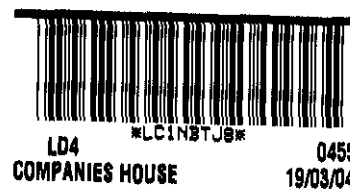


Registered number
4524261

Sapphire Food South West No.2 Limited

Report and Accounts

30 September 2003



Sapphire Food South West No.2 Limited
Report and accounts
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Sapphire Food South West No.2 Limited
Company Information

Directors

Mr I M Livingstone
Mr C King

Secretary

Mr R N Luck

Registered Office

St Alphage House
2 Fore Street
London
EC2Y 5DH

Auditors

Hacker Young
168 Church Road
Hove
East Sussex
BN3 2DL

Registered number
4524261

Sapphire Food South West No.2 Limited

Directors' Report

The directors present their report and accounts for the period from incorporation on 2 September 2002 to 30 September 2003.

Principal activities and review of the business

The company commenced trading on 7 October 2002 as a commercial property investment company. The directors consider the financial position at 30 September 2003 to be satisfactory.

Results and dividends

The results for the period are set out in the profit and loss account on page 5. The directors do not recommend the payment of any dividends.

Directors

The directors who served during the period were:

Mr P Fenney	(appointed 2 September 2002, resigned 29 November 2002)
Ms K Forrester	(appointed 2 September 2002, resigned 19 December 2002)
Mr R Parker	(appointed 5 December 2002, resigned 19 December 2002)
Mr I A Payne	(appointed 3 September 2002, resigned 19 December 2002)
Mr I M Livingstone	(appointed 19 December 2002)
Mr C King	(appointed 19 December 2002)

The directors had no interest in the ordinary shares of the company at any time during the period.

Auditors

The Company passed an Elective Resolution during the period, pursuant to Section 386 of the Companies Act 1985, electing to dispense with the obligation to re-appoint auditors annually. The resolution remains in force.

This report was approved by the board on 12 March 2004.

Mr R N Luck



Secretary

Sapphire Food South West No.2 Limited
Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Sapphire Food South West No.2 Limited

Independent auditors' report to the shareholders of Sapphire Food South West No.2 Ltd

We have audited the accounts of Sapphire Food South West No.2 Ltd for the period from 2 September 2002 to 30 September 2003 which comprise pages 5 to 12. These accounts have been prepared under the historical cost convention as modified for the revaluation of fixed assets and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 September 2003 and of its profit for the period from 2 September 2002 to 30 September 2003 and have been properly prepared in accordance with the Companies Act 1985.


Hacker Young

Chartered Accountants and Registered Auditors

168 Church Road
Hove
East Sussex
BN3 2DL

12 March 2004

Sapphire Food South West No.2 Limited
Profit and Loss Account
for the period from 2 September 2002 to 30 September 2003

	Notes	Period to 30/09/2003 £
Turnover	2	1,904,014
Net operating expenses	3	(74,793)
Operating profit	4	<u>1,829,221</u>
Interest receivable		-
Interest payable	5	(1,668,115)
Profit on ordinary activities before taxation		<u>161,106</u>
Tax on profit on ordinary activities	6	-
Profit for the period		<u>161,106</u>
Retained profit for the period	14	<u>161,106</u>

Sapphire Food South West No.2 Limited
Statement of total recognised gains and losses
for the period from 2 September 2002 to 30 September 2003

	Notes	Period to 30/09/2003 £
Profit for the period	14	161,106
Total recognised gains and losses related to the period		<u>161,106</u>

Sapphire Food South West No.2 Limited
Balance Sheet
as at 30 September 2003

	Notes	2003 £
Fixed assets		
Investment properties	7	26,220,769
		<u>26,220,769</u>
Current assets		
Debtors	8	1,010,090
Cash at bank and in hand		-
		<u>1,010,090</u>
Creditors: amounts falling due within one year	9	(3,331,632)
Net current liabilities		<u>(2,321,542)</u>
Total assets less current liabilities		23,899,227
Creditors: amounts falling due after more than one year	10	(23,722,712)
		<u>176,515</u>
Capital and reserves		
Called up share capital	12	2,000
Share premium	13	13,409
Profit and loss account	14	161,106
Shareholder's funds:		
Equity		174,715
Non-equity		1,800
	15	<u>176,515</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.



Mr C King
Director

Approved by the board on 12 March 2004

Sapphire Food South West No.2 Limited
Notes to the Accounts
for the period from 2 September 2002 to 30 September 2003

1 Accounting policies

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies which have been consistently applied are given below.

Accounting convention

The accounts have been prepared under the historical cost convention as modified for the revaluation of fixed assets and in accordance with applicable accounting standards.

Depreciation

Compliance with the Statement of Standard Accounting Practice (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation for the departure is given below.

Investment Properties

In accordance with SSAP 19, investment properties are revalued annually and the surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with SSAP 19 and the director considers that to depreciate would not give a true and fair view.

Cash flow statement

The company has taken advantage of the exemption permitted by Financial Reporting Standard 1, whereby a cash flow statement need not be prepared by a small company as defined in the Companies Act 1985.

