

Peckham & Rye Limited**Report and Financial Statements****Year Ended****31 July 2002**

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Note of historical cost profits and losses
7	Balance sheet
8	Cash flow statement
9	Notes forming part of the financial statements

Directors

A. Johnston
S. McFarlane
A.M. Livingstone

Secretary and registered office

A. Johnston, 18 Bogmoor Place, Glasgow, G51 4TQ

Company number

82175

Auditors

BDO Stoy Hayward, Ballantine House, 168 West George Street, Glasgow, G2 2PT

Bankers

The Royal Bank of Scotland plc, 1 Moncrieff Street, Paisley PA3 2AW

Solicitors

Levy & McRae, 266 St. Vincent Street, Glasgow G2 5RL

Report of the directors for the year ended 31 July 2002

The directors present their report together with the audited financial statements for the year ended 31 July 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

Non-equity dividends of £3,407 were paid to the preference shareholders during the year and non-equity dividends of £1,789 (2001 - £196) have been accrued.

Principal activities, review of business and future developments

The company's principal activities are the sale of wines, beers, spirits, food and soft drinks by wholesale and through retail outlets and the operation of restaurants and catering facilities.

The directors consider the company is well-positioned to continue to grow by the gradual expansion of its food production and restaurant activities.

Post balance sheet events

On 4 August 2002, the company sold the outlets at Waverley Station, Edinburgh and Central Station, Glasgow.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	£1 10% Cumulative Preference shares		£1 Ordinary shares	
	2002	2001	2002	2001
A. Johnston	-	-	9,999	9,999
S. McFarlane	-	-	1	1
A.M. Livingstone	50,000	50,000	-	-

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 year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

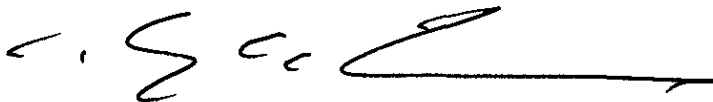
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

A. Johnston



Director

18 June 2003

Report of the independent auditors

To the shareholders of Peckham & Rye Limited

We have audited the financial statements of Peckham & Rye Limited for the year ended 31 July 2002 on pages 5 to 21 which have been prepared under the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
Glasgow

18 June 2003

Peckham & Rye Limited**Profit and loss account for the year ended 31 July 2002**

	Note	2002 £	2001 £
Turnover	2	8,554,387	7,763,184
Cost of sales		<u>5,736,009</u>	<u>5,416,029</u>
Gross profit		2,818,378	2,347,155
Administrative expenses		<u>2,847,083</u>	<u>2,324,948</u>
Operating (loss)/profit	3	(28,705)	22,207
Amounts written off investments		(10,000)	-
Interest payable and similar charges	6	<u>(30,004)</u>	<u>(29,499)</u>
Loss on ordinary activities before taxation		(68,709)	(7,292)
Taxation on loss on ordinary activities	7	<u>(145)</u>	<u>(5,617)</u>
Loss on ordinary activities after taxation		(68,854)	(12,909)
Dividends (including non-equity)	8	<u>5,000</u>	<u>5,000</u>
Accumulated loss	17	<u>(73,854)</u>	<u>(17,909)</u>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 9 to 21 form part of these financial statements.

Peckham & Rye Limited

Note of historical cost profits and losses for the year ended 31 July 2002

	2002	2001
	£	£
Reported loss on ordinary activities before taxation	(68,709)	(7,292)
Realisation of property revaluation gains of previous years	-	11,520
Difference between actual and historical cost depreciation charge	901	1,141
Historical cost (loss)/profit on ordinary activities before taxation	(67,808)	5,369
Retained historical cost loss for the year after taxation and dividends	(72,953)	(5,248)

The notes on pages 9 to 21 form part of these financial statements.

Peckham & Rye Limited

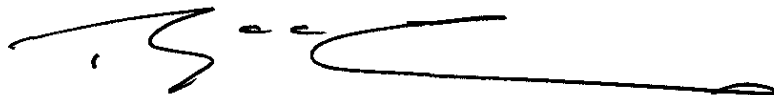
Balance sheet at 31 July 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	9		1,153,499		1,089,048
Fixed asset investments	10		5,000		15,000
			<u>1,158,499</u>		<u>1,104,048</u>
Current assets					
Stocks	11	491,102		523,990	
Debtors	12	552,423		453,143	
Cash at bank and in hand		8,272		8,194	
		<u>1,051,797</u>		<u>985,327</u>	
Creditors: amounts falling due within one year	13	1,763,835		1,535,022	
Net current liabilities			<u>(712,038)</u>		<u>(549,695)</u>
Total assets less current liabilities			<u>446,461</u>		<u>554,353</u>
Creditors: amounts falling due after more than one year	14	168,223		202,406	
Provision for liabilities and charges	15	50,794		50,649	
		<u>219,017</u>		<u>253,055</u>	
			<u>227,444</u>		<u>301,298</u>
Capital and reserves					
Called up share capital	16	60,000		60,000	
Revaluation reserve	17	44,843		45,744	
Profit and loss account	17	122,601		195,554	
Shareholders' funds			<u>227,444</u>		<u>301,298</u>

Included within shareholders' funds is an amount of £50,000 (2001 - £50,000) in respect of non-equity interests.

