

**THE EAST OF SCOTLAND PUBLIC-HOUSE
COMPANY LIMITED**

REPORT AND ACCOUNTS

FOR THE YEAR TO

30th APRIL 2007

SC230613

**Richard Dobbins & Co
Certified Accountants
Croft House
291 Oxford Road
Gomersal
West Yorkshire
BD19 4JP**

The East of Scotland Public-House Company Limited
Officers and Advisers

Directors Much Honoured Baron of Prestoungrange
Lady Prestoungrange
Baron Bailie & Procurator Fiscal
Much Honoured Baron of Dolphinstoun
Sylvia Burgess, Baron Sergeand
Anne Taylor, CEO

Secretary Sylvia Burgess, Baron Sergeand

Registered Office The Prestoungrange Gothenburg
227 High Street
Prestonpans
East Lothian
EH32 9BE

Accountant Richard Dobbins & Co
Certified Accountants
Croft House
291 Oxford Road
Gomersal
West Yorkshire
BD19 4JP

Company Number SC230613

Bankers The Royal Bank of Scotland
Prestonpans Branch
2 Ayres Wynd
Prestonpans
EH32 9AB

The East of Scotland Public-House Company Limited
Directors' Report for the year ended 30 April 2007

Principal Activities

The Company resolved during the year to continue to offer a full seven day bar and bistro service provision in anticipation that the franchise gained to manage the Pennypit Centre would inject substantial sales growth. However, after honouring the Company's pledge to the Centre from October 2006 / end April 2007 during which there was a comprehensive failure by the Centre to fulfil its agreed service levels and the late arrival of almost all fixtures and fittings, the Company's losses reached £20,000; and the franchise had to be surrendered. Further commercial damage during the year occurred with senior staff losses. Nonetheless, whilst the overall trading stance adopted ab initio cannot be sustained, results in 2006 / 2007 showed improved gross and operating margins. All staff members gave and continue to give their utmost and they are greatly to be thanked.

Discussions with our bankers have been continuous and substantial changes are already being implemented through an overall price increase and a focus on package offers / direct promotions. For Centenary Year, which the Lord Mayor of Goteborg will launch on July 23rd 2007, a wholly new pattern of trading will be offered to customers that addresses days of week / hours of day and a la carte / table d'hote menu offers - and the associated staffing patterns that are implied. This will be against a background of the nation wide smoking ban, a tighter economy in the area, the loss of the novelty impact of our business and the arrival of new competitors in town. Already the sponsorship support given to Preston Athletic, Preston Lodge RFC and Preston Cricket have necessarily been scaled back and whilst the Third Annual Music and Real Ale Festival in June with The Levellers saw numbers exceed 1,000 for the first time, the underwriting sponsorship cannot be continued in 2008.

Centenary Year 2008 is the fifth and final recovery / investment year at The Gothenburg for the Company. For the five year balance of the Goth Principles ten year lease annual rental is payable to Prestoungrange Gothenburg Inc.. The directors and bankers are already seriously considering the option of a sub-lease for the balancing years if necessary to achieve breakeven and better performance. Our bankers have every confidence that a fundamental revision to the Company's style of trading can achieve sustainable operational results, but they are adamant that Centenary Year must be the time when that secure future is put in place.

Directors and their interests

Directors who served during the year and their interest in the share capital of the company on 30.04.07 were as follows:

		£1 Ordinary Shares	
		2007	2006
Gordon Prestoungrange -	Much Honoured Baron of Prestoungrange	2,000	2,000
Avril Wills -	Lady Prestoungrange	2,000	2,000
Mathew Wills -	Baron Bailie & Procurator Fiscal	2,000	2,000
Julian Wills -	Much Honoured Baron of Dolphinstoun	2,000	2,000
Sylvia Burgess -	Baron Sergeand	2,000	2,000

Close Company

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988. The Directors rely on Sections 247-249 of the Companies Act 1985 entitling them to deliver modified accounts.

Accountant

A resolution to re-appoint Richard Dobbins & Co as Accountants will be put to the members at the Annual General Meeting

By Order of the Board

S. Burgess

The East of Scotland Public-House Company Limited
Accountants Report

Accountants Report to the Members of
The East of Scotland Public-House Company Limited

We report on the accounts for the year to 30th April, 2007 set out on pages 5 to 8.

Respective Responsibilities of Directors and Reporting Accountants

The company's directors are responsible for the preparation of financial statements and they consider that the company is exempt from audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of Opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants and so our procedures consisted of comparing the accounts with the accounting records kept by the company and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion the accounts are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985.

Having regard only to, and on the basis of the information contained in those accounting records, the accounts have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act, and the company satisfied the conditions for exemption from an audit of the accounts for the period as specified in Section 249A(4) of the Act and did not, at any time within that period, fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1).

