

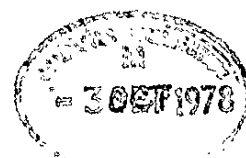
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WHITBREAD WEST PENNINES LIMITED

A C C O U N T S

25 FEBRUARY 1978



Whinney Murray & Co.

Chartered Accountants

WHITBREAD WEST PENNINES LIMITED

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of Whitbread West Pennines Limited will be held at High Street, Blackburn, on Thursday 13 July 1978 at 10.30 a.m. to transact the following business:-

1. To receive and adopt the directors' report and the audited accounts for the 52 weeks ended 25 February 1978.
2. To re-elect directors:

Mr S L Staley
Mr I W T Louch
Mr L A Pinfold
Mr H G Williams
3. To re-appoint the auditors.
4. To authorise the directors to fix the remuneration of the auditors in respect of the 52 weeks ended 25 February 1978.

By order of the directors

C LEIGH

Secretary

High Street
Blackburn

20 April 1978



WHITBREAD WEST PENNINES LIMITED

DIRECTORS' REPORT

The directors submit their report for the year ended 25 February 1978 to the annual general meeting to be held on Thursday 13 July 1978.

DIRECTORS

J M Clutterbuck	(Chairman)
R Bowman	(Managing Director)
S L Staley	
S Collinson	
I W T Louch	
L A Pinfold	
M C Stanley	
A J Wallis	
P W Watkins	
H G Williams	
D J Coldwell	
M J Earrey	

In accordance with the Articles of Association Messrs S L Staley, I W T Louch, L A Pinfold and H G Williams retire from the board by rotation and, being eligible, offer themselves for re-election.

ACCOUNTS AND DIVIDENDS

The Directors submit the audited accounts of the company for the fifty-two weeks ended 25 February 1978.

	£
The profit after providing for taxation and extraordinary items amounted to	6,661,033
Out of which has been paid:	
Interim dividend of £0.3053 per ordinary share	1,907,000
Leaving a balance of	<u>£4,754,033</u>

which is transferred to reserves

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were the same as in previous years namely: brewing, bottling and canning; wholesale and retail trading in beers, wines, spirits, minerals and tobacco; the ownership and management of public houses and shops.

DIRECTORS' AND SHAREHOLDERS' INTERESTS

All the shares of the company are held by Whitbread and Company Limited, with the exception of 200 ordinary shares held equally by R Bowman and S L Staley as nominees for Whitbread and Company Limited

WHITBREAD WEST PENNINES LIMITED

DIRECTORS' REPORT

The interests of the directors in the shares and debentures of the holding company, Whitbread and Company Limited, and the options which have been granted to the directors to purchase the 'A' ordinary shares of Whitbread and Company Limited under the terms of the Executive Share Option Scheme and the Own As You Earn scheme are as follows:-

	Shares 25 February 1978	Shares 26 February 1977	Share Options 25 February 1978
R Bowman			
'A' ordinary shares of 25p each	Nil	35,700	28,100
S L Staley			
'A' ordinary shares of 25p each	31,500	61,000	Nil
S Collinson			
7% Third cumulative preference stock	£500	£500	
'A' ordinary shares of 25p each			Nil
I W T Louch			
'A' ordinary shares of 25p each	Nil	30,200	10,600
L A Pinfold			
'A' ordinary shares of 25p each	90	90	7,100
M C Stanley	Nil	Nil	Nil
A J Wallis			
6% Third cumulative preference stock	£147	£147	
'A' ordinary shares of 25p each	Nil	16,800	9,900
P W Watkins			
'A' ordinary shares of 25p each	Nil	4,000	9,815
H G Williams			
'A' ordinary shares of 25p each	Nil	12,000	7,700
D J Coldwell	Nil	Nil	9,348
M J Earrey	Nil	Nil	1,473

Mr Clutterbuck is a director of Whitbread and Company Limited and his interests are dealt with in the report of the directors of that company.

EXPORTS

The value of goods exported by the company during the 52 weeks amounted to £70,590 (1977 £20,557).

AUDITORS

Whinney Murray & Co have indicated their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the next general meeting.

By order of the directors

J M CLUTTERBUCK

Chairman
Blackburn

20 April 1978

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Whitbread West Pennines Limited set out on pages 5 to 15. These have been prepared under the historical cost convention, as explained in note 1(a), with the exception of freehold and leasehold properties which were revalued in 1974.

A statement of source and application of funds has not been prepared in accordance with Statement of Standard Accounting Practice No 10 for the reason set out in Note 23. We concur with the conclusion reached.

