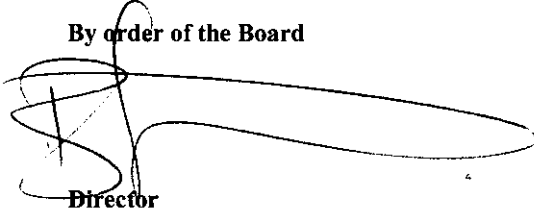
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

New Century Inns Limited

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Director

22 December 2005

New Century Inns Limited

Independent auditors' report to the members of New Century Inns Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

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 25 September 2005 and of the profit and cash flows for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

22 December 2005

New Century Inns Limited

Profit and loss account for the 52 weeks ended 25 September 2005

	Note	2005 £	2004 £
Turnover		5,911,489	5,286,831
Cost of sales		(3,055,073)	(2,772,286)
Gross profit		2,856,416	2,514,545
Administrative expenses		(943,456)	(858,958)
Operating profit	1	1,912,960	1,655,587
Interest receivable and similar income	4	836	442
Interest payable and similar charges	5	(898,907)	(1,116,150)
Profit on ordinary activities before taxation		1,014,889	539,879
Tax on profit on ordinary activities	6	(315,126)	(180,468)
Profit on ordinary activities after taxation		699,763	359,411
Dividends	7	(80,078)	-
Retained profit for the year	16	619,685	359,411

All operations refer entirely to continuing operations.

There is no difference between the reported profits and the historical cost profits.

The company has no recognised gains or losses, as defined in Financial Reporting Standard 3 ("FRS 3") Reporting Financial Performance which are not included in the above profit and loss account.

New Century Inns Limited

Balance sheet as at 25 September 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	8	16,484,833	16,205,106
Current assets			
Assets held for resale	9	297,254	267,204
Debtors	10	304,202	261,843
Cash at bank and in hand		124	183
		601,580	529,230
Creditors: amounts falling due within one year	11	(1,531,283)	(1,784,165)
Net current liabilities		(929,703)	(1,254,935)
Total assets less current liabilities		15,555,130	14,950,171
Creditors: amounts falling due after more than one year	12	(12,847,413)	(13,130,518)
Provisions for liabilities and charges	14	(870,211)	(559,716)
		1,837,506	1,259,937
Capital and reserves			
Called up share capital	15	225,571	226,908
Share premium account	16	1,041,354	1,041,354
Capital redemption reserve fund	16	1,337	-
Profit and loss account	16	569,244	(8,325)
Equity shareholders' funds	17	1,837,506	1,259,937

The financial statements on pages 4 to 17 have been approved by the Board of Directors on 22 December 2005 and signed on their behalf by:


AG Arkley
Director

New Century Inns Limited

Cash flow statement for the 52 weeks ended 25 September 2005

	Note	£	2005 £	£	2004 £
Net cash inflow from operating activities	18		1,826,607		2,110,950
Returns on investments and servicing of finance					
Interest received		836		442	
Interest paid		(898,907)		(1,298,150)	
Net cash outflow from returns on investments and servicing of finance			(898,071)		(1,297,708)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(358,215)		(2,304,896)	
Net cash outflow from capital expenditure and financial investment			(358,215)		(2,304,896)
Equity dividends paid			(80,078)		-
Net cash inflow/(outflow) before financing			490,243		(1,491,654)
Financing					
Acquisition of own shares		(42,116)		(1,048,788)	
Costs associated with acquisition of own shares		-		(40,231)	
(Decrease)/increase in borrowings	20	(283,109)		2,399,892	
Net cash (outflow)/inflow from financing			(325,225)		1,310,873
Increase/(decrease) in cash	20		165,018		(180,781)

New Century Inns Limited

Statement of accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less provision for accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of assets, less estimated residual value, on the straight line basis over the estimated useful lives as follows:

Office equipment	5 years
Freehold buildings	50 years
Land is not depreciated	

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Pension costs

The company operates a defined contribution pension scheme. The actual cost borne by the company during the year is charged directly to the profit and loss account.

Finance leases

Tangible fixed assets purchased under finance lease agreements are capitalised at their cash price and the liability for future hire purchase payment is taken into account. Finance charges are charged to the profit and loss account over the period of the finance lease agreement.

Operating leases

Operating lease rentals are charged to the profit and loss account in the period for which the rentals are payable.

Assets held for resale

Assets held for resale, which represent assets normally owned by tenants but held pending sale to new tenants, are stated at the lower of cost and net realisable value.

