Company Registration No. 03235178

Zelgrain Limited

Annual Report and Financial Statements

30 June 2013

Zelgrain Limited

Annual report and financial statements 2013

Contents

Page

Zelgrain Limited

Annual report and financial statements 2013

Officers and professional advisers

Directors

P Bennett
G George
G Pettet
M Swindon

Registered Office

Global House
High Street
Crawley
West Sussex
RH10 1DL

Bankers

Royal Bank of Scotland plc
Kirkstone House
139 St Vincent Street
Glasgow
G2 5JF

Solicitors

SJ Berwin LLP
10 Queen Street Place
London
EC4R 1BE

Independent auditor

Deloitte LLP
Chartered Accountants
Crawley

Zelgrain Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for year ended 30 June 2013

Principal activity and transfer of business

The company's principal activity is as a lessor of public houses to InnBrighton Limited, its ultimate parent

Business review and dividends

The trading results of the company are shown on page 5 The position of the company at the balance sheet date is shown on page 7 The directors do not recommend the payment of a final dividend (2012 - £nil)

Risk management objectives and policies

As a result of the transfer of trade and assets to InnBrighton Limited in the financial year 2007, liquidity risk is the principal risk facing the company In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance via its immediate parent company For further details on liquidity risk, also refer to note 1

Future prospects

Despite the challenging trading conditions that the economy has presented, the parent company has traded well during 2012/13 leaving it in a robust position to deal with any such challenges during 2013/14 With more sites coming on stream in London and some key redevelopments in London and Brighton taking place in 2013/14, the directors are confident that the company will trade strongly throughout the coming year

Events after the balance sheet date

The company acquired the leases on three new London sites, one in August 2013 and two in January 2014 One of these sites is currently closed for refit A leasehold site that had previously been trading has been refurbished and re-launched in December 2013 as a pub and brewery The company's immediate parent company InnBrighton Limited was successfully refinanced in June 2014, with new investments from Risk Capital Partners and Graphite Capital Management LLP, becoming shareholders Bank financing was also renewed with a new long term loan agreement Further details regarding the adoption of the going concern basis can be found at note 1 to the financial statements

Directors

The directors of the company throughout the year and to the present date were

P Bennett
G George
G Pettet
M Swindon

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board and signed on its behalf by

M Swindon
Director
27 June 2014

Zelgrain Limited

Directors' responsibilities statement

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent auditor's report to the members of Zelgrain Limited

We have audited the financial statements of Zelgrain Limited for the year ended 30 June 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 12 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatement we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ian Smith

Ian Smith, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Crawley, United Kingdom

27 June 2014

Zelgrain Limited

Profit and loss account
Year ended 30 June 2013

	Note	2013 £	2012 £
Turnover and gross profit	1, 2	1,539,804	1,424,761
Other administrative expenses		(1,355,346)	(1,300,612)
Impairment losses	6	(6,104)	(36,125)
Loss on disposal of fixed assets		(105,029)	(21,187)
Total administrative expenses		(1,466,479)	(1,357,924)
Operating profit and profit on ordinary activities before taxation	3	73,325	66,837
Tax on profit on ordinary activities	5	(137,092)	(177,646)
Loss for the financial year	10	(63,767)	(110,809)

Results for both the current and preceding financial years are derived from the continuing operations of the company

The notes on page 8 - 13 form part of the financial statements

Statement of total recognised gains and losses
Year ended 30 June 2013

	Note	2013 £	2012 £
Loss for the financial year		(63,767)	(110,809)
Unrealised surplus on revaluations of properties	10	916,316	-
Realisation of revaluation reserve on disposal of fixed asset property	10	38,295	2,506
Total recognised gains and (losses) relating to the financial year		890,844	(108,303)

Zelgrain Limited

Note of historical cost profits and losses
Year ended 30 June 2013

	2013 £	2012 £
Reported profit on ordinary activities before taxation	73,325	66,837
Realisation of property valuation gains on disposal	38,295	-
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	350,198	343,742
Historical cost profit on ordinary activities before taxation	461,818	410,579
Historical cost profit for the year after taxation	324,726	232,933

