

Freshwild Limited

Directors' Report and Accounts

27 April 2003

Registered in England, number 4555609



Freshwild Limited

Directors' Report and Accounts

<i>Contents</i>	<i>Page</i>
Report of the Directors	1
Statement of Directors' responsibilities in respect of financial statements	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

Freshwild Limited

Report of the Directors

The directors present their annual report and the audited accounts for the period from incorporation on 7 October 2002 until 27 April 2003.

Principal activity

The principal activity of the company during the period was the operation of pubs and pub restaurants in the United Kingdom.

Financial review

The retained profit for the period amounted to £199,489. The directors do not recommend the payment of a dividend.

Review of operations

On 27 January 2003 the company acquired 195 pubs from another group company for a total consideration, including working capital, of £220,423,085 and commenced trading on that date. Additional consideration representing the excess, if any, of the market value over the book value to be established within twelve months of the transfer, may be payable.

On 28 April 2003 Scottish & Newcastle plc announced that it had decided to pursue actively a sale of the whole of the managed retail business, with completion targeted before the end of 2003. The company forms part of the group's managed retail business.

Directors and their interests

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

R W Crichton (appointed 14 October 2002)

Instant Companies Limited (appointed 7 October 2002; resigned 14 October 2002)

J Laurie (appointed 14 October 2002)

J S Leslie (appointed 14 October 2002)

C J Ripper (appointed 14 October 2002)

None of the directors who served during the period had any disclosable interest in the shares of the company.

The directors' interests in the 20p ordinary shares of Scottish & Newcastle plc, (including options granted under the terms of the United Kingdom employee share schemes to subscribe for ordinary shares), were as follows:

	Ordinary shares		Options	
	2003	2002*	2003	2002*
R W Crichton	14,268	14,268	113,545	81,519
J Laurie	74,792	60,183	128,162	93,611
J S Leslie	1,920	1,872	134,753	101,588
C J Ripper	5,483	3,323	182,257	139,705

Movements in option holdings

	Options held at 28 April 2002*	Issued during the year	Exercised during the year	Lapsed during the year	Options held at 27 April 2003
R W Crichton	81,519	32,026	-	-	113,545
J Laurie	93,611	34,551	-	-	128,162
J S Leslie	101,588	33,165	-	-	134,753
C J Ripper	139,705	42,552	-	-	182,257

* at date of appointment

Freshwild Limited

Report of the Directors (continued)

Employee relations and involvement

The company is firmly committed to the principles of employee involvement. A full range of briefing, consultation and bargaining arrangements have been developed in all parts of the company and these are subject to continuous review and improvement.

The company encourages the involvement of its employees in the performance of the company through the employee share scheme.

Disabled persons

Full and fair consideration has been given to applications for employment made by disabled persons and appropriate training, career development and promotion have been provided in all cases. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

Payment of suppliers

The company agrees terms and conditions with suppliers before business takes place. The company's policy and practice is to pay agreed invoices in accordance with the terms of payment. At the year end the amount owed to trade creditors by the company was equivalent to 3 days of purchases from suppliers.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be submitted at the forthcoming annual general meeting.

By order of the Board



M Stevens
Secretary

Lakeside House
The Lakes
Northampton
NN4 7SN

15 September 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required by law to prepare financial statements which 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 profits for that year. They are also responsible for ensuring that proper and adequate accounting records have been kept and that appropriate procedures have been followed for safeguarding Company assets and preventing and detecting fraud and other irregularities. Appropriate accounting policies which follow generally accepted accounting practice have been applied consistently in the preparation of the financial statements and reasonable and prudent judgements and estimates have been made. The financial statements have been prepared on a going concern basis.

Freshwild Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRESHWILD LIMITED

We have audited the company's financial statements for the period ended 27 April 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of 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 auditors' 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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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 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 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 affairs of the company as at 27 April 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Edinburgh

15 September 2003

Freshwild Limited

Profit and Loss Account for the period ended 27 April 2003

	<i>Note</i>	Period ended 27 April 2003 £
Turnover	2	26,391,800
Net operating costs	3	(21,471,905)
Operating profit		<u>4,919,895</u>
Net Interest payable	6	(2,471,345)
Profit on ordinary activities before taxation		<u>2,448,550</u>
Taxation charge on profit on ordinary activities	7	(2,249,061)
Profit attributable to ordinary shareholders retained	16	<u>199,489</u>

There are no recognised gains and losses for the current financial period other than the profit of £199,489 shown above.

