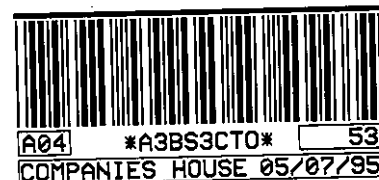


VANTAGE INNS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28TH FEBRUARY, 1995

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LATHAM CROSSLEY & DAVIS
CHARTERED ACCOUNTANTS
CHORLEY

V046



VANTAGE INNS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 28th February, 1995.

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 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.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is the operation of public houses.

The directors plan to continue with the management policies which have led to the satisfactory result achieved in the year.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £153855. The directors do not recommend the payment of a dividend and propose that the profit be transferred to reserves.

FIXED ASSETS

Details of changes in fixed assets are given in note 4 to the financial statements.

VANTAGE INNS LIMITED

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS

The directors of the company at 28th February, 1995 and their interests in the ordinary shares of the company were:

| | 28th February, 1995 | Number held at 1st March, 1994 or on appointment |
|--|---------------------|---|
| L D'Arcy | - | - |
| L C Dickson | - | - |
| C J Hoole | - | - |
| A P A Snape (appointed 18th May, 1994) | | |

P J Wallwork resigned as a director on 18th May, 1994.

A P A Snape who was appointed during the year, retires at the Annual General Meeting and, being eligible, offers himself and is recommended for re-election.

C J Hoole retires by rotation at the annual general meeting and, being eligible, offers himself and is recommended for re-election.

C J Hoole and A P A Snape are directors of the parent company, Cafe Inns Plc. Their beneficial interests in the ordinary shares of that company were:

| | 28th February, 1995 | Number held at 1st March, 1994 or on appointment |
|-------------|---------------------|---|
| C J Hoole | 463864 | 463864 |
| A P A Snape | 40677 | 40677 |

None of the other directors at 28th February, 1995 had any interests in the shares of the parent company.

AUDITORS

Latham Crossley & Davis offer themselves, and are recommended, for re-appointment under the provisions of Section 385 of the Companies Act 1985.

By order of the Board,



Secretary

Date: 15.6.95

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF VANTAGE INNS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 4 .

Respective responsibilities of directors and auditors

As described on page 1 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 28th February, 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Latham Crossley & Davis

Latham Crossley & Davis
Registered Auditors,
Chartered Accountants,
Chorley.

Date: 15 June 1995

VANTAGE INNS LIMITED

STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

PREPARATION OF FINANCIAL STATEMENTS

The company's financial statements are made up each period to the Sunday closest to the accounting reference date, which is 28th February. The financial statements for the year ended 28th February, 1995 have been made up to 26th February, 1995 (1994 : 27th February, 1994).

TURNOVER

Turnover represents the aggregate of the following items, excluding value added tax: rent receivable in respect of sites leased to tenants; bar stocks sold to tenants throughout the estate; and income receivable in respect of sites managed by the company.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided so as to write off the cost of the assets over their expected useful economic lives. The principal annual rates used, under the straight-line method, are:

| | |
|----------------------------|------------------------------|
| Short leasehold properties | over the period of the lease |
| Fixtures and fittings | 12.5% |

Property costs are stated at their acquisition price together with costs of refurbishment. Refurbishment costs include interest charges incurred on specific borrowings during the period of renovation prior to the opening of premises.

No depreciation is provided on freehold and long leasehold land and buildings as it is the company's policy to maintain these properties to a high standard to protect their trade and the costs of maintenance are charged to the profit and loss account. Consequently the directors consider that the aggregate of their individual values is at least equal to the aggregate of their book values.

LEASING

Operating lease rentals are charged to the profit and loss account as incurred.

DEFERRED TAXATION

Deferred taxation is calculated under the liability method at the appropriate rate of tax in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements to the extent that, in the opinion of the directors, those differences will give rise to tax liabilities in the foreseeable future.

