

**COUSIN OF PUBMASTER LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**27 SEPTEMBER 1998**

**Registered number 2585754**



## **COUSIN OF PUBMASTER LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the period 29 December 1997 to 27 September 1998.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company has not traded during the period under review. It continues however, to be the vehicle through which property disposals to third parties are effected as part of the Group's "churn and invest" strategy.

During the period under review, disposal activity resulted in the sale of 67 public houses and a further 260 public houses within the Pubmaster group have been identified for future disposal.

### **RESULTS AND DIVIDENDS**

During the period under review the company made a profit before tax of £5,410,000 (1997: £53,567,000). The directors do not recommend the payment of a dividend (1997: £1,000,000).

### **DIRECTORS AND DIRECTORS' INTERESTS**

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

Mr MJ Armstrong

Mr DSM Hatton

Mr NA Sammons (appointed 3 August 1998)

Mr JR Sands

Mr AJ Vaughan (appointed 3 August 1998)

Since the period end Mr A J Vaughan ceased to be a director with effect from 28 February 1999.

The directors hold no beneficial interest in the shares of the company. The beneficial interests of the directors at the end of the period in the shares of the parent company, Pubmaster Group Limited, are disclosed in that company's accounts.

## **COUSIN OF PUBMASTER LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **YEAR 2000**

The company is addressing Year 2000 issues in its information technology systems utilising in-house resources. Any hardware containing embedded chips are currently being addressed. The costs incurred to date have been expensed during the year, whilst future costs are considered by the directors to be immaterial.

#### **AUDITORS**

The directors are to propose a resolution that PricewaterhouseCoopers be reappointed auditors of the company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse) to hold office until the conclusion of the next general meeting at which accounts are laid before the company and that their remuneration be fixed by the directors.

By order of the board



Secretary

23 March 1999

## **COUSIN OF PUBMASTER LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements 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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the board



Secretary

23 March 1999

## **AUDITORS' REPORT TO THE MEMBERS OF COUSIN OF PUBMASTER LIMITED**

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention, and the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

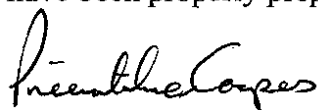
### **Basis of opinion**

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 as at 27 September 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

23 March 1999

## COUSIN OF PUBMASTER LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE PERIOD 29 DECEMBER 1997 TO 27 SEPTEMBER 1998

	29 December 1997 to 27 September 1998 £'000	12 months to 28 December 1997 £'000
<b>TURNOVER</b> (Notes 1(b), 2)	-	13,593
Operating costs (Note 3)	-	(11,439)
	<hr/>	<hr/>
<b>OPERATING PROFIT</b>	-	2,154
Profit on disposal of business (Note 6)	439	47,092
Loss on sale of fixed assets	(436)	(556)
	<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	3	48,690
Other interest receivable and similar income (Note 8)	5,407	5,871
Interest payable and similar charges (Note 9)	-	(994)
	<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 4)	5,410	53,567
Tax on profit on ordinary activities (Note 10)	(5,383)	(5,871)
	<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	27	47,696
Dividends (Note 11)	-	(1,000)
	<hr/>	<hr/>
<b>RETAINED PROFIT TRANSFERRED TO RESERVES</b> (Note 17)	27	46,696
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#### TOTAL RECOGNISED GAINS AND LOSSES

The company has no other recognised gains or losses, other than the result for the year. Therefore a statement of total recognised gains and losses has not been prepared.

#### HISTORICAL COST PROFITS AND LOSSES

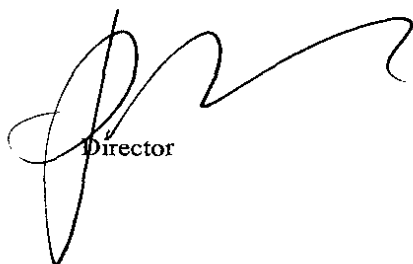
There is no difference between the historical cost profit and that stated above.

# COUSIN OF PUBMASTER LIMITED

## BALANCE SHEET – 27 SEPTEMBER 1998

	<u>27 September 1998</u>		<u>28 December 1997</u>	
	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Tangible assets (Note 12)		-		122
Investments (Note 13)		2		2
		<hr/>		<hr/>
		2		124
<b>CURRENT ASSETS</b>				
Debtors (Note 14)	100,958		64,071	
Cash at bank and in hand	<u>363</u>		<u>31,718</u>	
	101,321		95,789	
<b>CREDITORS: amounts falling due within one year (Note 15)</b>	<u>(12,254)</u>		<u>(6,871)</u>	
<b>NET CURRENT ASSETS</b>		89,067		88,918
		<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		89,069		89,042
		<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>				
Called up share capital (Note 16)	58,740		58,740	
Share premium account (Note 17)	13,102		13,102	
Profit and loss account (Note 17)	<u>17,227</u>		<u>17,200</u>	
		<hr/>		<hr/>
<b>EQUITY AND NON-EQUITY SHAREHOLDERS' FUNDS</b>		89,069		89,042
		<hr/>		<hr/>