During the year the company changed its accounting policy in relation to deferred taxation, so that provision is no longer made in this respect. As stated in Note 7 the accumulated amount not so provided totalled £17,723,021 of which £2,712,974 arose during the year. We have been unable to satisfy ourselves that such a provision is not required.

With these reservations, in our opinion the accounts give, under the accounting convention stated above, a true and fair view of the state of affairs at 25 February 1978 and of the profit and changes in retained profits for the 52 weeks ended on that date and comply with the Companies Acts 1948 and 1967.

Whinney Murray & Co.

WHINNEY MURRAY & CO

Chartered Accountants
MANCHESTER

20 April 1978

WHITBREAD WEST PENNINES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 25 FEBRUARY 1978

	Note	1978 £	1977 £ As re-stated
SALES	3	<u>£136,849,160</u>	<u>£119,998,350</u>
TRADING PROFIT	4	6,198,120	6,125,011
INVESTMENT INCOME	5	<u>38,299</u>	<u>31,947</u>
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS		6,236,41£	6,156,958
Taxation	6	<u>(187,454)</u>	<u>201,130</u>
PROFIT BEFORE EXTRAORDINARY ITEMS		6,423,873	5,955,828
Extraordinary items	8	<u>(237,160)</u>	<u>(69,395)</u>
PROFIT FOR THE YEAR AVAILABLE FOR APPROPRIATION		6,661,033	6,025,223
Dividend	22	<u>1,907,000</u>	<u>1,680,000</u>
RETAINED PROFIT FOR THE YEAR		<u>£4,754,033</u>	<u>£4,345,223</u>

STATEMENT OF RETAINED PROFITS

Balance at 26 February 1977 As previously reported		29,125,739	27,443,079
Prior-year adjustments	7	<u>14,605,946</u>	<u>11,943,383</u>
		43,731,685	39,386,462
Retained profit for the year		<u>4,754,033</u>	<u>4,345,223</u>
Balance at 25 February 1978		<u>£48,485,718</u>	<u>£43,731,685</u>

The notes on pages 7 to 15 form part of these accounts

WHITBREAD WEST PENNINES LIMITED
BALANCE SHEET AT 25 FEBRUARY 1978

	Note	£	1978 £	1977 As re-stated £
ASSETS EMPLOYED				
FIXED ASSETS	9		86,583,716	82,993,278
INVESTMENTS AND LONG TERM LOANS	10		3,843,225	3,315,590
INTERESTS IN SUBSIDIARIES	11		(4,137,154)	(4,137,154)
CURRENT ASSETS				
Stocks	12	8,576,029		8,564,243
Debtors		4,087,084		4,588,238
Bank balances and cash		1,477,818		1,287,316
		<u>14,140,931</u>		<u>14,439,797</u>
CURRENT LIABILITIES				
Creditors		7,045,609		5,472,679
Taxation		34,308		432,586
Bank overdraft		1,384,409		594,524
		<u>8,464,326</u>		<u>6,499,789</u>
NET CURRENT ASSETS			<u>5,676,605</u>	<u>7,940,008</u>
			<u>£91,966,392</u>	<u>£90,111,722</u>
FINANCED BY				
SHAREHOLDERS FUNDS				
Share Capital	13		6,246,924	6,246,924
Share premium			329,217	329,217
Reserves	14		48,485,718	43,731,685
			<u>55,061,859</u>	<u>50,307,826</u>
EMPLOYEES' SUPERANNUATION FUND	15		231,801	231,801
PROVISION FOR PAST SERVICE			180,930	220,189
PENSION CONTRIBUTION	16		36,491,802	39,351,906
AMOUNTS DUE TO HOLDING COMPANY				
R BOWMAN)				
) Directors				
D J COLDWELL)				
			<u>£91,966,392</u>	<u>£90,111,722</u>

The notes on pages 7 to 15 form part of these accounts

WHITBREAD WEST PENNINES LIMITED

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention except for the revaluation of freehold property in 1974 which is incorporated in the accounts.

b) Fixed assets

Fixed assets include properties professionally valued by Chartered Surveyors employed by the group. Other fixed assets are stated at valuation or cost after deducting government grants.