VANTAGE INNS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

| | Note | Year ended 28th February, 1995 £ | 14 months ended 28th February, 1994 £ |
|--|------|---|---|
| TURNOVER | | 5296788 | 5485451 |
| Cost of sales | | (4192401) | (4293735) |
| GROSS PROFIT | | 1104387 | 1191716 |
| Distribution costs | | (33108) | (21473) |
| Administrative expenses | | (139821) | (183739) |
| Establishment overheads | | (245982) | (255921) |
| Other operating income | | — | — |
| OPERATING PROFIT | 1 | 685476 | 730583 |
| Interest payable | 2 | (470780) | (553055) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 214696 | 177528 |
| Taxation | 3 | (60841) | (58688) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 9 | 153855 | 118840 |
| RETAINED PROFITS AT 1ST MARCH, 1994 | | <u>374375</u> | <u>255535</u> |
| RETAINED PROFITS AT 28TH FEBRUARY, 1995 | | <u>528230</u> | <u>374375</u> |

All operations are continuing and all gains and losses for the year are dealt with in the profit and loss account.

VANTAGE INNS LIMITED

BALANCE SHEET

AS AT 28TH FEBRUARY, 1995

| | Note | 1995 | 1994 |
|--|------|--------------------|--------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 4 | 5538318 | 5504613 |
| CURRENT ASSETS | | | |
| Debtors | 5 | 494573 | 342198 |
| Cash at bank and in hand | | <u>11844</u> | <u>687</u> |
| | | 506417 | 342885 |
| CREDITORS: Amounts falling due within one year | 6 | (<u>1521799</u>) | (<u>1179135</u>) |
| NET CURRENT LIABILITIES | | (<u>1015382</u>) | (<u>836250</u>) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 4522936 | 4668363 |
| CREDITORS: Amounts falling due after more than one year | 6 | (3950000) | (4250000) |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| Deferred taxation | 7 | (<u>43706</u>) | (<u>42988</u>) |
| | | 529230 | 375375 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 1000 | 1000 |
| Profit and loss account | | <u>528230</u> | <u>374375</u> |
| Equity shareholders' funds | 9 | 529230 | 375375 |

Approved by the Board on

15 June 1995

[Signature]
[Signature]

Directors

VANTAGE INNS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

| | Note | Year ended 28th February, 1995 £ | 14 months ended 28th February, 1994 £ |
|---|------|---|--|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | A | 664538 | 781577 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest paid | | (470780) | (553055) |
| Net cash outflow from returns on investments and servicing of finance | | (470780) | (553055) |
| TAXATION | | | |
| Corporation tax paid | | (50281) | (25428) |
| INVESTING ACTIVITIES | | | |
| Purchase of tangible fixed assets | | (254122) | (574332) |
| Sale of tangible fixed assets | | <u>97462</u> | <u>5776</u> |
| Net cash outflow from investing activities | | (156660) | (568556) |
| NET CASH OUTFLOW BEFORE FINANCING | | (13183) | (365462) |
| FINANCING | | | |
| New loans | | | 95500 |
| Repayment of loans | | (150000) | <u>-</u> |
| Net cash (outflow)/inflow from financing | B | (150000) | <u>95500</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | C | (163183) | <u>(269962)</u> |

