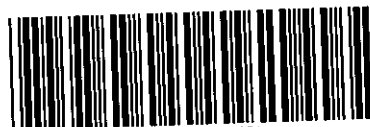


New Century Inns Limited  
Annual report and accounts  
for the 53 weeks ended 1 October 2006

Registered Number 3726909

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New Century Inns Limited  
Annual report and accounts  
for the 53 weeks ended 1 October 2006  
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# New Century Inns Limited

## Directors' report for the 53 weeks ended 1 October 2006

The directors present their report and the audited financial statements of the company for the 53 weeks ended 1 October 2006.

### Business review and principal activity

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

The directors are satisfied with the performance of the company during the year which shows a profit before tax of £933,059 (2005: £1,014,889) on turnover of £5,548,233 (2005: £5,911,489).

### Future outlook

The directors continue to research opportunities for investment in freeholds of public houses with an aim to grow the company's portfolio. Careful consideration of local market conditions is made on a case by case basis before a decision is made.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks affecting the company are considered to relate to fluctuating interest rates and poor performing tenants.

### Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Dividends

During the period two interim dividends of £79,974 and £84,138 (35.5p and 37.3p per share respectively) were paid (2005: £80,078).

### 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:

	1 October 2006	26 September 2005
	Ordinary	Ordinary
A G Arkley	82,090	82,090
B E Lowe	77,269	77,269
B Whitehead	47,549	47,549

# New Century Inns Limited

## **Acquisition of own shares**

On 7 November 2005 the company made a permissible payment of £9,198 to redeem 292 ordinary shares with a nominal value of £292. This represented 0.1% 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 period that give a true and fair view of the state of affairs of the company as at the end of the financial period 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 53 weeks ended 1 October 2006. 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.

## **Auditors and disclosure of information to auditors**

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned over the text 'Director'.

**Director**

20 December 2006

# **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.

# New Century Inns Limited

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 October 2006 and of its profit and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink, appearing to read 'PwC' or similar, followed by a stylized flourish.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

20 December 2006

# New Century Inns Limited

## Profit and loss account for the 53 weeks ended 1 October 2006

	Note	2006 £	2005 £
Turnover		5,548,233	5,911,489
Cost of sales		(2,841,300)	(3,055,073)
<b>Gross profit</b>		<b>2,706,933</b>	<b>2,856,416</b>
Administrative expenses		(955,795)	(943,456)
<b>Operating profit</b>	1	<b>1,751,138</b>	<b>1,912,960</b>
Interest receivable and similar income	4	1,232	836
Interest payable and similar charges	5	(819,311)	(898,907)
<b>Profit on ordinary activities before taxation</b>		<b>933,059</b>	<b>1,014,889</b>
Tax on profit on ordinary activities	6	(298,601)	(315,126)
<b>Profit on ordinary activities after taxation</b>		<b>634,458</b>	<b>699,763</b>
Dividends	7	(164,112)	(80,078)
<b>Retained profit for the period</b>	16	<b>470,346</b>	<b>619,685</b>

All operations refer entirely to continuing operations.

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

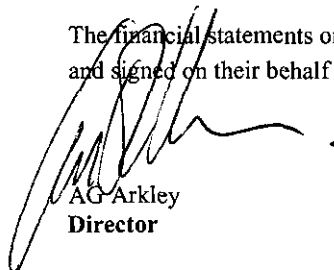
The company has no recognised gains or losses, as defined in Financial Reporting Standard 3 ("FRS 3") Reporting Financial Performance which are not included in the above profit and loss account.

# New Century Inns Limited

## Balance sheet as at 1 October 2006

	Note	2006	2005
		£	£
<b>Fixed assets</b>			
Tangible assets	8	17,003,298	16,484,833
<b>Current assets</b>			
Assets held for resale	9	354,885	297,254
Debtors	10	461,709	304,202
Cash at bank and in hand		30,533	124
		847,127	601,580
<b>Creditors: amounts falling due within one year</b>	11	(2,049,255)	(1,531,283)
<b>Net current liabilities</b>		(1,202,128)	(929,703)
<b>Total assets less current liabilities</b>		15,801,170	15,555,130
<b>Creditors: amounts falling due after more than one year</b>	12	(12,463,180)	(12,847,413)
<b>Provisions for liabilities and charges</b>	14	(1,039,336)	(870,211)
		2,298,654	1,837,506
<b>Capital and reserves</b>			
Called up share capital	15	225,279	225,571
Share premium account	16	1,041,354	1,041,354
Capital redemption reserve fund	16	1,629	1,337
Profit and loss account	16	1,030,392	569,244
<b>Equity shareholders' funds</b>	17	2,298,654	1,837,506

The financial statements on pages 5 to 17 have been approved by the Board of Directors on 20 December 2006 and signed on their behalf by:



AG Arkley  
Director



# New Century Inns Limited

## Cash flow statement for the 53 weeks ended 1 October 2006

	Note	2006	2005
		£	£
<b>Net cash inflow from operating activities</b>	18	<b>2,049,625</b>	<b>1,826,607</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		1,232	836
Interest paid		(819,311)	(898,907)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(818,079)</b>	<b>(898,071)</b>
<b>Taxation</b>		<b>(159)</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(600,249)	(358,215)
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(600,249)</b>	<b>(358,215)</b>
<b>Equity dividends paid</b>		<b>(164,112)</b>	<b>(80,078)</b>
<b>Net cash inflow before financing</b>		<b>467,026</b>	<b>490,243</b>
<b>Financing</b>			
Acquisition of own shares		(9,198)	(42,116)
Decrease in borrowings	20	(384,233)	(283,109)
<b>Net cash outflow from financing</b>		<b>(393,431)</b>	<b>(325,225)</b>
<b>Increase in cash</b>	20	<b>73,595</b>	<b>165,018</b>

# 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 period 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 finance lease 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 53 weeks ended 1 October 2006

### 1 Operating profit

	2006	2005
	£	£
<hr/>		
Operating profit is stated after charging/(crediting) the following:		
Auditors' remuneration - audit services	5,700	5,200
Auditors' remuneration - non audit services	7,375	8,900
Depreciation of owned fixed assets	77,944	74,648
Depreciation of leased fixed assets	3,840	3,840
Operating lease rental - land and buildings	26,666	25,244
Operating lease rental – other	43,689	36,406
Rent receivable	(1,206,474)	(1,231,915)
	<hr/>	

### 2 Staff costs

	2006	2005
	£	£
<hr/>		
Wages and salaries	504,044	447,314
Social security costs	69,177	68,099
Pension costs	88,968	72,353
	<hr/>	
	662,189	587,766
	<hr/>	

The average number of persons employed during the period was 13 (2005: 13).

# New Century Inns Limited

## 3 Directors' emoluments

	2006	2005
	£	£
<i>Emoluments (excluding pension contributions)</i>	<b>346,920</b>	<b>264,670</b>

Contributions to money purchase schemes in respect of 3 directors were £53,322 (2005: £43,490 in respect of three directors).

The emoluments of the highest paid director were £160,352 (2005: £132,705) and the contributions to a money purchase scheme were £26,290 (2005: £21,510).

## 4 Interest receivable and similar income

	2006	2005
	£	£
Bank interest	<b>1,232</b>	<b>836</b>

## 5 Interest payable and similar charges

	2006	2005
	£	£
Finance lease interest	<b>776</b>	<b>582</b>
Interest payable on bank loans and overdrafts	<b>812,535</b>	<b>892,706</b>
Other interest	<b>6,000</b>	<b>5,619</b>
	<b>819,311</b>	<b>898,907</b>

# New Century Inns Limited

## 6 Tax on profit on ordinary activities

### (a) Analysis of charge in period

	2006 £	2005 £
<b>Current tax</b>		
UK corporation tax on profits of the period	133,948	4,631
Adjustments in respect of previous periods	(4,472)	-
<b>Total current tax</b>	<b>129,476</b>	<b>4,631</b>
<b>Deferred tax</b>		
Current period	169,125	310,495
<b>Tax on profit on ordinary activities</b>	<b>298,601</b>	<b>315,126</b>

### (b) Factors affecting tax charge for the period

	2006 £	2005 £
Profit on ordinary activities before tax	933,059	1,014,889
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	279,918	304,467
Expenses not deductible for tax purposes	21,775	20,277
Capital allowances in excess of depreciation	(167,745)	(160,418)
Tax losses (utilised)/unutilised in the period	-	(159,695)
Adjustments in respect of previous periods	(4,472)	-
<b>Current tax charge for the period (Note 6a)</b>	<b>129,476</b>	<b>4,631</b>

### (c) Factors that may affect future tax charges

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

# New Century Inns Limited

## 7 Dividends

	2006	2005
	£	£
<b>Equity – ordinary</b>		
First interim paid: 35.5p (2005: 35.5p) per £1 ordinary share	79,974	80,078
Second interim paid £37.3p (2005: nil) per £1 ordinary share	84,138	-
	<b>164,112</b>	<b>80,078</b>

## 8 Tangible fixed assets

	Freehold land and buildings	Office equipment	Total
	£	£	£
<b>Cost</b>			
At 26 September 2005	16,678,423	84,265	16,762,688
Additions	592,103	8,146	600,249
<b>At 1 October 2006</b>	<b>17,270,526</b>	<b>92,411</b>	<b>17,362,937</b>
<b>Depreciation</b>			
At 26 September 2005	229,965	47,890	277,855
Charge for period	65,134	16,650	81,784
<b>At 1 October 2006</b>	<b>295,099</b>	<b>64,540</b>	<b>359,639</b>
<b>Net book value</b>			
<b>At 1 October 2006</b>	<b>16,975,427</b>	<b>27,871</b>	<b>17,003,298</b>
At 25 September 2005	16,448,458	36,375	16,484,833

Included in the aforementioned fixed assets are office equipment purchased under finance lease contract with a net book value of £4,440 (2005: £8,280) on which depreciation of £3,840 (2005: £3,840) was charged in the period.

