

New Century Inns Limited
Annual report and accounts
for the 52 weeks ended 26 September 2004

Registered Number 3726909



New Century Inns Limited
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Contents

Directors' report for the 52 weeks ended 26 September 2004	1
Independent auditors' report to the members of New Century Inns Limited	3
Profit and loss account for the 52 weeks ended 26 September 2004	4
Balance sheet as at 26 September 2004	5
Cash flow statement for the 52 weeks ended 26 September 2004	6
Statement of accounting policies	7
Notes to the financial statements for the 52 weeks ended 26 September 2004	8

New Century Inns Limited

Directors' report for the 52 weeks ended 26 September 2004

The directors present their report and the audited financial statements of the company for the 52 weeks ended 26 September 2004.

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 £539,879 (2003: £616,132). The directors do not recommend the payment of a dividend (2003: £Nil).

Directors and their interests

The directors of the company during the period were:

A G Arkley

B E Lowe

I T Perrett (resigned 21 September 2004)

B Whitehead

Directors' shareholdings at the period end:

	26 September 2004	28 September 2003		
	Ordinary	A Ordinary	B Ordinary	Preference
A G Arkley	82,090	*15,416	41,500	427,450
B E Lowe	77,269	*15,417	38,500	396,550
B Whitehead	47,549	*15,417	20,000	206,000

* Includes 5,000 shares held jointly

Acquisition of own shares

On 16 August 2004 the company made a permissible capital payment of £1,048,788 to redeem 33,750 ordinary shares with a nominal value of £33,750. This represented 12.95% 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 26 September 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

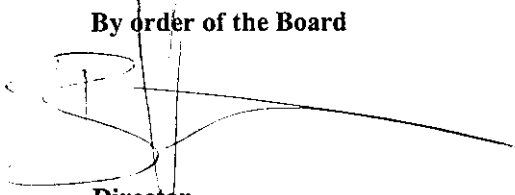
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 handwritten signature in black ink, consisting of a large, stylized 'S' or 'C' shape with a long horizontal stroke extending to the right.

Director

19 January 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 26 September 2004 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
19 January 2005

New Century Inns Limited

Profit and loss account for the 52 weeks ended 26 September 2004

	Note	2004 £	2003 £
Turnover		5,286,831	4,685,504
Cost of sales		(2,772,286)	(2,441,041)
Gross profit		2,514,545	2,244,463
Administrative expenses		(858,958)	(801,523)
Operating profit	1	1,655,587	1,442,940
Interest receivable and similar income	4	442	608
Interest payable and similar charges	5	(1,116,150)	(827,416)
Profit on ordinary activities before taxation		539,879	616,132
Tax on profit on ordinary activities	6	(180,468)	(212,893)
Retained profit for the year	15	359,411	403,239

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 26 September 2004

	Note	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	7		16,205,106		13,963,351
Current assets					
Assets held for resale	8	267,204		296,509	
Debtors	9	261,843		242,365	
Cash at bank and in hand		183		7	
		529,230		538,881	
Creditors: amounts falling due within one year	10	(1,784,165)		(1,002,813)	
Net current liabilities			(1,254,935)		(463,932)
Total assets less current liabilities			14,950,171		13,499,419
Creditors: amounts falling due after more than one year	11		(13,130,518)		(11,130,626)
Provisions for liabilities and charges	13		(559,716)		(379,248)
			1,259,937		1,989,545
Capital and reserves					
Called up share capital	14		226,908		210,300
Share premium account	15		1,041,354		1,019,700
Other reserve	15		-		765,199
Profit and loss account	15		(8,325)		(5,654)
Shareholders' funds	16		1,259,937		1,989,545
Shareholders' funds represented by:					
Equity			1,259,937		194,346
Non-equity			-		1,795,199
			1,259,937		1,989,545

The financial statements on pages 4 to 17 have been approved by the Board of Directors on 19 January 2005 and signed on their behalf by:


A. Arkley
Director

New Century Inns Limited

Cash flow statement for the 52 weeks ended 26 September 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	17	2,110,950	1,484,661
Returns on investments and servicing of finance			
Interest received		442	608
Interest paid		(1,298,150)	(597,143)
Issue cost of new bank loan		-	(62,500)
Net cash outflow from returns on investments and servicing of finance		(1,297,708)	(659,035)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,304,896)	(2,222,452)
Net cash outflow from capital expenditure and financial investment		(2,304,896)	(2,222,452)
Net cash outflow before financing		(1,491,654)	(1,396,826)
Financing			
Acquisition of own shares		(1,048,788)	-
Costs associated with acquisition of own shares		(40,231)	-
Increase in borrowings		2,399,892	1,315,623
Net cash inflow from financing		1,310,873	1,315,623
Decrease in cash	19	(180,781)	(81,203)