The financial statements were approved by the Board on 18 June 2003.

A. Johnston
Director



The notes on pages 9 to 21 form part of these financial statements.

Peckham & Rye Limited

Cash flow statement for the year ended 31 July 2002

	Note	2002 £	2002 £	2001 £	2001 £
Net cash (outflow)/inflow from operating activities	20		(84,467)		153,434
Returns on investments and servicing of finance					
Interest paid: other		(23,545)		(17,399)	
Interest paid: hire purchase		(6,459)		(7,907)	
Dividend paid: non equity		(3,407)		(4,982)	
Net cash outflow from returns on investments and servicing of finance			(33,411)		(30,288)
Taxation					
Corporation tax paid			(208)		(612)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(116,879)		(169,391)	
Receipts from sale of tangible fixed assets		440		118,101	
Net cash outflow from capital expenditure and financial investment			(116,439)		(51,290)
Cash (outflow)/inflow before financing			(234,525)		71,244
Financing					
New loans		-		225,000	
Loans repaid		(41,277)		(161,877)	
Capital element of finance leases repaid		(47,425)		(71,227)	
Net cash outflow from financing			(88,702)		(8,104)
(Decrease)/increase in cash	21		(323,227)		63,140

The notes on pages 9 to 21 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and fixed asset investments and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Land and buildings

The company has taken advantage of the arrangements under FRS 15 which allow the retention of the carrying value of revalued land and buildings. All additions to fixed assets since this date are stated at cost. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, over their expected useful lives. It is calculated at the following rates:

Freehold property	- 2% straight line
Tenant's improvements	- 4% straight line (or over length of lease)
Fittings and equipment	- 10% straight line
Motor vehicles	- 25% reducing balance
Computer equipment	- 20% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

1 Accounting policies (*continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Grants

Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating (loss)/profit

	2002 £	2001 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	108,691	92,804
Loss/(profit) on disposal of tangible fixed assets	1,207	(29,966)
Hire of plant and machinery - operating leases	4,523	1,491
Operating lease rentals - land and buildings	370,576	242,100
Audit services	6,700	7,000
Non-audit services	7,675	4,815
	<u> </u>	<u> </u>

4 Employees

Staff costs (including directors) consist of:

	2002 £	2001 £
Wages and salaries	1,427,232	1,202,174
Social security costs	91,162	75,340
	<u>1,518,394</u>	<u>1,277,514</u>

The average number of employees (including directors) during the year was as follows:

	2002 Number	2001 Number
Administration and distribution	34	37
Shop and sales assistants - full time	69	60
Shop and sales assistants - part time	65	81
	<u>168</u>	<u>178</u>

5 Directors' remuneration

	2002 £	2001 £
Directors' emoluments	83,361	71,075
	<u>83,361</u>	<u>71,075</u>

6 Interest payable and similar charges

	2002 £	2001 £
On bank loans and overdrafts	23,545	21,592
On hire purchase contracts	6,459	7,907
	<u>30,004</u>	<u>29,499</u>

7 Taxation on loss on ordinary activities

	2002 £	2001 £
<i>Deferred tax</i>		
Origination and reversal of timing differences	12,627	2,143
Adjustment in respect of previous periods	(12,482)	3,474
	<u>145</u>	<u>5,617</u>
Movement in deferred tax provision	<u>145</u>	<u>5,617</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(68,709)	(7,292)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 20%)	(20,613)	(1,458)
Effect of:		
Expenses not deductible for tax purposes	10,540	(11,135)
Capital allowances for period in excess of depreciation	(2,584)	(7,033)
Chargeable gains	-	4,457
Losses available for carry forward	12,657	15,169
	<u>-</u>	<u>-</u>
Current tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

There are tax losses available for carry forward against the profits of the same trade amounting to £229,817 as at 31 July 2002.