Leaseholds are amortised over the term of the lease and freehold industrial buildings, plant, machinery, vehicles and containers are written-off over their estimated useful lives. The replacement of certain fixtures and fittings, catering and other equipment is charged to trading profits. Depreciation is not provided on land or on freehold licensed premises. The actual rates of depreciation are as follows:-

Land and freehold licensed properties	Nil
Freehold industrial buildings	Straight line over estimated useful life.
Leaseholds	Straight line over the term of the lease.
Brewing Plant, Cellar Tank and Vessels on Vehicles	5%
Other plant, fork lift trucks, office machinery and furnishings	10%
Managed Houses Assets	12½%
Vehicles	20%

c) Stocks

Finished goods are stated at the lower of cost, which includes appropriate overheads, and net realisable value. Raw materials and other stocks are valued at or under cost.

d) Taxation

Taxation is provided as a current liability where, in the opinion of the directors, the liability will have to be met in the foreseeable future. Consequently, deferred tax is not provided on stock appreciation relief or on the excess of the book value of fixed assets over their written down value for tax purposes. Provision is made for short term timing differences but, not being material is included in current assets.

WHITBREAD WEST PENNINES LIMITED

NOTES ON THE ACCOUNTS

e) Extraordinary items

These comprise items which are derived from events outside the ordinary activities of the business, including surpluses or deficits arising out of the sale of properties and investments.

2. CHANGES IN ACCOUNTING POLICIES

Fixed Assets:

As stated in (1b) above fixed assets are stated at valuation or cost after deducting government grants. Depreciation is calculated by reference to the net amount. Such grants have in previous years been credited to a Government Grants Reserve and taken to revenue in relief of depreciation charges over the life of the relevant assets. Appropriate adjustments have been made to the corresponding figures in the Balance Sheet. Trading profits are unaffected.

The accounting policy for depreciation has been extended to include depreciation on freehold industrial buildings. The 1977 profit and loss account has been restated to reflect the amount of depreciation charge for that year and the opening balance of Reserve has been adjusted in respect of the charge for 1977 and prior years.

Taxation:

In anticipation of a change in the accounting standards to be issued by the U.K. accounting bodies, deferred tax is no longer provided on stock appreciation relief or on the excess of the book value of fixed assets over their written down value for tax purposes as, in the opinion of the directors, the liability will not have to be met in the foreseeable future. The effect of the change on the provision for taxation on the profits for 1977 and 1978 is shown in Note 7 (Taxation).

The 1977 profit and loss account has been restated to reflect this change of accounting policy and the accumulated amount of deferred tax not required has been released to revenue.

3. TURNOVER

Turnover represents:

- a) The invoice value of sales exclusive of VAT
- b) Rent and gaming machine income

4. TRADING PROFIT is arrived at after charging:-

	1978	1977
	£	£
Depreciation of fixed assets	2,650,734	2,551,436
Hire of plant and equipment	107,525	55,947
Directors' emoluments	116,996	100,343
Auditors remuneration	26,000	24,000
Interest payable	20,000	20,000
	<u> </u>	<u> </u>

NOTES ON THE ACCOUNTS

5. INVESTMENT INCOME

	1978 £	1977 £
Dividend and interest (gross) receivable from:-		
Unquoted investments	-	30
Trade loans	38,299	31,917
	<u>£38,299</u>	<u>£31,947</u>

6. TAXATION

UK corporation tax at 52% (1977 52%)	89,131	201,130
Adjustments in respect of prior-years	(276,585)	-
	<u>£ (187,454)</u>	<u>£ 201,130</u>

7. PRIOR-YEAR ADJUSTMENTS

	1978 £	1977 £
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Depreciation of freehold industrial buildings.

As explained in Note 2 freehold industrial buildings are now depreciated on a straight line basis over their estimated useful life. The additional change in respect of the above for the year to 25 February 1978 amounted to £159,260 and an adjustment of £404,101 in respect of prior periods has been deducted from Reserves.

Taxation

The effect of the change in Accounting Policy referred to in Note 2 is as follows:-

Deferred tax on stock appreciation relief and the excess of the book value of fixed assets over their written down value for tax purposes which will not have to be met in the foreseeable future

<u>£17,723,021</u>	<u>£15,010,047</u>
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The effect of the profit caused by the change in accounting policy was

<u>£ 2,712,974</u>	<u>£ 2,814,164</u>
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WHITBREAD WEST PENNINES LIMITED

NOTES ON THE ACCOUNTS

7. PRIOR YEAR ADJUSTMENTS (continued)

	1978 £	1977 £
The prior year adjustment shown is made up as follows:-		
Deferred tax reserve no longer required	15,010,047	12,195,883
Additional depreciation in respect of industrial freehold premises	(404,101)	(252,500)
	<u>£ 14,605,946</u>	<u>£11,943,383</u>

8. EXTRAORDINARY ITEMS

The following amounts, which derive from events outside the ordinary activities of the business have been classified as extraordinary items:-