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 26 September 2004

1 Operating profit

	2004	2003
	£	£
<hr/>		
Operating profit is stated after charging/(crediting) the following:		
Auditors' remuneration - audit services	4,700	4,600
Auditors' remuneration - non audit services	13,850	15,725
Depreciation of owned fixed assets	59,301	56,536
Depreciation of leased fixed assets	3,840	2,420
Operating lease rental - other	22,892	23,151
Operating lease rental - plant and machinery	47,816	43,894
Restructuring costs	-	55,000
Rent receivable	(1,116,647)	(964,296)
	<hr/>	<hr/>

Restructuring costs relate to costs associated with changing the company's capital structure.

2 Staff costs

	2004	2003
	£	£
<hr/>		
Wages and salaries	485,561	388,957
Social security costs	51,590	48,081
Pension costs	75,838	55,137
	<hr/>	<hr/>
	612,989	492,175
	<hr/>	<hr/>

The average number of persons employed during the period was 14 (2003: 13).

New Century Inns Limited

3 Directors' emoluments

	2004	2003
	£	£
Emoluments (excluding pension contributions)	354,193	291,662

Contributions to money purchase schemes in respect of four directors were £41,836 (2003: £34,725 in respect of four directors).

The emoluments of the highest paid director were £136,339 (2003: £91,320) and the contributions to a money purchase scheme were £21,510 (2003: £13,718)

4 Interest receivable and similar income

	2004	2003
	£	£
Bank interest	442	608

5 Interest payable and similar charges

	2004	2003
	£	£
Finance lease interest	582	582
Interest payable on bank loans and overdrafts	684,332	515,991
Other interest	25,830	16,184
Interest payable on mezzanine loans	165,632	157,659
Exit premium accruing on mezzanine loans	239,774	137,000
	1,116,150	827,416

New Century Inns Limited

6 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2004	2003
	£	£
UK corporation tax at 30% (2003: 30%):		
- current (note 6b)	-	-
Deferred taxation:		
- Current year	182,922	217,210
- Prior year	(2,454)	(4,317)
Tax on profit on ordinary activities	180,468	212,893

(b) Factors affecting tax charge for the period

	2004	2003
	£	£
Profit on ordinary activities before tax	539,879	616,132
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	161,964	184,840
Expenses not deductible for tax purposes	20,958	32,371
Capital allowances in excess of depreciation	(208,935)	(205,508)
Short term timing differences	(54,600)	36,180
Tax losses unutilised/(utilised) in the period	80,613	(47,883)
Current tax charge for the period (Note 6a)	-	-

(c) Factors that may affect future tax charges

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

New Century Inns Limited

7 Tangible fixed assets

	Freehold land and buildings £	Office equipment £	Total £
Cost			
At 29 September 2003	14,032,823	66,754	14,099,577
Additions	2,301,823	3,073	2,304,896
At 26 September 2004	16,334,646	69,827	16,404,473
Depreciation			
At 29 September 2003	115,521	20,705	136,226
Charge for period	49,956	13,185	63,141
At 26 September 2004	165,477	33,890	199,367
Net book value			
At 26 September 2004	16,169,169	35,937	16,205,106
At 29 September 2003	13,917,302	46,049	13,963,351

Included in the aforementioned fixed assets are office equipment purchased under finance lease contract with a net book value of £12,120 (2003: £15,960) on which depreciation of £3,840 (2003: £2,420) was charged in the year.

8 Assets held for resale

	2004 £	2003 £
Assets held for resale	267,204	296,509

9 Debtors

	2004 £	2003 £
Trade debtors	217,064	182,746
Other debtors	27,835	34,079
Prepayments	16,944	25,540
	261,843	242,365

New Century Inns Limited

10 Creditors: amounts falling due within one year

	2004	2003
	£	£
Bank loan (note 12)	400,000	-
Bank overdraft (note 12)	208,263	27,306
Trade creditors	424,289	348,235
Other tax and social security	64,039	23,071
Other creditors	392,704	332,757
Finance leases (note 12)	3,676	3,676
Accruals and deferred income	291,194	267,768
	1,784,165	1,002,813

11 Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Bank loan (note 12)	13,122,247	9,181,679
Mezzanine loan (note 12)	-	1,937,000
Finance leases (note 12)	8,271	11,947
	13,130,518	11,130,626

New Century Inns Limited

12 Loan capital and other borrowings repayment statement

	2004	2003
	£	£
Bank loans and overdraft	13,730,510	9,208,985
Mezzanine loan	-	1,937,000
Finance leases	11,947	15,623
	13,742,457	11,161,608
Maturity of debt		
Within one year or on demand	611,939	30,982
Between one and two years	403,676	3,676
Between two and five years	12,726,842	11,126,950
After more than five years		-
	13,742,457	11,161,608

The bank and mezzanine 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.