8 Dividends

	2002 £	2001 £
<i>Non equity shares</i>		
10% Cumulative Preference shares		
Accrued at 31 July 2001	(196)	(178)
Paid	3,407	4,982
Accrued at 31 July 2002	1,789	196
	<u>5,000</u>	<u>5,000</u>

Notes forming part of the financial statements for the year ended 31 July 2002 (*Continued*)

9 Tangible fixed assets	Freehold land and buildings improvements £	Tenants' improvements £	Fittings and equipment £	Motor vehicles £	Computer equipment £	Total £
<i>Cost or valuation</i>						
At 1 August 2001	292,550	394,111	786,474	174,259	40,514	1,687,908
Additions	-	61,674	69,564	41,876	1,675	174,789
Disposals	-	-	-	(12,150)	-	(12,150)
At 31 July 2002	292,550	455,785	856,038	203,985	42,189	1,850,547
<i>Depreciation</i>						
At 1 August 2001	12,275	64,550	366,466	126,145	29,424	598,860
Provided for the year	6,717	16,775	64,440	15,532	5,227	108,691
Disposals	-	-	-	(10,503)	-	(10,503)
At 31 July 2002	18,992	81,325	430,906	131,174	34,651	697,048
<i>Net book value</i>						
At 31 July 2002	273,558	374,460	425,132	72,811	7,538	1,153,499
At 31 July 2001	280,275	329,561	420,008	48,114	11,090	1,089,048

The historical cost of land and buildings is:

	2002 £	2001 £
Cost	247,504	247,504
Accumulated depreciation based on historical cost	17,250	12,300
Historical cost net book value	230,254	235,204

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows:

	2002 £	2001 £
<i>Net book value</i>		
Fixtures, fittings and equipment	78,452	120,102
Motor vehicles	51,653	22,308
	130,105	142,410
<i>Depreciation charged</i>		
Fixtures, fittings and equipment	7,935	13,052
Motor vehicles	7,905	2,045
	15,840	15,097

10 Fixed asset investments

	Other investments £
<i>Cost or valuation</i>	
At 1 August 2001	15,000
Disposals	(10,000)
At 31 July 2002	5,000
<i>Net book value</i>	
At 31 July 2002	5,000
At 31 July 2001	15,000

Peckham & Rye LimitedNotes forming part of the financial statements for the year ended 31 July 2002 (*Continued*)**11 Stocks**

	2002 £	2001 £
Finished goods and goods for resale	491,102	523,990

12 Debtors

	2002 £	2001 £
Amounts receivable within one year		
Trade debtors	221,607	282,867
Directors' loan accounts	16,462	17,558
Other debtors	214,525	61,527
Prepayments and accrued income	94,779	86,573
	547,373	448,525
Amounts receivable after more than one year		
Section 419 tax recoverable	5,050	4,618
Total debtors	552,423	453,143

As at 31 July 2002, the company was owed 16,462 (2001 - £14,897) by A. Johnston, a director. The maximum amount outstanding during the year was £33,462.

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts (secured)	646,270	319,230
Trade creditors	955,219	1,044,109
Taxation and social security	29,779	45,046
Proposed dividend	1,789	196
Obligations under finance lease and hire purchase contracts	39,275	39,619
Accruals and deferred income	91,503	86,822
	<u>1,763,835</u>	<u>1,535,022</u>

The bank borrowings are secured by standard securities over the company's land and buildings and a floating charge over the assets of the company. In addition, a director of the company, A. Johnston has provided a guarantee for £190,000 supported by the assignation of two life assurance policies.

14 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans	130,796	175,808
Obligations under finance lease and hire purchase contracts	37,427	26,598
	<u>168,223</u>	<u>202,406</u>

Maturity of debt:

	Loans and overdrafts 2002 £	Loans and overdrafts 2001 £	Finance leases 2002 £	Finance leases 2001 £
In one year or less, or on demand	<u>646,270</u>	<u>319,230</u>	<u>39,275</u>	<u>39,619</u>
In more than one year but not more than two years	45,481	41,836	25,796	20,909
In more than two years but not more than five years	<u>85,315</u>	<u>133,972</u>	<u>11,631</u>	<u>5,689</u>
	<u>130,796</u>	<u>175,808</u>	<u>37,427</u>	<u>26,598</u>

The hire purchase obligations are secured on the assets being purchased

The bank loans are repayable by monthly instalments with the final instalment having a repayment date of April 2006. Interest is payable at 2 % over bank base rate.

15 Provision for liabilities and charges

		Deferred taxation £
At 1 August 2001		50,649
Charged to profit and loss account		145
At 31 July 2002		50,794
<i>Deferred taxation</i>		
	2002 £	2001 £
Accelerated capital allowances	50,794	87,398
Losses	-	(36,749)
	50,794	50,649

16 Share capital

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000
<i>Non-equity share capital</i>				
10% Cumulative Preference shares of £1 each	50,000	50,000	50,000	50,000
	60,000	60,000	60,000	60,000

The 10% Cumulative Preference shares carry no voting rights and are redeemable at par on notice at the option of the company. They rank in priority to the Ordinary shares for repayment in the event of the company being wound up.