VANTAGE INNS LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

| | | | | |
|----|--|---|--|------------------|
| A. | RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES | Year ended 28th February, 1995 £ | 14 months ended 28th February, 1994 £ | |
| | Operating profit | 685476 | 730583 | |
| | Depreciation and amortisation | 119617 | 125167 | |
| | Loss on sale of tangible fixed assets | 3338 | - | |
| | Increase in debtors | (156548) | (25734) | |
| | Increase/(decrease) in creditors | <u>12655</u> | <u>(48439)</u> | |
| | | 664538 | 781577 | |
| | | <u><u>664538</u></u> | <u><u>781577</u></u> | |
| B. | ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR | | | |
| | Loans | | | |
| | At 1st March, 1994 | 4400000 | 4304500 | |
| | Cash (outflow)/inflow from financing | <u>(150000)</u> | <u>95500</u> | |
| | At 28th February, 1995 | <u>4250000</u> | <u>4400000</u> | |
| | | <u><u>4250000</u></u> | <u><u>4400000</u></u> | |
| C. | CASH AND CASH EQUIVALENTS | Cash at bank and in hand £ | Bank overdraft £ | Total £ |
| | At 1st January, 1993 | - | (28031) | (28031) |
| | Change in period | <u>687</u> | <u>(270649)</u> | <u>(269962)</u> |
| | At 28th February, 1994 | 687 | (298680) | (297993) |
| | Change in year | <u>11157</u> | <u>(174340)</u> | <u>(163183)</u> |
| | At 28th February, 1995 | 11844 | (473020) | (461176) |

VANTAGE INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

1. OPERATING PROFIT

| | Year ended 28th February, 1995 £ | 14 months ended 28th February, 1994 £ |
|--|--|---|
| This is stated after charging/(crediting): | | |

a. Directors' emoluments

Management remuneration (including pension contributions)

- -

Emoluments (excluding pension contributions) of the chairman

- -

Other directors' emoluments (excluding pension contributions) fell within the following range:-

Number Number

£0 - £5000

4 3

b. Staff costs

The average weekly number of employees during the year was:

| | | |
|-----------|---|---|
| Directors | 4 | 4 |
|-----------|---|---|

All staff are employed by Cafe Inns Plc, the parent company, and their costs are included in an administration charge which is charged to the company.

c. Other items

| | Year ended 28th February, 1995 £ | 14 months ended 28th February, 1994 £ |
|---------------------------------------|--|---|
| Depreciation and amortisation | | |
| - of owned tangible fixed assets | 119617 | 125167 |
| Operating lease rentals | | |
| - land and buildings | 431357 | 465992 |
| Loss on sale of tangible fixed assets | 3338 | - |
| Net rental income | (143025) | (213305) |

The auditors' remuneration for audit and non-audit services is charged to the parent company and is included in the management fee charged by that company.

VANTAGE INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

2. INTEREST PAYABLE

| | Year ended 28th February, 1995 £ | 14 months ended 28th February, 1994 £ |
|--|---|--|
| On bank loans, overdrafts and other loans | | |
| - repayable within five years | 28410 | 24752 |
| - repayable within five years by instalments | 292781 | 363034 |
| Group interest | <u>149589</u> | <u>172602</u> |
| | 470780 | 560388 |
| Interest capitalised | <u>-</u> | <u>(7333)</u> |
| | <u>470780</u> | <u>553055</u> |

3. TAXATION

On the profit on ordinary activities for the year:

| | | |
|---|--------------|--------------|
| - corporation tax at 25% (1994 : 25%) | 60797 | 55128 |
| - deferred taxation charge | <u>718</u> | <u>4290</u> |
| | 61515 | 59418 |
| Adjustments in respect of previous years: | | |
| - corporation tax | (674) | (4173) |
| - deferred tax | <u>-</u> | <u>3443</u> |
| | <u>60841</u> | <u>58688</u> |

The tax charge for the year has been increased by £8000 (1994 : £11000) in respect of permanent timing differences and increased by £Nil (1994 : £4000) in respect of profits taxed at the marginal rate.

4. TANGIBLE FIXED ASSETS

| | Land and buildings £ | Short leasehold £ | Fixtures and fittings £ | Total £ |
|------------------------|-------------------------------|-------------------------|----------------------------------|------------------|
| Cost | | | | |
| At 1st March, 1994 | 4072430 | 1055334 | 603841 | 5731605 |
| Additions | 124966 | 80986 | 48170 | 254122 |
| Disposals | <u>-</u> | <u>(93651)</u> | <u>(7149)</u> | <u>(100800)</u> |
| At 28th February, 1995 | <u>4197396</u> | <u>1042669</u> | <u>644862</u> | <u>5884927</u> |
| Depreciation | | | | |
| At 1st March, 1994 | - | 72397 | 154595 | 226992 |
| Charge for the year | <u>-</u> | <u>41353</u> | <u>78264</u> | <u>119617</u> |
| At 28th February, 1995 | <u>-</u> | <u>113750</u> | <u>232859</u> | <u>346609</u> |
| Net book value | | | | |
| At 28th February, 1995 | <u>4197896</u> | <u>928919</u> | <u>412003</u> | <u>5538318</u> |
| At 31st December, 1994 | <u>4072430</u> | <u>982937</u> | <u>449246</u> | <u>5504613</u> |