(Profits)/losses on disposal of properties less tax	(239,901)	(181,829)
Loss on disposal of investments	-	1,200
Expenditure in connection of closure of branches less tax	-	97,291
Initial operating expenses of new branches less tax	2,741	13,943
	<u>£ (237,160)</u>	<u>£ (69,395)</u>

9. FIXED ASSETS

	Properties		Plant machinery and vehicles	Total
	Breweries and depots	Licensed and unlicensed		
	£	£	£	£
Cost or valuation				
Gross amounts 26 February 1977	11,002,778	54,715,428	31,241,212	96,959,418
Government Grants (gross) at 26 February 1977	(714,564)	-	(783,460)	(1,478,024)
	<u>10,288,214</u>	<u>54,715,428</u>	<u>30,477,752</u>	<u>95,481,394</u>
Additions (net of government grants)	534,718	1,064,427	5,148,986	6,748,131
Transfers from group companies	-	8,780	102,620	111,400
Reclassifications	(1,330,271)	7,226	1,323,045	-
carried forward	<u>9,492,661</u>	<u>55,795,861</u>	<u>37,052,403</u>	<u>102,340,925</u>

NOTES ON THE ACCOUNTS

9. FIXED ASSETS (continued)

	<u>Properties</u>		Plant Machinery and vehicles	Total
	Breweries and depots	Licensed and unlicensed		
	£	£	£	£
brought forward	9,492,661	55,795,861	37,052,403	102,340,925
Disposals	-	(66,057)	(311,290)	(377,347)
Transfers to group companies	-	(417,738)	(18,647)	(436,385)
Fully depreciated assets	-	-	(1,296,733)	(1,296,733)
	<u>9,492,661</u>	<u>55,312,066</u>	<u>35,425,733</u>	<u>100,230,460</u>
Depreciation and amortisation				
At 26 February 1977	-	1,654,055	10,555,730	12,209,785
Accumulated amortisation of government grants at 26 February 1977	-	-	(125,770)	(125,770)
Prior-year adjustment	404,101	-	-	404,101
	<u>404,101</u>	<u>1,654,055</u>	<u>10,429,960</u>	<u>12,488,116</u>
Charge for year	159,260	35,228	2,456,246	2,650,734
Transfers from group companies	-	-	41,804	41,804
Transfers to group companies	-	-	(14,551)	(14,551)
Relating to disposals	-	-	(222,626)	(222,626)
Fully depreciated assets	-	-	(1,296,733)	(1,296,733)
	<u>563,361</u>	<u>1,689,283</u>	<u>11,394,100</u>	<u>13,646,744</u>
Net book value 25 February 1978	<u>£8,929,300</u>	<u>£53,622,783</u>	<u>£24,031,633</u>	<u>£86,583,716</u>
Net book value 26 February 1977	<u>£9,884,113</u>	<u>£53,061,373</u>	<u>£20,047,792</u>	<u>£82,993,278</u>

In 1974 the chartered surveyors in the employment of the group performed a professional valuation of the group's properties. The basis of valuation was on their existing use value. The Samlesbury Brewery and Shadsworth distribution depot were valued at cost and the breweries at Blackburn, Salford and Liverpool at alternative use value.

No provision has been made for any potential liability to corporation tax on capital gains which might arise in the event of any freehold and leasehold properties being realised at their balance sheet values.

NOTES ON THE ACCOUNTS

10. INVESTMENTS AND LONG TERM LOANS

	1978 £	1977 £
Unquoted investments - Directors' valuation £40 (1977 £40)	40	40
Trade loans (less provision)	3,843,185	3,315,550
	<u>£3,843,225</u>	<u>£3,315,590</u>

11. INTEREST IN SUBSIDIARIES

	1978 £	1977 £
Shares at net cost	11,788,475	11,788,475
Less: Amounts due to subsidiaries	15,925,629	15,925,629
	<u>£(4,137,154)</u>	<u>£(4,137,154)</u>

The subsidiaries of the company are registered in England. The company owns all the ordinary share capital of the subsidiaries which are as listed below:-

Dutton's Brewery Limited
Threlfalls (Liverpool and Birkenhead) Limited
Threlfalls (Salford) Limited
Mackies Wine Company Limited
Alex Stewart & Company Limited (in voluntary liquidation)

None of the subsidiaries traded during the 52 weeks ended 25 February 1978.