Turnover

Turnover represents rental income, net of value added tax.

2 Turnover

The total turnover for the company for the period has been derived from its principal activity, wholly undertaken in the UK.

3 Net Operating Expenses

**Period to
30/09/2003
£**

Property expenses	9,487
Administrative expenses	65,306
	<hr/>
	74,793

Sapphire Food South West No.2 Limited
Notes to the Accounts
for the period from 2 September 2002 to 30 September 2003

	Period to 30/09/2003 £
4 Operating profit	
Operating profit is stated after charging:	
Auditors remuneration	<u>1,600</u>

	Period to 30/09/2003 £
5 Interest payable	
On borrowings not wholly repayable within five years	1,322,849
On loans from former related undertakings	<u>345,266</u>
	<u>1,668,115</u>

6 Taxation

No tax has been provided for due to the availability of losses through group relief.

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its open market value. Such tax would only become payable if the property were sold. The directors have no intention of selling the property and therefore, at present, it is not envisaged that any tax will become payable in the foreseeable future.

	2003 £
7 Investment Properties	
Valuation	
Additions	26,220,769
At 30 September 2003	<u>26,220,769</u>
 Cost	 <u>26,220,769</u>

The investment properties are all held on long leases and were valued by the directors on an open market value basis at 30 September 2003.

	2003 £
8 Debtors	
Amounts owed by related undertakings	479,214
Prepayments and accrued income	<u>530,876</u>
	<u>1,010,090</u>

Sapphire Food South West No.2 Limited
Notes to the Accounts
for the period from 2 September 2002 to 30 September 2003

9 Creditors: amounts falling due within one year	2003
	£
Bank loans (see note 10)	267,870
Amounts owed to related undertakings	2,102,563
Other taxes and social security costs	86,349
Accruals and deferred income	874,850
	<u>3,331,632</u>

10 Creditors: amounts falling due after one year	2003
	£
Bank loan	<u>23,722,712</u>

A loan for £19,971,898 is repayable from surplus rents and by a bullet in December 2009 and bears interest at an effective fixed rate of 6.56% per annum. A loan for £4,018,684 is repayable by a bullet in December 2009 and bears interest at an effective fixed rate of 9.21% per annum.

11 Loans	2003
	£
Loans not wholly repayable within five years:	
Loan (see note 10)	<u>23,990,582</u>
Analysis of maturity of debt:	
Within one year or on demand	267,870
Between one and two years	293,254
Between two and five years	1,110,630
After five years	22,318,828
	<u>23,990,582</u>

The loans are secured by fixed charges over the investment properties.

12 Share capital	2003
	£
Authorised:	
Ordinary shares of £1 each	500,000
Deferred shares of £1 each	500,000
	<u>1,000,000</u>

	2003	2003
	No.	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	200	200
Deferred shares of £1 each	1,800	1,800
		<u>2,000</u>

Sapphire Food South West No.2 Limited
Notes to the Accounts
for the period from 2 September 2002 to 30 September 2003

	Period to 30/09/2003 £
Movement in share capital	
Shares issued	2,000
At 30 September 2003	<u>2,000</u>

On incorporation of the company 100 ordinary shares of £1 each and 900 deferred shares of £1 each were issued at par for cash.

On 7 October 2002 the company issued 100 ordinary shares of £1 each at a premium of £134.09 per share and 900 deferred shares of £1 each at par as consideration for the acquisition of the property portfolio business from Sapphire Property Portfolios Limited. No goodwill arose on the acquisition and no fair value adjustments were necessary to the book value of the assets and liabilities acquired. The book value of the assets and liabilities acquired were as follows:

	£
Tangible fixed assets	26,220,769
Prepayments	4,844
Cash	286,844
Inter-company creditor	
Debt principal	(26,220,769)
Accrued interest	(144,638)
Deferred income	(132,641)
Net assets acquired	<u>14,409</u>
Fair value of shares issued	<u>14,409</u>

The book and fair value of the inter-company debt principal acquired reflects a waiver of inter-company debt made by The Laurel Pub Company Ltd as follows:

	£
Contractual amount due	(26,800,000)
Waiver	579,231
Net amount due after waiver	<u>(26,220,769)</u>

13 Share premium	2003 £
Shares issued	13,409
At 30 September	<u>13,409</u>

Sapphire Food South West No.2 Limited
Notes to the Accounts
for the period from 2 September 2002 to 30 September 2003

14 Profit and loss account	2003
	£
Retained profit	161,106
At 30 September 2003	<u>161,106</u>

15 Reconciliation of movement in shareholder's funds	2003
	£
Profit for the financial period	161,106
Shares issued	15,409
At 30 September 2003	<u>176,515</u>

16 Related party transactions

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

17 Parent undertaking

The company is wholly owned by LR Pubs Holdings B Ltd, a company incorporated and registered in England and Wales. The ultimate parent undertaking is Nutmeg Limited, a company incorporated in Guernsey, Channel Islands.