Zelgrain Limited

Balance sheet
30 June 2013

	Note		2013		2012
		£	£	£	£
Fixed assets					
Tangible assets	6		9,122,025		8,450,237
Current assets					
Debtors – amounts owed by group undertakings		6,973,484		5,433,680	
Creditors: amounts falling due within one year	7	(5,764,882)		(4,357,659)	
Net current assets			1,208,602		1,076,021
Total assets less current liabilities			10,330,627		9,526,258
Provisions for liabilities	8		(57,468)		(105,648)
Net assets			10,273,159		9,420,610
Capital and reserves					
Called up share capital	9, 10		37,784		37,784
Share premium account	10		467,852		467,852
Revaluation reserve	10		5,374,796		4,808,406
Profit and loss account	10		4,392,727		4,106,568
Total shareholders' funds	10		10,273,159		9,420,610

The financial statements of Zelgrain Limited, registered number 03235178, were approved by the board of directors and authorised for issue on 27 June 2014

They were signed on its behalf by

M Swindon
Director

Zelgrain Limited

Notes to the financial statements
For the year ended 30 June 2013

1. **Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding financial years

Accounting convention

The financial statements are prepared under the historical cost convention, as modified for the revaluation of certain tangible fixed assets

Going concern

The company is reliant on the support of its parent company, InnBrighton Limited

In preparing these financial statements the directors have considered the appropriateness of the going concern basis In forming their view, the Directors have conducted a detailed review of the trading prospects of the company and group for the 12 months from the date of the signing the company's accounts in order to assess the group's funding requirements and its ability to comply with the covenants attached to the lending received from the bank

The group was refinanced in June 2014 with new investment from Risk Capital Partners and Graphite Capital Management LLP, becoming shareholders The bank financing was also renewed with a new long term loan agreement in June 2014

At the balance sheet date and to the date the company balance sheet was approved by the board, the group has not breached any of its banking covenants and is not forecast to do so

Accordingly the Directors have continued to adopt the going concern basis in preparing the annual report and financial statements.

Exemption from preparing a cash flow statement

The company is a wholly owned subsidiary of InnBrighton Limited which prepares consolidated accounts that are publicly available, the company is, on this basis, exempt from the requirement of FRS1 to present a cash flow statement

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts Turnover represents an inter-group management charge based on a mark up against costs incurred

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Short leasehold property	Straight line over the life of the lease
Fixtures, fittings and office equipment	20% Straight line

Revaluation of properties

Individual short leasehold properties are revalued in accordance with FRS 15, with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves

Notes to the financial statements
For the year ended 30 June 2013

1. **Accounting policies (continued)**

Taxation

Current tax represents UK corporation tax and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

2. **Turnover**

The total turnover of the company, all of which arises in the United Kingdom, is attributable to its principal activity and is stated net of value added tax

3. **Operating profit**

	2013 £	2012 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Management fees charged to group undertakings	(1,539,804)	(1,424,761)
Depreciation of tangible fixed assets - owned assets	1,354,267	1,300,612
Exceptional adjustment of revaluation reserve	1,080	-
Impairment losses	6,104	36,125
Loss on disposal of fixed assets	105,029	21,187

Auditor's remuneration for both the current and preceding financial year of £4,000 has been borne and paid for by the company's ultimate parent company

4. **Information regarding directors and employees**

Other than the directors, the company had no employees in either the current or preceding financial year Directors' remuneration for both financial years has been borne by the company's ultimate parent

Zelgrain Limited

Notes to the financial statements
For the year ended 30 June 2013

5. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

	2013 £	2012 £
Current tax		
United Kingdom corporation tax at 23 75% (2012 – 25 5%) based on the profit for the year	233,698	208,693
Adjustments in respect of prior years	(48,426)	(63,128)
	185,272	145,565
Deferred tax		
Timing differences, origination and reversal	(10,193)	21,039
Adjustment in respect of prior years	(35,381)	19,846
Effect of change in tax rate	(2,606)	(8,804)
Total deferred tax (credit)/charge (note 8)	(48,180)	32,081
Tax on profit on ordinary activities	137,092	177,646

(b) Factors affecting current tax charge for the year

	2013 £	2012 £
Profit on ordinary activities before taxation	73,325	66,837
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23 75% (2012 – 25 5%)	17,415	17,043
Effects of		
Expenses not deductible for tax purposes	228,326	285,883
Capital allowances different from accounting depreciation	10,193	(21,970)
Group relief	(22,236)	(72,263)
Adjustments in respect of prior periods	(48,426)	(63,128)
Total actual amount of current tax for the year (see note above)	185,272	145,565