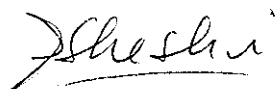
Freshwild Limited

Balance Sheet

At 27 April 2003

		27 April 2003	
	Note	£	£
Fixed assets			
Intangible assets	8		2
Tangible assets	9	220,589,725	
Investments	10		90
			<hr/>
			220,589,817
Current assets			
Stocks	11	251,276	
Debtors	12	1,187,701	
Cash		18,924,612	
		<hr/>	
		20,363,589	
Creditors: amounts falling due within one year	13	(239,428,745)	
		<hr/>	
Net current liabilities			(219,065,156)
			<hr/>
Total assets less current liabilities			1,524,661
Provisions for liabilities and charges	14	(1,315,082)	
		<hr/>	
			209,579
			<hr/>
Capital and reserves			
Called up share capital	15		10,090
Profit and loss account	16		199,489
			<hr/>
			209,579
			<hr/>

These accounts were approved by the Board of Directors on 15 September 2003 and were signed on its behalf by:



J S Leslie
Director

Freshwild Limited

Notes to the accounts

1. Accounting Policies

Basis of preparation

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

The accounts will normally be drawn up for the period of 52 weeks (53 weeks when necessary) ending on the Sunday nearest 30 April.

The company has taken advantage of exemptions under FRS1 and has not prepared a cash flow statement.

The company has taken advantage of exemptions under FRS8 and has not disclosed certain related party transactions.

The company is exempt from the requirement to produce group accounts by the Companies Act 1985 section 228. The financial statements present information about the company as an individual undertaking and not about its group.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets in equal annual instalments over the expected useful economic lives of the assets.

Freehold land is not depreciated.

Freehold buildings are depreciated to their estimated residual values over the following periods:

- Licensed buildings - 50 years

Buildings held on lease are depreciated over the shorter of 50 years or the unexpired term of the lease.

Other tangible assets are written off over their estimated useful life as follows:

Fittings:

- Licensed and related properties - 5 to 15 years

Vehicles, plant and equipment:

- Commercial vehicles and private cars - 3 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stock valuation

Stocks are stated at the lower of cost or net realisable value.

Freshwild Limited

Notes to the accounts (continued)

Pension and other post retirement benefits

The expected cost of pensions in respect of defined benefit pensions schemes is charged to the profit and loss account so as to spread the cost of pensions over the expected remaining service lives of employees in the scheme.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are included in the balance sheet as fixed assets at cost less depreciation. The capital element of future rentals is treated as a liability. The interest element is charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Deferred taxation

Deferred taxation is provided, without discounting, on all timing differences which have originated but not reversed at the balance sheet date except for those which should not be recognised under FRS19, calculated at the enacted rates at which it is estimated that tax will be payable. Deferred taxation assets are only recognised to the extent that it is more likely than not that they will be recovered.

Turnover

Turnover comprises sales, including recovery of duty where appropriate, and rent receivable excluding VAT and property disposals.

2. Turnover

	2003 £
Sales	25,836,725
Rental income	555,075
	<hr/> 26,391,800 <hr/>

The turnover of the company for the period is attributable to the single continuing activity of the operation of pubs and pub restaurants which was carried out in the United Kingdom.

3. Net operating costs

	2003 £
Cost of sales	8,020,694
Staff costs (note 5)	4,508,560
Depreciation	1,081,377
Other operating costs	7,861,274
	<hr/> 21,471,905 <hr/>

Operating lease costs on property for the period amounted to £9,542.

Fees in respect of services provided by the auditors for the statutory audit of the company and other services were paid on behalf of the company by its ultimate parent company Scottish and Newcastle plc. Fees paid by the company to the auditors in respect of non-audit services during the period were £nil.

Freshwild Limited

Notes to the accounts (continued)

4. Remuneration of Directors

The directors of the company have contracts of employment with the ultimate parent company, Scottish & Newcastle plc or other fellow group undertakings. They are also directors of other companies within the group. The directors received total remuneration for the year of £1,055,806, all of which was paid by the ultimate parent company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the other companies.