12. STOCKS

	1978 £	1977 £
Raw materials	397,706	360,077
Beer in process	2,566,492	2,175,226
Packaging materials	457,412	742,967
Beer, wines, spirits and tobacco	4,505,369	4,733,829
Sundry stores stocks	649,050	552,144
	<u>£8,576,029</u>	<u>£8,564,243</u>

13. SHARE CAPITAL

	Authorised		Issued and fully paid	
	1978 £	1977 £	1978 £	1977 £
Ordinary shares of £1 each	<u>£7,000,000</u>	<u>£7,000,000</u>	<u>£6,246,924</u>	<u>£6,246,924</u>

WHITBREAD WEST PENNINES LIMITED

NOTES ON THE ACCOUNTS

14. RESERVES

	Special non-distributable	Revenue distributable	Total
	£	£	£
At 26 February 1977	25,374,232	3,751,507	29,125,739
Prior-year adjustment	-	14,605,946	14,605,946
	<u>25,374,232</u>	<u>18,357,453</u>	<u>43,731,685</u>
Transfer surplus arising on revaluation now realised	(37,381)	37,381	-
Profit retained	-	4,754,033	4,754,033
	<u>£25,336,851</u>	<u>£23,148,867</u>	<u>£48,485,718</u>

15. EMPLOYEES SUPERANNUATION FUND

Balance 26 February 1977 and 25 February 1978 £231,801

Following the institution of the Whitbread Group Employees Pension Scheme on 1 April 1972 this fund covers the liability of the Company for pensions payable to existing pensioners and for future pensions payable to certain employees who are not included in any of the Whitbread Group Pensions Schemes.

16. PROVISION FOR PAST SERVICE PENSION CONTRIBUTIONS

This amount represents the balance of provisions made by the company in respect of unfunded past service pension contributions and is being credited to profit and loss account by equal annual instalments over a period of ten years from 1 April 1972. The liability for contributions has been wholly assumed by the holding company.

	£	£
At 26 February 1977		220,192
Annual credit to profit and loss account	81,794	
Less: Corporation tax	<u>42,532</u>	
		<u>39,262</u>
		<u>£180,930</u>

17. DEFERRED TAXATION

It is the policy of the Whitbread Group not to provide for Deferred Taxation in subsidiary company accounts as, taking the corporate plans for the United Kingdom operations of the Group as a whole, in the opinion of the Directors of Whitbread and Company Limited (the Parent Company) the liability will not arise in the foreseeable future.

WHITBREAD WEST PENNINES LIMITED

NOTES ON THE ACCOUNTS

18. CAPITAL COMMITMENTS

The directors have authorised future capital expenditure which, without taking account of Government grants, amounts to:-

	1978	1977
	£	£
Contracted	395,100	621,400
Not contracted for	286,700	66,100
	<u> </u>	<u> </u>

19. CONTINGENT LIABILITIES

- a) Whitbread West Pennines Limited and certain of its subsidiaries have given guarantees in respect of £34,969,213 Redeemable Debenture Stock issued by the holding company, Whitbread and Company Limited. These guarantees are collaterally secured by floating charges on the undertakings, properties and assets both present and future including uncalled capital of Whitbread West Pennines Limited, and the relevant subsidiary companies.
- b) The company has given a guarantee of Acceptance Credit Facility Medium Term Bank Loans entered into by the parent company of £40,000,000.

20. DIRECTORS' EMOLUMENTS

Emoluments of the directors of Whitbread West Pennines Limited for the 52 weeks to 25 February 1978 are as follows:-

	1978	1977
	£	£
Fees	2,000	2,000
Other emoluments	101,865	84,422
Contributions to pension scheme	13,131	13,921
	<u> </u>	<u> </u>
	£116,996	£100,343
	<u> </u>	<u> </u>

The chairman during the year received no emoluments from Whitbread West Pennines Limited (1977 nil).

The highest paid director received emoluments of £18,416 (1977 £16,037).

	Number of directors	
	1978	1977
Other directors in scale		
Not more than £2,500	3	3
£ 5,001 to £ 7,500	.	2
£ 7,501 to £10,000	-	2
£10,001 to £12,500	4	3
£12,501 to £15,000	3	-

WHITBREAD WEST PENNINES LIMITED

NOTES TO THE ACCOUNTS

21. HOLDING COMPANY

Whitbread West Pennines Limited is wholly owned by Whitbread and Company Limited, a company incorporated in England.

22. DIVIDENDS

	1978	1977
Ordinary shares		
Interim £0.3053 per share (1977		
£0.2689 per share)	<u>£1,907,000</u>	<u>£1,680,000</u>

23. STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Due to the structure of the Whitbread Group whereby subsidiary companies are funded through the parent company, it is not considered relevant to publish a Sources and Uses of Funds statement in the accounts of subsidiaries.