

PALS (IPSWICH) LIMITED

Report and Financial Statements

Year ended 31 December 1999

**Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Rose
J E Fine

SECRETARY

E C Rose

REGISTERED OFFICE

56 High Street
Esher
Surrey
KT10 9RD

BANKERS

Barclays Bank PLC
90-92 High Street
Crawley
West Sussex
RH10 1BP

SOLICITORS

Pullig & Co
Bridewell House
9 Bridewell Place
London
EC4V 6AP

AUDITORS

Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from 10 February 1999 to 31 December 1999.

INCORPORATION

The company was incorporated on 10 February 1998 and has commenced trading on 15 May 1999 with the principal activity being the operation of a bar and brasserie.

DIRECTORS AND THEIR INTERESTS

The directors throughout the period under review are as stated on page 1.

The directors holding office at 31 December 1999 did not hold any beneficial interest in the issued share capital of the company at date of appointment or 31 December 1999.

Neither director has interests in other group companies except J E Fine whose interest in the parent company is shown in that company's financial statements.

Both the directors, being eligible, offer themselves for election at the forthcoming Annual General Meeting.

YEAR 2000

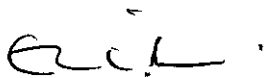
The directors have considered the potential impact of the Year 2000 and its ability to continue to trade as a going concern. Investigations into the critical systems have been undertaken and it is not anticipated that the cost of any necessary modifications will be material. There have been no significant costs to date.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions relating to small companies under s246 of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



E C Rose

Secretary

28 April 2000

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 as at the end of the financial year 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;
- 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 to 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.

AUDITORS' REPORT TO THE MEMBERS OF

PALS (IPSWICH) LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

28 April 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	Year ended 31 December 1999 £	Period from 10 February 1998 to 31 December 1998 £
TURNOVER	1,2	1,150,899	-
Cost of sales		(355,857)	-
GROSS PROFIT		795,042	-
Administrative expenses		(730,768)	(16,712)
OPERATING PROFIT/(LOSS)	3	64,274	(16,712)
Interest payable and similar charges		(9,563)	(373)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		54,711	(17,085)
Tax on profit on ordinary activities	4	-	-
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD AFTER TAXATION		54,711	(17,085)
Retained loss brought forward		(17,085)	-
RETAINED PROFIT CARRIED FORWARD		37,626	(17,085)

All activities arise from continuing operations.

There are no recognised gains or losses or movements in shareholders' funds for the financial year other than as stated above. Accordingly neither statement of recognised gains and losses nor reconciliation of movements in shareholders' funds have been presented.

**BALANCE SHEET
31 December 1999**

	Note	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible assets	5		774,388		9,232
CURRENT ASSETS					
Stocks		34,200		-	
Debtors:	6			20,389	
Amounts falling due within one year		2			
Amounts falling due after more than one year		79,302			
Cash at bank and in hand		39,633		-	
		153,137		20,389	
CREDITORS: amounts falling due within one year	7	(889,897)		(46,704)	
NET CURRENT LIABILITIES			(736,760)		(26,315)
TOTAL ASSETS LESS CURRENT LIABILITIES			37,628		(17,083)
CAPITAL AND RESERVES					
Called up share capital	9		2		2
Profit and loss account			37,626		(17,085)
EQUITY SHAREHOLDERS' FUNDS			37,628		(17,083)

These accounts have been prepared in accordance with the special provisions relating to small companies under s246 of the Companies Act 1985.

These financial statements were approved by the Board of Directors on 28 April 2000.

Signed on behalf of the Board of Directors

D Rose
Director



NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared on the going concern basis as the company has the ongoing support of the parent company in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the special provisions relating to small companies under s246 of the Companies Act 1985.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	Over the life of the lease
Plant and machinery	20% on cost

Stocks

Stock is stated at the lower of cost and net realisable value. All goods represent finished goods and goods for resale.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Leases

Rentals payable under operating leases are taken to the profit and loss account as incurred.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	Year ended 31 December 1999 £	Period from 10 February 1998 to 31 December 1998 £
Rentals under operating lease		
- Hire of plant and machinery	61,353	-
- Land and buildings	57,087	-
Depreciation – owned assets	25,400	-
Auditors' remuneration	3,500	400
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NOTES TO THE ACCOUNTS
Year ended 31 December 1999

4. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

No liability to UK corporation tax arises during the period as a result of tax losses from prior years and the utilisation of group relief.

5. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Totals £
Cost			
At 31 December 1998	9,232	-	9,232
Additions	683,480	107,076	790,556
At 31 December 1999	692,712	107,076	799,788
Depreciation			
At 31 December 1998	-	-	-
Charge for year	14,000	11,400	25,400
At 31 December 1999	14,000	11,400	25,400
Net book value			
At 31 December 1999	678,712	95,676	774,388
At 31 December 1998	9,232	-	9,232

6. DEBTORS

	1999 £	1998 £
Amounts falling due within one year:		
Called up share capital not paid	2	2
VAT recoverable	-	3,762
Amounts falling due after more than one year:		
Other debtors	16,625	16,625
Prepayments	37,677	-
Amounts due from PALS (Croydon)	20,000	-
Amounts due from PALS (Birmingham)	5,000	-
	79,304	20,389

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Bank loans and overdrafts	-	46,304
Trade creditors	157,767	-
Taxation and social security	37,021	-
Other creditors	21,504	-
Due to parent company	630,000	-
Accruals	43,605	400
	<u>889,897</u>	<u>46,704</u>

The group meets its day to day working capital requirement through an overdraft facility which is repayable on demand and renewable on an annual basis, the next renewal date being 31 August 2000. The directors are satisfied that, at the time of approval of the financial statements, there is no significant concern that the group will be unable to operate within the facility currently agreed and within that expected to be agreed on 31 August 2000.

The bank loan and overdraft are secured by cross-guarantees from its immediate parent and fellow subsidiary companies. The bank loan is also secured by a fixed and floating charge over the group's leasehold properties.

8. OPERATING LEASE COMMITMENTS

At the 31 December 1999 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 1999 £	Other 1999 £	Land and buildings 1998 £	Other 1998 £
Leases which expire				
Within one year	-	38,323	-	-
Between one and five years	-	44,700	-	-
Over five years	86,578	-	-	-
	<u>86,578</u>	<u>83,023</u>	<u>-</u>	<u>-</u>

9. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted, issued and unpaid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

10. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling company is Vered Plc, a company incorporated in the Isle of Man.

The results of Pals (Ipswich) Limited are also included in the group accounts of its immediate parent company, *Pals Leisure Group Limited*.

The accounts of Pals Leisure Group Limited are available from 56 High Street, Esher, Surrey, KT10 9RD.

11. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions provided by Financial Reporting Standard 8 "Related Party Transactions" for companies that are at least 90% owned by their parent company in relation to the disclosure of intra group transactions.