Richard Dobbins & Co
Certified Accountants
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BD19 4JP

The East of Scotland Public-House Company Limited
Balance Sheet as at 30 April 2007

	Note	£	2007 £	£	2006 £
Fixed Assets					
Tangible Assets	3		465,187		543,047
Current Assets					
Stocks		13,533		17,212	
Debtors	4	70,763		85,540	
Cash		23,085		40,965	
		<u>107,380</u>		<u>143,717</u>	
Current Liabilities					
Creditors and Accruals	5	<u>132,556</u>		<u>193,574</u>	
Net Current Assets			(25,175)		(49,857)
Total Assets Less Current Liabilities			<u>440,012</u>		<u>493,190</u>
Creditors: Amounts Falling Due After More than One Year					
	6		306,764		1,394,264
Total Net Assets / (Liabilities)			<u>133,248</u>		<u>(901,074)</u>
Capital and Reserves					
Called up share capital	7		1,310,000		10,000
Profit and loss account	8		(1,176,752)		(911,074)
			<u>133,248</u>		<u>(901,074)</u>

For the year ended 30th April 2007, the company was entitled to exemption from sub-section 2 of Section 249A of the Companies Act 1985. No member of the company has deposited a notice under Section 249B(2) requiring an audit of these accounts. The directors acknowledge their responsibility for ensuring that the company keeps accounting records which comply with Section 221 of the Act and preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year in accordance with the requirements of Section 226 of the Act and which otherwise comply with the requirements of this Act relating to accounts so far as applicable to the company.

The accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

_____ *)
 _____)
 _____ *) Directors
 _____)

Approved by the board on

The East of Scotland Public-House Company Limited
Notes to the Accounts for the year to 30 April 2007

1. Accounting Policies

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

Depreciation

Depreciation has been provided at the following rates to write off the assets over their estimated useful lives.

Leasehold improvements	8 years	straight line
Plant & Machinery	5 - 8 years	straight line
Office equipment	2 - 3 years	straight line
Fixtures and fittings	5 years	straight line
Motor Vehicles	4 years	straight line

Stocks

Stock is valued at the lower of cost and net realisable value

2. Operating Profit

	2007	2006
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	101,836	115,150
Accountants' remuneration	500	250
	<u>102,336</u>	<u>115,400</u>

3. Tangible Fixed Assets

	Leasehold Improvements	Plant & Machinery	Fixtures & Fittings	Office Equipment	Motor Vehicles	Total
Cost	£	£	£	£	£	£
As at 1st May 2006	449,479	41,797	219,765	32,463	27,061	770,565
Additions	17,786	2,565	150	3,475	0	23,976
As at 30th April 2007	<u>467,266</u>	<u>44,362</u>	<u>219,915</u>	<u>35,937</u>	<u>27,061</u>	<u>794,541</u>

Depreciation

As at 1st May 2006	87,473	9,587	87,461	30,983	12,013	227,518
Charge for the year	45,631	5,557	43,972	1,402	5,274	101,836
As at 30th April 2007	<u>133,104</u>	<u>15,144</u>	<u>131,433</u>	<u>32,385</u>	<u>17,287</u>	<u>329,354</u>

Net Book Value

As at 1st May 2006	362,006	32,210	132,304	1,479	15,048	543,047
As at 30th April 2007	<u>334,161</u>	<u>29,218</u>	<u>88,482</u>	<u>3,552</u>	<u>9,774</u>	<u>465,187</u>

4. Debtors

	2007	2006
	£	£
Trade debtors	6,096	13,316
Finance leases	0	15,911
Other Debtors	10,729	27,500
Other taxes and social security	3,213	0
Prepayments	50,725	28,814
	<u>70,763</u>	<u>85,540</u>

The East of Scotland Public-House Company Limited
Notes to the Accounts for the year to 30 April 2007 - cont'd

5. Creditors: amounts falling due within one year	2007	2006
	£	£
Trade creditors	118,087	130,876
Accruals	6,242	54,303
Other taxes and social security	4,509	8,358
Other creditors	3,718	37
	<u>132,556</u>	<u>193,574</u>

6. Creditors: amounts falling due after one year	2007	2006
	£	£
Loans	306,764	1,394,264

The loan is repayable on 31st December, 2008. From January, 2006 all or part of the loan has been convertible at par into the Company's Preference shares. On September 22nd, 2006 £1,300,000 of the outstanding loan creditor (due after more than one year) was converted into 1,300,000 £1 Ordinary shares.