5. Staff numbers and costs

The average number of persons engaged in the business by the company during the period was 1,698. The aggregate payroll cost of these persons was £4,508,560 which can be analysed as follows:

	2003 £
Wages and salaries	4,221,622
Social security costs	246,734
Pension costs	40,204
	<hr/>
	4,508,560

FRS 17

The SSAP 24 actuarial information is disclosed in the Scottish & Newcastle plc accounts.

FRS17 has not yet been implemented. The pension schemes are defined benefit schemes but are part of the S&N Group schemes. The company is unable to identify its share of the underlying assets and liabilities of the schemes. Consequently, the company will, under FRS 17, account for the schemes as defined contribution schemes.

In the transition period certain disclosures are required which are included below.

The principal actuarial assumptions were:

	2003	2002
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions	2.5%	2.5%
Discount rate	5.6%	6.0%
Inflation rate	2.5%	2.5%

The value of assets and liabilities were as follows:

	2003 £m	2002 £m
Total market value of assets	1,277.0	1,506.0
Present value of scheme liabilities	(1,948.6)	(1,774.8)
Deficit in the scheme	(671.6)	(268.8)

6. Net Interest payable

	2003 £
Interest payable to Group undertakings	4,942,690
Interest receivable from Group undertakings	(2,471,345)
	<hr/>
	2,471,345

Freshwild Limited

Notes to the accounts (continued)

7. Taxation on profit on ordinary activities

	2003 £
(i) Tax Charge	
Corporation Tax - current year	933,979
Deferred tax - origination and reversal of timing differences	(74,179)
- arising on inter company transfers	1,389,261
	<hr/> 2,249,061 <hr/>

	2003 £
(ii) Tax reconciliation	
Profit on ordinary activities before taxation	2,448,550
Notional tax charge at UK corporation tax rate of 30%	734,565
Permanent items	125,235
Fixed assets and other timing differences	74,179
	<hr/> 933,979 <hr/>

8. Intangible assets

	Goodwill £
Cost	
At 7 October 2002	-
Acquired during period	2
	<hr/> 2 <hr/>
At 27 April 2003	2
Amortisation	
At 7 October 2002	-
Charge for period	-
	<hr/> - <hr/>
At 27 April 2003	-
Net Book Value	
At 7 October 2002	-
	<hr/> - <hr/>
At 27 April 2003	2
	<hr/> 2 <hr/>

Goodwill is amortised over 20 years.

Freshwild Limited

Notes to the accounts (continued)

9. Tangible fixed assets

	Licensed and Related Properties and Fittings £	Plant, Vehicles and Equipment £	Total £
Cost or valuation			
At 7 October 2002	-	-	-
Transfers from other group undertakings	261,612,962	5,905	261,618,867
Additions	1,967,758	-	1,967,758
At 27 April 2003	263,580,720	5,905	263,586,625
Depreciation			
At 7 October 2002	-	-	-
Transfers from other group undertakings	41,873,110	1,863	41,874,973
Charge for period	1,081,081	296	1,081,377
Accelerated depreciation	40,550	-	40,550
At 27 April 2003	42,994,741	2,159	42,996,900
Net book value			
At 7 October 2002	-	-	-
At 27 April 2003	220,585,979	3,746	220,589,725

The net book value of properties comprises:

	Licensed and Related Properties and Fittings 2003 £
Freehold	201,303,704
Long leasehold over 50 years	18,724,426
Short leasehold less than 50 years	557,849
	220,585,979

10. Investments

	2003 £
At 7 October 2002	-
Acquired during period	90
At 27 April 2003	90

On 14 October 2002 the company acquired 1 ordinary share in the capital of Mountloop Limited for £1. On 25 October 2002 the company acquired 89 ordinary shares in the capital of Mountloop Limited for £89. Together with the company's existing shareholding this represented 90% of the ordinary issued share capital of Mountloop Limited.

Freshwild Limited

Notes to the accounts (continued)

11. Stocks

Stocks of £251,276 are all stocks of finished goods.