## 9 Assets held for resale

	2006	2005
	£	£
Assets held for resale	354,885	297,254

# New Century Inns Limited

## 10 Debtors

	2006	2005
	£	£
Trade debtors	388,649	263,812
Other debtors	27,877	10,465
Prepayments	45,183	29,925
	461,709	304,202

## 11 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank loan (note 13)	400,000	400,000
Bank overdraft (note 13)	-	43,186
Trade creditors	884,402	405,091
Other tax and social security	50,258	47,998
Corporation tax	133,948	4,631
Other creditors	345,720	351,126
Finance leases (note 13)	3,672	3,672
Accruals and deferred income	231,255	275,579
	2,049,255	1,531,283

## 12 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loan (note 13)	12,462,257	12,842,814
Finance leases (note 13)	923	4,599
	12,463,180	12,847,413

# New Century Inns Limited

## 13 Loan capital and other borrowings repayment statement

	2006	2005
	£	£
Bank loans and overdraft	12,862,257	13,286,000
Finance leases	4,595	8,271
	<b>12,866,852</b>	<b>13,294,271</b>
<b>Maturity of debt</b>		
Within one year or on demand	403,672	446,858
Between one and two years	400,923	403,672
Between two and five years	12,062,257	12,443,741
	<b>12,866,852</b>	<b>13,294,271</b>

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.

## 14 Provisions for liabilities and charges

Deferred tax provided in the accounts is as follows:

	2006	2005
	£	£
Excess of capital allowances over depreciation	1,039,336	870,211
Losses	-	-
<b>Total</b>	<b>1,039,336</b>	<b>870,211</b>

Reconciliation of movement in deferred tax:

	£
Balance at 26 September 2005	870,211
Charge to profit and loss account	169,125
<b>Balance at 1 October 2006</b>	<b>1,039,336</b>



# New Century Inns Limited

## 15 Called up share capital

	2006	2005
	£	£
<b>Authorised</b>		
260,658 Ordinary shares at £1	260,658	260,658
<b>Issued and fully paid up</b>		
225,571 Ordinary shares at £1	225,279	225,571

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

On 7 November 2005 the company acquired 292 of its own ordinary shares for £9,198. The acquisition was made out of distributable reserves.

## 16 Reserves

	Share premium account	Capital redemption reserve fund	Profit and loss account	Total
	£	£	£	£
At 26 September 2005	1,041,354	1,337	569,244	1,611,935
Acquisition of own shares	-	292	(9,198)	(8,906)
Retained profit	-	-	470,346	470,346
<b>At 1 October 2006</b>	<b>1,041,354</b>	<b>1,629</b>	<b>1,030,392</b>	<b>2,073,375</b>

## 17 Reconciliation of movement in shareholders' funds

	2006	2005
	£	£
At 26 September 2005	1,837,506	1,259,937
Acquisition of own shares	(9,198)	(42,116)
Profit for the period	470,346	619,685
<b>At 1 October 2006</b>	<b>2,298,654</b>	<b>1,837,506</b>

# New Century Inns Limited

## 18 Net cash inflow from operating activities

	2006 £	2005 £
Operating profit	1,751,138	1,912,960
Depreciation charge	81,784	78,488
Increase in assets held for resale	(57,631)	(30,050)
Increase in debtors	(157,507)	(42,359)
Increase/(decrease) in creditors	431,841	(92,432)
<b>Net cash inflow from continuing operations</b>	<b>2,049,625</b>	<b>1,826,607</b>

## 19 Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Increase in cash in the period	73,595	165,018
Net movement in borrowings	384,233	283,109
<b>Movement in net debt in the period</b>	<b>457,828</b>	<b>448,127</b>

## 20 Analysis of changes in net debt

	At 26 September 2005 £	Cash flow £	Non-cash changes £	At 1 October 2006 £
Cash at bank and in hand	124	30,409	-	30,533
Bank overdraft	(43,186)	43,186	-	-
	(43,062)	73,595	-	30,533
Finance leases	(8,271)	3,676	-	(4,595)
Debt due within one year	(400,000)	380,557	(380,557)	(400,000)
Debt due after one year	(12,842,814)	-	380,557	(12,462,257)
	(13,251,085)	384,233	-	(12,866,852)
<b>Total</b>	<b>(13,294,147)</b>	<b>457,828</b>	<b>-</b>	<b>(12,836,319)</b>

## **New Century Inns Limited**

### **21 Operating leases**

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

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Land and buildings</b>		
Within one year	-	19,950
<b>Others</b>		
Within one year	<b>19,055</b>	-
Between one and five years	<b>23,878</b>	36,580

### **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 period to The Chameleon Pub Company of £476,006 (2005: £569,338). The outstanding debtor balance at the period end date with The Chameleon Pub Company is £17,523 (2005: £15,194).

A management fee of £17,738 (2005: £12,940) was charged to The Chameleon Pub Company in the period.

### **23 Ultimate controlling party**

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