VANTAGE INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

4. TANGIBLE FIXED ASSETS (continued)

No allocation of land and buildings between freehold and long leasehold properties has been provided as the cost of obtaining the information outweighs the resulting benefit to the shareholders.

Land and buildings includes the following amount of interest which has been capitalised:

| | £ |
|------------------------|--------------|
| At 1st March, 1994 | 17333 |
| Additions | <u>-</u> |
| At 28th February, 1995 | <u>17333</u> |

5. DEBTORS

| | 1995 £ | 1994 £ |
|-----------------------------|---------------|---------------|
| Trade debtors | 296018 | 204788 |
| Corporation tax recoverable | - | 4173 |
| Other debtors | 34596 | 34224 |
| Prepayments | <u>163959</u> | <u>99013</u> |
| | <u>494573</u> | <u>342198</u> |

Other debtors included amounts receivable after more than one year of £8500 (1994 : £18462).

6. CREDITORS

| | 1995 £ | 1994 £ |
|--|----------------|----------------|
| a. Amounts falling due within one year | | |
| Bank loan and overdraft | 773020 | 448680 |
| Trade creditors | 417922 | 396315 |
| Amounts owed to parent undertaking | 46031 | 50540 |
| Corporation tax | 60797 | 55128 |
| Other taxation and social security | 27028 | 18952 |
| Other creditors | 141097 | 144682 |
| Accruals and deferred income | <u>55904</u> | <u>64838</u> |
| | <u>1521799</u> | <u>1179135</u> |
| b. Amounts falling due after more than one year | | |
| Bank loan | 1550000 | 1850000 |
| Loan from parent undertaking | 1200000 | 1200000 |
| Other loan | <u>1200000</u> | <u>1200000</u> |
| | <u>3950000</u> | <u>4250000</u> |

VANTAGE INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

6. CREDITORS (continued)

c. Ageing of debt and security

Bank loans, overdraft, other loans and amounts owed to the parent undertaking fall due for repayment as follows:

| | 1995 £ | 1994 £ |
|----------------------------|----------------|----------------|
| Within one year | 819051 | 499220 |
| Between one and two years | 2350000 | 1000000 |
| Between two and five years | <u>1600000</u> | <u>3250000</u> |
| | <u>4769051</u> | <u>4749220</u> |

Bank loans and overdrafts are secured by a mortgage debenture dated 31st December, 1990 over property and assets. There is a legal right of set-off incorporated in the form of a legal mortgage.

Included in other loans falling due for repayment after more than one year is £1200000 (1994 : £1200000) representing 12.5% unsecured loan notes repayable by instalments between 7th January, 1997 and 7th January, 1999. The conditions attached to the loan notes allow for the Board to make early repayment of the loans. Loan notes amounting to £700000 were due for repayment on 7th January, 1996. The lenders have agreed to defer this repayment until 7th January, 1999.

The bank loan comprises a loan of £1850000 (1994 : £2000000) repayable by instalments by 31st December, 1996. The loan is secured by a first legal charge over certain freehold properties together with a first fixed and floating charges over all assets other than 2 public houses previously charged.