The financial statements were approved by the board of directors on 23 March 1999 and were signed on its behalf by:



Director

**COUSIN OF PUBMASTER LIMITED**

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD 29 DECEMBER 1997 TO 27 SEPTEMBER 1998**

	1998 £'000	1997 £'000
<b>Profit for the financial period</b>	27	47,696
Dividends	-	(1,000)
	<hr/>	<hr/>
<b>Net movement in shareholders' funds</b>	27	46,696
Opening shareholders' funds	89,042	42,346
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	89,069	89,042
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of shareholders' funds</b>		
	1998 £'000	1997 £'000
Equity	30,685	30,658
Non-equity	58,384	58,384
	<hr/>	<hr/>
	89,069	89,042
	<hr/> <hr/>	<hr/> <hr/>



## **COUSIN OF PUBMASTER LIMITED**

### **NOTES TO THE ACCOUNTS – 27 SEPTEMBER 1998**

#### **1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts.

##### **(b) Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period under review.

##### **(c) Tangible fixed assets and depreciation**

Freehold land and licensed properties which are freehold or held on a lease with an unexpired life exceeding 50 years are not depreciated. This policy is adopted on the basis that the licensed properties are maintained in such condition that their value is not diminished by the passage of time. Having regard to this, the requirements of the Companies Act 1985 and relevant accounting standards, the directors are of the opinion that any element of depreciation would not be significant.

The cost or valuation of other assets is written off over their estimated useful economic lives as follows:

Short leasehold properties (less than 50 years lease term)	- life of lease (straight line)
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## **COUSIN OF PUBMASTER LIMITED**

### **NOTES TO THE ACCOUNTS - 28 DECEMBER 1998 (continued)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(d) Pensions costs**

The parent company of Cousin of Pubmaster Limited, Pubmaster Group Limited, operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme by group companies are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Details of the most recent actuarial valuation and contribution to the scheme can be found in the financial statements of Pubmaster Group Limited.

##### **(e) Taxation**

Taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability or asset will crystallise in the foreseeable future.

##### **(f) Cash flow statement**

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Pubmaster Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

##### **(g) Investments**

Investments held as fixed assets are carried at cost less any provision for permanent diminution in value.

## COUSIN OF PUBMASTER LIMITED

### NOTES TO THE ACCOUNTS – 27 SEPTEMBER 1998 (continued)

#### 2 ANALYSIS OF TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover in 1997 was derived wholly within the United Kingdom from the management of public houses.

#### 3 OPERATING COSTS

	29 December 1997 to 27 September 1998	12 months ended 28 December 1997
	£'000	£'000
Changes in stocks	-	(28)
Other external charges	-	7,018
Staff costs (see note 7)	-	1,860
Other operating charges	-	2,310
Depreciation	-	279
	<hr/>	<hr/>
<b>Total operating costs</b>	-	11,439
	<hr/>	<hr/>

#### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	29 December 1997 to 27 September 1998	12 months to 28 December 1997
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Auditors' remuneration:		
Audit	-	10
Other services	-	60
Rentals payable under operating leases		
Land and buildings	-	1,559
Plant and machinery	-	163
Rents receivable from property	-	(2,201)
	<hr/>	<hr/>

# COUSIN OF PUBMASTER LIMITED

## NOTES TO THE ACCOUNTS - 27 SEPTEMBER 1998 (continued)

### 5 REMUNERATION OF DIRECTORS

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
<b>Directors' emoluments:</b>		
Aggregate emoluments	-	49
	==	==

None of the director's received any remuneration for the period from the company. The directors are remunerated by Pubmaster Limited for services to group companies.

### 6 PROFIT ON DISPOSAL OF BUSINESS

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
Profit on sale of Inn Style Leisure Limited	439	2,765
Profit on transfer of assets	-	<u>44,327</u>
	439	47,092
	==	==

The additional profit recognised upon the sale of the shares in Inn Style Leisure Limited represents the finalisation of the net assets sold at completion and the release of sale proceeds held in escrow previously not recognised.

# COUSIN OF PUBMASTER LIMITED

## NOTES TO THE ACCOUNTS - 27 SEPTEMBER 1998 (continued)

### 7 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including executive directors) during the period of trading, analysed by category, was as follows:

	29 December 1997 to 27 <u>September 1998</u>	Number of employees 12 months to 28 <u>December 1997</u>
Administration	-	31
Retail:		
Full time	-	47
Part time	-	103
	<hr/>	<hr/>
	-	181
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
Wages and salaries	-	1,646
Social security costs	-	137
Other pension costs	-	77
	<hr/>	<hr/>
	-	1,860
	<hr/>	<hr/>