(c) Factors that may affect future tax charge

A potential deferred tax asset of £101,748 (2012 - £75,596) has not been recognised in respect of capital losses as there is insufficient evidence that the assets will be recovered Deferred tax of £1,236,203 (2012 -£1,154,017) has not been provided for on the revaluation of the assets This tax will only become payable if the revaluated assets are sold and roll over relief is not obtained

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012 This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date

The Government intends to enact future reduction in the main tax rate down to 21% by 1 April 2014 and to 20% by 1 April 2015 As this tax rate was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period

Zelgrain Limited

Notes to the financial statements
For the year ended 30 June 2013

6. Tangible fixed assets

	Short leasehold properties £	Fixtures, fittings and equipment £	Total £
Cost or revaluation			
At 1 July 2012	8,268,185	3,350,776	11,618,961
Additions	172,324	1,048,548	1,220,872
Revaluation adjustments	(690,268)	-	(690,268)
Disposals	(77,915)	(126,051)	(203,966)
At 30 June 2013	7,672,326	4,273,273	11,945,599
Accumulated depreciation			
At 1 July 2012	1,006,966	2,161,758	3,168,724
Charge for the year	619,392	734,875	1,354,267
Impairment losses	6,104	-	6,104
Revaluation adjustments	(1,606,584)	-	(1,606,584)
Disposals	(25,878)	(73,059)	(98,937)
At 30 June 2013	-	2,823,574	2,823,574
Net book value			
At 30 June 2013	7,672,326	1,449,699	9,122,025
At 30 June 2012	7,261,219	1,189,018	8,450,237

The company's leasehold properties were revalued as at 30 June 2013, by independent professional valuers AW Gore and Co , on an existing use basis in accordance with the RICS Appraisal and Valuation manual The properties have been valued as fully-equipped operational entities having regard to their trading potential The directors have considered the valuation at 30 June 2013 and do not consider that any adjustment is required to the recorded valuation The historical cost of the short leasehold properties is £3,408,069 (2012 - £3,491,685) and the net book value on a historical cost basis is £2,297,530 (2012 - £2,452,813) The company's properties act as security for banking facilities provided to the company's immediate parent by the Royal Bank of Scotland plc

7. Creditors: amounts falling due within one year

	2013 £	2012 £
Amounts owed to group undertakings	5,579,610	4,148,965
Corporation tax	185,272	208,694
	5,764,882	4,357,659

Zelgrain Limited

Notes to the financial statements
For the year ended 30 June 2013

8. Provisions for liabilities

Deferred taxation

	2013	2012
	£	£
Provision brought forward	105,648	73,567
Profit and loss account movement arising during the year (note 5)	(12,799)	32,081
Adjustment in respect of prior years	(35,381)	-
Provision carried forward	57,468	105,648

The deferred tax liability of £57,468 (2012 - £105,648) arises solely on accelerated capital allowances

9. Called up share capital

	2013	2012
	£	£
Called up, allotted and fully paid:		
37,784 (2012 - 37,784), ordinary shares of £1 each	37,784	37,784

10. Combined reconciliation of movements in shareholders' funds and statement of movements in reserves

	Called-up share capital	Share premium account	Revaluation reserve	Profit and loss account	2013 Total	2012 Total
	£	£	£	£	£	£
At the beginning of year	37,784	467,852	4,808,406	4,106,568	9,420,610	9,528,913
Realised surplus from depreciation	-	-	(311,631)	311,631	-	-
Unrealised surplus on revaluations of properties	-	-	916,316	-	916,316	-
Realisation of revaluation surplus	-	-	(38,295)	38,295	-	2,506
Loss for the financial year	-	-	-	(63,767)	(63,767)	(110,809)
At the end of the year	37,784	467,852	5,374,796	4,392,727	10,273,159	9,420,610

11. Related party transactions, ultimate parent company and controlling entity

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the group as a 100% owned subsidiary

The ultimate parent company and the largest and smallest group in which the results of the company are consolidated is that headed by InnBrighton Limited Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ Following the refinancing of the group the directors consider there to be no controlling party of the company

Zelgrain Limited

Notes to the financial statements
For the year ended 30 June 2013

12. Events after the balance sheet date

The company acquired the leases on three new London sites, one in August 2013 and two in January 2014 One of these sites is currently closed for refit

A leasehold site that had previously been trading has been refurbished and re-launched in December 2013 as a pub and brewery

The group was refinanced in June 2014 with new investment by Risk Capital Partners and Graphite Capital Management LLP, becoming shareholders The bank financing was also renewed with a new long term loan agreement in June 2014