12. Debtors

	2003 £
Trade debtors	13,907
Prepayments	668,824
Amounts due from Group undertakings	504,970
	<hr/>
	1,187,701

13. Creditors: amounts falling due within one year

	2003 £
Amounts due to Group undertakings	238,454,717
Accruals and deferred income	19,009
Corporation tax	933,979
Other creditors	21,040
	<hr/>
	239,428,745

Included in amounts owed to Group undertakings are amounts of £220,242,044 payable to Huggins & Company Limited, £10,785,867 payable to Cleveland Place Holdings PLC, and £7,426,806 payable to Chef & Brewer Group Limited. Although these amounts are payable on demand, each of these group companies have given an undertaking not to require repayment until all third party liabilities have been settled.

14. Provisions for liabilities and charges

	Deferred Tax £
Balance at 7 October 2002	-
Charged in profit and loss account	1,315,082
	<hr/>
Balance at 27 April 2003	1,315,082
	<hr/>
	2003 £
Accelerated capital allowances	(1,315,082)
	<hr/>
<u>Unprovided deferred tax</u>	
Rolled over gains	17,441,594

No provision has been made for deferred tax on gains on the sale of assets where potentially taxable gains have been rolled over into replacement assets. Such tax would only be payable if the assets were sold without it being possible to claim rollover relief or to utilise unrecognised capital losses.

Freshwild Limited

Notes to the accounts (continued)

15. Called up share capital

	Number of shares 2003	Amount £ 2003
<i>Authorised</i>		
Ordinary A shares of £1 each	2,500,000	2,500,000
Ordinary B shares of £1 each	7,500,000	7,500,000
	<hr/>	<hr/>
Ordinary shares of £1 each	10,000,000	10,000,000
	<hr/>	<hr/>
	Number of shares 2003	Amount £ 2003
<i>Allotted, called up & fully paid</i>		
Ordinary A shares of £1 each	90	90
Ordinary B shares of £1 each	10,000	10,000
	<hr/>	<hr/>
Ordinary shares of £1 each	10,090	10,090
	<hr/>	<hr/>

Ordinary A Shares

The holders of these shares are entitled to attend and vote at general meetings of the company. The holders of these shares are entitled to such dividend as the company or the directors shall declare or pay, including any dividend which the directors consider represents profits of the company in respect of a period prior to 31 March 2003. On a distribution of assets of the company on a winding up or other return of capital (other than a redemption or purchase by the company of its own shares), the holders of these shares shall be entitled to receive on a *pari passu* basis the amount paid up or credited as paid up in respect of the nominal value of the shares plus, pro rata to the number of these shares held, ninety-nine percent of the excess distribution amount.

Ordinary B Shares

The holders of these shares are entitled to attend and but not vote at general meetings of the company. The holders of these shares are entitled, in priority to the holders of any other class of share, to receive a cumulative fixed preferential cash dividend at the rate of five percent per annum on the nominal amount for the time being paid up or credited as being paid up thereon. The holders of these shares shall also be entitled to receive, pro rata to the shares held, a dividend equal to one ninety ninth of the amount of any class B dividend. On a distribution of assets of the company on a winding up or other return of capital (other than a redemption or purchase by the company of its own shares), the holders of these shares shall be entitled to receive on a *pari passu* basis the amount paid up or credited as paid up in respect of the nominal value of the shares plus, pro rata to the number of these shares held, one percent of the excess distribution amount.

16. Reconciliation of movements in shareholders' funds

	Share Capital £	Profit and Loss Account £	Total £
At 7 October 2002	-	-	-
Share capital issued	10,090	-	10,090
Profit attributable to ordinary shareholders	-	199,489	199,489
	<hr/>	<hr/>	<hr/>
At 27 April 2003	10,090	199,489	209,579
	<hr/>	<hr/>	<hr/>

Freshwild Limited

Notes to the accounts (continued)

17. Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made:

	2003
	£
Expenditure authorised and committed	930,096

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Land & Buildings
	2003
	£
<i>Operating leases which expire:</i>	
Within two to five years	3,900
Over five years	33,974
	<hr/> 37,874 <hr/>

18. Parent company

The ultimate parent undertaking, which is also the parent for the largest group of undertakings for which group accounts are drawn up and of which the company is a member, is Scottish & Newcastle plc, a company registered in Scotland.

Group accounts for this company may be obtained from the Company Secretary, Scottish & Newcastle plc, 33 Ellersly Road, Edinburgh, EH12 6HX.