17 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 August 2001	45,744	195,554
Loss for the year	-	(73,854)
Transfers	(901)	901
	<u>44,843</u>	<u>122,601</u>
At 31 July 2002	<u>44,843</u>	<u>122,601</u>

18 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Loss for the year	(68,854)	(12,909)
Dividends	(5,000)	(5,000)
	<u>(73,854)</u>	<u>(17,909)</u>
Opening shareholders' funds	301,298	319,207
	<u>227,444</u>	<u>301,298</u>
Closing shareholders' funds	<u>227,444</u>	<u>301,298</u>

19 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2001 Land and buildings £
Operating leases which expire:		
After five years	<u>299,500</u>	<u>313,600</u>

20 Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2002 £	2001 £
Operating (loss)/profit	(28,705)	22,207
Depreciation of tangible fixed assets	108,691	92,804
Loss/(profit) on sale of tangible fixed assets	1,207	(29,966)
Decrease/(increase) in stocks	32,888	(65,442)
(Increase)/decrease in debtors	(98,848)	92,521
(Decrease)/increase in creditors	(99,700)	41,310
Net cash (outflow)/inflow from operating activities	(84,467)	153,434

21 Reconciliation of net cash flow to movement in net debt

	2002 £	2001 £
(Decrease)/increase in cash	(323,227)	63,140
Cash outflow from changes in debt	88,702	8,104
Movement in net debt resulting from cash flows	(234,525)	71,244
Inception of finance leases	(57,910)	(43,170)
Movement in net debt	(292,435)	28,074
Opening net debt	(553,061)	(581,135)
Closing net debt	(845,496)	(553,061)

22 Analysis of net debt

	At 1 August 2001 £	Cash flow £	Other non- cash items £	At 31 July 2002 £
Cash at bank and in hand	8,194	78	-	8,272
Bank overdrafts	(281,218)	(323,305)	-	(604,523)
		(323,227)		
Debt due within one year	(38,012)	38,012	(41,747)	(41,747)
Debt due after one year	(175,808)	3,265	41,747	(130,796)
Finance leases	(66,217)	47,425	(57,910)	(76,702)
		88,702		
Total	(553,061)	(234,525)	(57,910)	(845,496)

23 Related party disclosures

The company was under the control of A.J. Johnston, a director, throughout the year:

During the year, the company entered into the following transactions with:

- (i) Change at Jamaica, in which A.J. Johnston is sole proprietor

Sale of goods of £210,740 (2001 - £140,453), purchases of goods of £283,928 (2001 - £223,501). Receipt of management charge of £10,000. At 31 July 2002, Change at Jamaica owed the company £94,030 (2001 -£119,327).

- (ii) T-Stone Properties Limited, in which A.J. Johnston is a director and shareholder

Payment of property rents of £125,100 (2001 - £55,000). Receipt of management charge of £31,750 (2001 - £15,000). During the year, Peckham & Rye Limited incurred expenditure totalling £21,736 (2001 - £25,300) on behalf of T-Stone Properties Limited. At 31 July 2002, T-Stone Properties Limited owed the company £88,386 (2001 - £34,900). T-Stone Properties Limited were owed £4,288 from the company in respect of rent.

- (iii) Peckhams Gift Company Limited, in which the company has a 50% interest:

Sale of goods of £nil (2001 -£18,668) and receipt of management charge of £nil (2001-£20,000).At 31 July 2002, Peckhams Gift Company owed the company £2,571 (2001 - £2,571). Subsequent to the year end, Peckham Gift Company Limited has ceased to trade.

- (iv) Breadbox Limited, in which A.J. Johnston was director and shareholder.

Sale of goods of £1,185 (2001 - £825) , purchases of goods £64,458 (2001 - £66,471). As at 31 July 2002, Breadbox Limited owed the company £5,548 (2001 - £16,875). Subsequent to the year end, Breadbox Limited has ceased trading and the full amount owed to the company by Breadbox Limited has been included within the bad debt provision.

- (v) Bonusshape Limited, in which A.J. Johnston is a director and shareholder:

Sale of goods £18,000, purchases of goods £35,920. Bonusshape Limited paid the amount of £5,157 on behalf of the company. Receipt of management charge of £8,000. As at 31 July 2002, Bonusshape owed the company £136,287 in respect of expenditure incurred on its behalf.

24 Post balance sheet events

On 4 August 2002, the company sold the outlets at Waverley Station, Edinburgh and Central Station, Glasgow.