7. Share Capital

	2007	2006
	£	£
Authorised:		
Ordinary shares of £1 each	<u>2,000,000</u>	<u>50,000</u>

	2007	2007	2006	2006
	No	£	No	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	1,300,000	<u>1,300,000</u>	10,000	<u>10,000</u>

On June 30th, 2006 at a meeting of all of the company's shareholders it was agreed that the authorised share capital of the company should be increased to 2,000,000 shares of £1 each. On September 22nd, 2006 £1,300,000 of the outstanding loan creditor (due after more than one year) was converted into 1,300,000 £1 Ordinary shares.

8. Dividend Policy

The Members are entitled to a 5% dividend per annum, which in the event of insufficient distributable profits, such dividends shall be cumulative and may be paid out of the profits of any subsequent year or years.

The dividend entitlement cumulatively is £39,917 and is a first charge against future profits.

The East of Scotland Public-House Company Limited
Profit and Loss Account for the year to 30 April 2007

		2007 £	2006 £
Turnover		547,061	468,711
Cost of Sales		253,795	224,221
Gross profit		<u>293,266</u>	<u>244,490</u>
Administrative Expenses		570,147	635,562
Other Operating Income		9,010	7,340
Operating profit/(loss)	2	<u>(267,871)</u>	<u>(383,732)</u>
Interest Receivable		2,193	2,484
Profit/(Loss) on ordinary activities before taxation		<u>(265,678)</u>	<u>(381,248)</u>
Tax on profit on ordinary activities		0	0
Profit/(Loss) for the financial year		<u>(265,678)</u>	<u>(381,248)</u>
Dividends		0	0
Retained profit/(loss) for the financial year		<u><u>(265,678)</u></u>	<u><u>(381,248)</u></u>

PROFIT & LOSS ACCOUNT FOR MANAGEMENT PURPOSES ONLY

	2007	2006
	£	£
Sales		
Sales	547,061	468,711
	<u>547,061</u>	<u>468,711</u>
Cost of Sales		
Purchases	250,066	224,333
Stock Movement	3,729	(112)
	<u>253,795</u>	<u>224,221</u>
Gross Profit	293,266	244,490
Overhead Expenses		
Promotion & Advertising	<u>27,187</u>	<u>44,513</u>
Employees Costs		
Wages and Salaries	269,859	284,166
Employers Nat Ins	17,773	19,410
Staff Recruitment	138	1,632
	<u>287,770</u>	<u>305,208</u>
Premises Costs		
Rent	2,820	2,780
Rates	14,796	15,009
Insurance	5,421	4,781
Waste	1,361	1,183
Heat, Light & Power	20,967	20,715
	<u>45,365</u>	<u>44,468</u>
Motor Expenses		
Fuel & Oil	1,321	1,379
Tax & Insurance	854	1,583
Other Costs	394	0
Recharges to Fowler's Ales	(1,570)	(814)
	<u>999</u>	<u>2,149</u>
Travelling & Entertaining		
Travelling Expenses	1,301	1,459
Car Mileage	637	1,024
UK Entertaining	1,536	668
Subsistence	133	157
	<u>3,608</u>	<u>3,307</u>
General Administrative Expenses		
Telephone and Fax	4,237	3,406
Postage	565	1,109
Stationery and Printing	3,320	6,827
Internet Charges	1,308	995
	<u>9,430</u>	<u>12,336</u>
Legal and Professional Costs		
Accountancy Fees	500	250
Legal Fees	3,010	3,033
Other Legal and Professional Fees	1,758	2,183
Management Charges	4,567	47,689
	<u>9,835</u>	<u>53,154</u>
Depreciation	<u>101,836</u>	<u>115,150</u>

Equipment Hire & Rental		11,400	11,898
Maintenance			
Repairs & Renewals		16,853	9,477
Cleaning/Laundry		5,323	5,871
Sundry Equipment		3,168	4,682
		<u>25,344</u>	<u>20,030</u>
Bank Charges & Interest			
Bank Charges		4,372	4,210
Credit Card Charges		3,764	3,033
		<u>8,135</u>	<u>7,243</u>
General Expenses			
Events (Beer Festival 06 / Pans Bands 07)		17,830	0
Sundry Items		8,187	7,411
Clothing		209	477
Donations		10,999	4,553
Other Expenses		2,014	3,665
		<u>39,239</u>	<u>16,106</u>
Total Expenditure		<u>570,147</u>	<u>635,562</u>
Other Operating Income			
Rent Income		5,880	5,880
Other Income		3,130	1,460
Grants Receivable		0	0
Operating (Loss) / Profit		<u>(267,871)</u>	<u>(383,732)</u>
Interest Receivable	Bank Interest	792	1,082
	Lease Interest	1,402	1,402
(Loss) / Profit Before Tax		<u>(265,678)</u>	<u>(381,248)</u>