**COUSIN OF PUBMASTER LIMITED**

**NOTES TO THE ACCOUNTS - 27 SEPTEMBER 1998 (continued)**

**8 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
Group interest receivable on loans to parent and fellow subsidiary undertakings	4,381	5,810
Bank deposit interest	1,026	61
	<hr/>	<hr/>
	5,407	5,871
	<hr/>	<hr/>

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
Group interest payable on loans from parent and fellow subsidiary undertakings	-	950
Bank loans, overdrafts and other loans	-	44
	<hr/>	<hr/>
	-	994
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**10 TAXATION**

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
Group relief payable at 30% (1997: 31%) on the profit for the period on ordinary activities:		
- current year	5,383	5,871
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**COUSIN OF PUBMASTER LIMITED**

**NOTES TO THE ACCOUNTS – 27 SEPTEMBER 1998 (continued)**

**11 DIVIDENDS**

	29 December 1997 to 27 <u>September 1998</u> £'000	12 months to 28 <u>December 1997</u> £'000
Proposed final dividend	-	1,000
	<u>          </u>	<u>          </u>

**12 TANGIBLE FIXED ASSETS**

	Freehold land and buildings  £'000
<b>Cost and net book amount</b>	
At 29 December 1997	122
Additions	3,922
Disposals	(4,044)
	<u>          </u>
At 27 September 1998	-
	<u>          </u>

# COUSIN OF PUBMASTER LIMITED

## NOTES TO THE ACCOUNTS - 27 SEPTEMBER 1998 (continued)

### 13 FIXED ASSET INVESTMENTS

			Shares in subsidiary undertakings £'000
<b>Cost and net book amount</b>			
At 29 December 1997 and 27 September 1998			2
			<hr/>
The company owns the following subsidiary undertakings:			
Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Son of Pubmaster	England	Non-trading	Ordinary 100%
Daughter of Pubmaster	England	Non-trading	Ordinary 100%
The Local Pub Company	England	Non-trading	Ordinary 100%

### 14 DEBTORS

	<u>1998</u> £'000	<u>1997</u> £'000
Amounts owed by fellow subsidiary	100,519	64,071
Other debtors	439	-
	<hr/>	<hr/>
	100,958	64,071
	<hr/>	<hr/>



**COUSIN OF PUBMASTER LIMITED**

**NOTES TO THE ACCOUNTS – 27 SEPTEMBER 1998 (continued)**

**15 CREDITORS: Amounts falling due within one year**

	<u>1998</u> £'000	<u>1997</u> £'000
Amounts owed to parent undertaking	1,000	1,000
Group relief payable	<u>11,254</u>	<u>5,871</u>
	<u>12,254</u>	<u>6,871</u>

**16 SHARE CAPITAL**

	<u>1998</u> £'000	<u>1997</u> £'000
<b>Authorised</b>		
66,134,000 deferred shares of £1 each	66,134	66,134
58,383,685 ordinary shares of US\$ 0.01 each	<u>356</u>	<u>356</u>
	<u>66,490</u>	<u>66,490</u>
<b>Allotted, called up and fully paid</b>		
58,383,685 deferred shares of £1 each	58,384	58,384
58,383,685 share warrants of US\$ 0.01 each	<u>356</u>	<u>356</u>
	<u>58,740</u>	<u>58,740</u>

Deferred shares do not carry voting rights. Holders of deferred shares are not entitled to participate in the profits or the assets of the company unless:

- in any financial year holders of every other class of shares have received a dividend of £10,000 per share, at which time holders of deferred shares will be entitled to a fixed non-cumulative dividend of 5% per annum,
- in the event of a return of assets, holders of every other class of shares have received £1,000,000 per share.

The company is entitled to repurchase the deferred shares at any time at par value.

## **COUSIN OF PUBMASTER LIMITED**

### **NOTES TO THE ACCOUNTS - 27 SEPTEMBER 1998 (continued)**

#### **17 SHARE PREMIUM ACCOUNT AND RESERVES**

	Share premium account £'000	Profit and loss account £'000
At 29 December 1997	13,102	17,200
Profit for period	-	27
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At 27 September 1998	13,102	17,227
	<hr/>	<hr/>

#### **18 CONTINGENT LIABILITY**

The company has granted security over its assets in the form of fixed and floating charges under the terms of a guarantee and debenture dated 25 November 1996 (as amended 11 June 1998), to repay bank loans of £117,000,000 issued to the group and loan stock of £78,200,000 issued by the parent company undertaking, together with associated interest charges thereon.

#### **19 ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS**

The company is a subsidiary undertaking of Pubmaster Group Limited, the ultimate controlling party, registered in England and Wales.

Transactions with other companies within the Pubmaster Group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures".

#### **20 RELATED PARTY TRANSACTIONS**

During the year the company paid £Nil (1997: £810,000) to Scottish Amicable for the rental of property. Prudential Corporation Plc are the ultimate controlling party of Scottish Amicable and Prudential Nominees Limited. Prudential Nominees Limited hold 34.9% of the ordinary share capital of Pubmaster Group Limited.