Turnover

Turnover represents the value of sales and services to third parties, excluding value added tax.

New Century Inns Limited

Notes to the financial statements for the 52 weeks ended 25 September 2005

1 Operating profit

	2005	2004
	£	£
Operating profit is stated after charging/(crediting) the following:		
Auditors' remuneration - audit services	5,200	4,700
Auditors' remuneration - non audit services	8,900	13,850
Depreciation of owned fixed assets	74,648	59,301
Depreciation of leased fixed assets	3,840	3,840
Operating lease rental - other	25,244	22,892
Operating lease rental - plant and machinery	36,406	47,816
Rent receivable	(1,231,915)	(1,116,647)

2 Staff costs

	2005	2004
	£	£
Wages and salaries	447,314	485,561
Social security costs	68,099	51,590
Pension costs	72,353	75,838
	587,766	612,989

The average number of persons employed during the period was 13 (2004: 14).

New Century Inns Limited

3 Directors' emoluments

	2005 £	2004 £
Emoluments (excluding pension contributions)	264,670	323,838

Contributions to money purchase schemes in respect of three directors were £43,490 (2004: £50,226 in respect of four directors).

The emoluments of the highest paid director were £132,705 (2004: £124,021) and the contributions to a money purchase scheme were £21,510 (2004: £21,510).

4 Interest receivable and similar income

	2005 £	2004 £
Bank interest	836	442

5 Interest payable and similar charges

	2005 £	2004 £
Finance lease interest	582	582
Interest payable on bank loans and overdrafts	892,706	684,332
Other interest	5,619	25,830
Interest payable on mezzanine loans	-	165,632
Exit premium accruing on mezzanine loans	-	239,774
	898,907	1,116,150

New Century Inns Limited

6 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2005 £	2004 £
Current tax:		
- UK corporation tax on profits of the period	4,631	-
Deferred tax:		
- Current year	310,495	182,922
- Prior year	-	(2,454)
Tax on profit on ordinary activities	315,126	180,468

(b) Factors affecting tax charge for the period

	2005 £	2004 £
Profit on ordinary activities before tax	1,014,889	539,879
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	304,467	161,964
Expenses not deductible for tax purposes	20,277	20,958
Capital allowances in excess of depreciation	(160,418)	(208,935)
Short term timing differences	-	(54,600)
Tax losses (utilised)/unutilised in the period	(159,695)	80,613
Current tax charge for the period (Note 6a)	4,631	-

(c) Factors that may affect future tax charges

There are no known factors that may affect future tax charges.

7 Dividends

	2005 £	2004 £
Equity – ordinary		
Interim paid: 35.5p (2004: £Nil) per £1 ordinary share	80,078	-

New Century Inns Limited

8 Tangible fixed assets

	Freehold land and buildings £	Office equipment £	Total £
Cost			
At 27 September 2004	16,334,646	69,827	16,404,473
Additions	343,777	14,438	358,215
At 25 September 2005	16,678,423	84,265	16,762,688
Depreciation			
At 27 September 2004	165,477	33,890	199,367
Charge for period	64,488	14,000	78,488
At 25 September 2005	229,965	47,890	277,855
Net book value			
At 25 September 2005	16,448,458	36,375	16,484,833
At 26 September 2004	16,169,169	35,937	16,205,106

Included in the aforementioned fixed assets are office equipment purchased under finance lease contract with a net book value of £8,280 (2004: £12,120) on which depreciation of £3,840 (2004: £3,840) was charged in the year.

9 Assets held for resale

	2005 £	2004 £
Assets held for resale	297,254	267,204

10 Debtors

	2005 £	2004 £
Trade debtors	263,812	217,064
Other debtors	10,465	27,835
Prepayments	29,925	16,944
	304,202	261,843

New Century Inns Limited

11 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loan (note 13)	400,000	400,000
Bank overdraft (note 13)	43,186	208,263
Trade creditors	405,091	424,289
Other tax and social security	47,998	64,039
Corporation tax	4,631	-
Other creditors	351,126	392,704
Finance leases (note 13)	3,672	3,676
Accruals and deferred income	275,579	291,194
	1,531,283	1,784,165

12 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Bank loan (note 13)	12,842,814	13,122,247
Finance leases (note 13)	4,599	8,271
	12,847,413	13,130,518

New Century Inns Limited

13 Loan capital and other borrowings repayment statement

	2005	2004
	£	£
Bank loans and overdraft	13,286,000	13,730,510
Finance leases	8,271	11,947
	13,294,271	13,742,457
Maturity of debt		
Within one year or on demand	446,858	611,939
Between one and two years	403,672	403,676
Between two and five years	12,443,741	12,726,842
	13,294,271	13,742,457

The bank loans are secured on the property of the company. The bank loans are subject to interest charged at LIBOR plus 1.25% for amounts borrowed up to £13,000,000 and are repayable, subject to certain terms, by July 2008. An additional bank loan of £2,000,000 attracts interest at bank rate plus 1.75% and is repayable in twenty equal quarterly instalments.