7. DEFERRED TAXATION

Full provision for deferred taxation has been made in respect of:

| | 1995 £ | 1994 £ |
|-------------------------------------|--------------|--------------|
| Accelerated capital allowances | 46107 | 45594 |
| Other short term timing differences | (11713) | (11918) |
| Capital gains rolled over | <u>9312</u> | <u>9312</u> |
| | <u>43706</u> | <u>42988</u> |

The movement on the provision for deferred taxation was as follows:

| | £ |
|---------------------------------------|--------------|
| At 1st March, 1994 | 42988 |
| Transfer from profit and loss account | <u>718</u> |
| At 28th February, 1995 | <u>43706</u> |

VANTAGE INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

| | | |
|---|---|--|
| 8. SHARE CAPITAL | 1995 | 1994 |
| | £ | £ |
| Authorised 1000 ordinary shares of £1 each | 1000 | 1000 |
| | <hr/> | <hr/> |
| Allotted, called up and fully paid 1000 ordinary shares of £1 each | 1000 | 1000 |
| | <hr/> | <hr/> |
| 9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | Year ended 28th February, 1995 | 14 months ended 28th February, 1994 |
| | £ | £ |
| Profit on ordinary activities after taxation | 153855 | 118840 |
| Shareholders' funds at 1st March, 1994 | <u>375375</u> | <u>256535</u> |
| Shareholders' funds at 28th February, 1995 | <u>529230</u> | <u>375375</u> |
| 10. PARENT UNDERTAKING | | |

The directors consider the ultimate parent company to be Cafe Inns Plc, a company registered in England and Wales. Cafe Inns Plc is the only undertaking which prepares group accounts including the financial statements of the company.

11. FINANCIAL COMMITMENTS

a. Commitments under operating leases

At 28th February, 1995 the company had annual commitments under non-cancellable operating leases as follows:

| | | |
|------------------------------|---------------------------|---------------|
| | Land and buildings | |
| | 1995 | 1994 |
| | £ | £ |
| Leases which expire: | | |
| - between one and five years | - | 30990 |
| - after five years | <u>449060</u> | <u>372340</u> |
| | <u>449060</u> | <u>403330</u> |
| | <hr/> | <hr/> |

b. Capital commitments

| | | |
|--|---------------|---------------|
| Capital expenditure authorised but not contracted for | <u>260000</u> | <u>200000</u> |
|--|---------------|---------------|

VANTAGE INNS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

| | Year ended 28th February, 1995 | | 14 months ended 31st December, 1994 | |
|---------------------------------------|--------------------------------------|------------|---|------------|
| | £ | £ | £ | £ |
| SALES | | 5296788 | | 5485451 |
| Purchases | 3761044 | | 3827743 | |
| Rents payable | <u>431357</u> | | <u>465992</u> | |
| COST OF SALES | | (4192401) | | (4293735) |
| GROSS PROFIT | | 1104387 | | 1191716 |
| Distribution and selling costs | | | | |
| Bad debts | | (33108) | | (21473) |
| Administrative expenses | | | | |
| Bank charges | 3063 | | 6060 | |
| Legal and professional fees | 45 | | (2) | |
| Tenancy change-over costs | 6560 | | 25925 | |
| Management fees | <u>130153</u> | | <u>151756</u> | |
| | | (139821) | | (183739) |
| Carried forward | | 931458 | | 986504 |

VANTAGE INNS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28TH FEBRUARY, 1995

| | Year ended 28th February, 1995 | | 14 months ended 31st December, 1994 | |
|--|--------------------------------------|---------------|---|---------------|
| | £ | £ | £ | £ |
| Brought forward | | 931458 | | 986504 |
| Establishment overheads | | | | |
| Repairs and maintenance | 98552 | | 98895 | |
| Insurance | 27813 | | 31859 | |
| Depreciation and amortisation | <u>119617</u> | | <u>125167</u> | |
| | | (245982) | | (255921) |
| OPERATING PROFIT | | 685476 | | 730583 |
| Interest payable | | | | |
| Bank interest | 28410 | | 24752 | |
| Loan interest | <u>442370</u> | | <u>528303</u> | |
| | | (470780) | | (553055) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>214696</u> | | <u>177528</u> |