The mezzanine loans were repaid during the year which resulted in an exit premium of £239,774 (see note 5) being paid.

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

13 Provisions for liabilities and charges

Deferred tax provided in the accounts is as follows:

	2004	2003
	£	£
Excess of capital allowances over depreciation	703,550	495,659
Short term timing differences	-	(54,600)
Losses	(143,834)	(61,811)
Total	559,716	379,248

New Century Inns Limited

Reconciliation of movement in deferred tax:

	£
Balance at 28 September 2003	379,248
Charge to profit and loss account	180,468
Balance at 26 September 2004	559,716

14 Called up share capital

	2004	2003
	£	£
Authorised		
Ordinary shares at £1	260,658	-
"A" ordinary shares at £1	-	100,000
"B" ordinary shares at £1	-	100,000
Convertible preference shares at 1p	-	10,300
	260,658	210,300
Issued and fully paid up		
Ordinary shares at £1	226,908	-
"A" ordinary shares at £1	-	100,000
"B" ordinary shares at £1	-	100,000
Convertible preference shares at 1p	-	10,300
	226,908	210,300

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

On 30 June 2004, 1,030,000 convertible preference shares of 1p each were converted into 10,300 "A" ordinary shares of £1 each. The premium on conversion of the shares amounted to £1,036,692 and this amount has been transferred from the other reserve to the share premium account.

On 30 June 2004 the company made a bonus issue of 50,358 "A" ordinary shares. These shares were issued for £Nil consideration.

On 6 July 2004 the "A" and "B" ordinary shares were converted at par into ordinary shares at £1 each

On 21 September 2004 the company acquired 33,750 of its own ordinary shares for £1,048,788. As the company did not have distributable reserves to make the acquisition the payment was made out of capital in accordance with sections 171 to 177 of the Companies Act 1985.

New Century Inns Limited

15 Reserves

	Share premium account	Other reserve	Profit and loss account	Total
	£	£	£	£
At 29 September 2003	1,019,700	765,199	(5,654)	1,779,245
Transfer to other reserve	-	271,493	(271,493)	-
Transfer to share premium	1,036,692	(1,036,692)	-	-
Bonus share issues	-	-	(50,358)	(50,358)
Acquisition of own shares	(1,015,038)	-	-	(1,015,038)
Costs relating to acquisition of own shares	-	-	(40,231)	(40,231)
Retained profit	-	-	359,411	359,411
At 26 September 2004	1,041,354	-	(8,325)	1,033,029

16 Reconciliation of movement in shareholders' funds

	2004	2003
	£	£
At 29 September 2003	1,989,545	1,586,306
Acquisition of own shares	(1,048,788)	-
Costs relating to acquisition of own shares	(40,231)	-
Profit for the period	359,411	403,239
At 26 September 2004	1,259,937	1,989,545

New Century Inns Limited

17 Net cash inflow from operating activities

	2004	2003
	£	£
Operating profit	1,655,587	1,442,940
Depreciation charge	63,141	58,956
Increase in assets held for resale	29,305	(120,494)
Increase in debtors	(19,478)	(10,523)
Increase in creditors	382,395	113,782
Net cash inflow from continuing operations	2,110,950	1,484,661

18 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
Decrease in cash in the year	(180,781)	(81,203)
Net movement in borrowings	(2,399,892)	(1,253,123)
Change in net debt resulting from cash flow	(2,580,673)	(1,334,326)
Non-cash changes	-	(147,568)
Movement in net debt in the year	(2,580,673)	(1,481,894)

19 Analysis of changes in net debt

	At 28 September 2003	Cash flow	Non-cash changes	At 26 September 2004
	£	£	£	£
Cash at bank and in hand	7	176	-	183
Bank overdraft	(27,306)	(180,957)	-	(208,263)
	(27,299)	(180,781)	-	(208,080)
Debt due after one year	(11,130,626)	(2,399,892)	-	(13,530,518)
Debt due within one year	(3,676)	-	-	(3,676)
	(11,134,302)	(2,399,892)	-	(13,534,194)
Total	(11,161,601)	(2,580,673)	-	(13,742,274)

New Century Inns Limited

20 Operating leases

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

	2004	2003
	£	£
Land and buildings		
Within one year	18,775	31,296
Others		
Within one year	520	-
Between one and five years	33,810	48,522

21 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 £590,061 (2003: £587,336). The outstanding debtor balance at the year-end date with The Chameleon Pub Company is £12,018 (2003: £27,523).

22 Ultimate controlling party

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