Assets held under finance leases are secured on the assets to which the leases relate.

New Century Inns Limited

14 Provisions for liabilities and charges

Deferred tax provided in the accounts is as follows:

	2005	2004
	£	£
Excess of capital allowances over depreciation	870,211	703,550
Losses	-	(143,834)
Total	870,211	559,716

Reconciliation of movement in deferred tax:

	£
Balance at 27 September 2004	559,716
Charge to profit and loss account	310,495
Balance at 25 September 2005	870,211

15 Called up share capital

	2005	2004
	£	£
Authorised		
260,658 Ordinary shares at £1	260,658	260,658
Issued and fully paid up		
225,571 Ordinary shares at £1	225,571	226,908

During the year the following changes to the capital were made:

On 23 December 2004 the company acquired 1,337 of its own ordinary shares for £42,116. The acquisition was made out of distributable reserves.

New Century Inns Limited

16 Reserves

	Share premium account	Capital redemption reserve fund	Profit and loss account	Total
	£	£	£	£
At 27 September 2004	1,041,354	-	(8,325)	1,033,029
Acquisition of own shares	-	1,337	(42,116)	(40,779)
Retained profit	-	-	619,685	619,685
At 25 September 2005	1,041,354	1,337	569,244	1,611,935

17 Reconciliation of movement in shareholders' funds

	2005 £	2004 £
At 27 September 2004	1,259,937	1,989,545
Acquisition of own shares	(42,116)	(1,048,788)
Costs relating to acquisition of own shares	-	(40,231)
Profit for the period	619,685	359,411
At 25 September 2005	1,837,506	1,259,937

18 Net cash inflow from operating activities

	2005 £	2004 £
Operating profit	1,912,960	1,655,587
Depreciation charge	78,488	63,141
(Increase)/decrease in assets held for resale	(30,050)	29,305
Increase in debtors	(42,359)	(19,478)
(Decrease)/increase in creditors	(92,432)	382,395
Net cash inflow from continuing operations	1,826,607	2,110,950

New Century Inns Limited

19 Reconciliation of net cash flow to movement in net debt

	2005	2004
	£	£
Increase/(decrease) in cash in the year	165,018	(180,781)
Net movement in borrowings	283,109	(2,399,892)
Change in net debt resulting from cash flow	448,127	(2,580,673)
Non-cash changes	-	-
Movement in net debt in the year	448,127	(2,580,673)

20 Analysis of changes in net debt

	At 27 September 2004	Cash flow	Non-cash changes	At 25 September 2005
	£	£	£	£
Cash at bank and in hand	183	(59)	-	124
Bank overdraft	(208,263)	165,077	-	(43,186)
	(208,080)	165,018	-	(43,062)
Finance leases	(11,947)	3,676	-	(8,271)
Debt due within one year	(400,000)	279,433	(279,433)	(400,000)
Debt due after one year	(13,122,247)	-	279,433	(12,842,814)
	(13,534,194)	283,109	-	13,251,085
Total	(13,742,274)	448,127	-	13,294,147

21 Operating leases

The company has operating lease commitments for the next 12 months on operating leases expiring:

	2005	2004
	£	£
Land and buildings		
Within one year	19,950	18,775
Others		
Within one year	-	520
Between one and five years	36,580	33,810

New Century Inns Limited

22 Related party transactions

The Chameleon Pub Company is considered to be an associated entity as it has common directors with New Century Inns Limited. This company manages two of the public houses owned by New Century Inns Limited.

There have been sales in the year to The Chameleon Pub Company of £569,338 (2004: £590,061). The outstanding debtor balance at the year-end date with The Chameleon Pub Company is £15,194 (2004: £12,018).

A management fee of £12,940 (2004: £11,815) was charged to The Chameleon Pub Company in the year.

23 Ultimate controlling party

The ultimate controlling parties of the company are the combined shareholdings of the directors of the company.