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4825118

Porter Black (2003) Limited (formerly Mandaco 349 Limited)

Report and Financial Statements

28 August 2004

ERNST & YOUNG

Registered No: 4825118

Directors
J D Murray
J C Williams
M A J Salter

Secretary
S R Berry

Auditors
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Registered office
Kenneth Pollard House
5-19 Cowbridge Road East
Cardiff
CF11 9AQ

Directors' report

The directors present their report and financial statements for the period from 8 July 2003 to 28 August 2004.

Results and dividends

The loss for the period amounted to £270,376. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company was incorporated on 8 July 2003 as Mandaco 349 Limited. The company's name was changed on the 11 September 2003 to Porter Black (2003) Limited. On 10 October the company acquired 11 public houses and began trading from that date.

The principal activity of the company during the period was the management of an estate of managed and tenanted public houses.

The directors have addressed many of the inherited trading difficulties in the period following receivership and are confident that performance in the next 12 months will demonstrate significant progress.

Directors

The directors who served the company during the period were as follows:

J D Murray	(appointed 19 September 2003)
J C Williams	(appointed 19 September 2003)
M A J Salter	(appointed 19 September 2003)
M and A Secretaries Limited	(served from 8 July 2003 to 19 September 2003)

There are no directors' interests requiring disclosure under the Companies Act 1985.
The interests of the directors in the shares of the controlling party are disclosed in the financial statements of Celtic Inns Limited.

Auditors

Ernst & Young LLP were appointed as the company's first auditor. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the board

M Salter

Director
26 Oct 2004

Statement of directors' responsibilities in respect of the financial statements

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; 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.

Independent auditors' report

to the members of Porter Black (2003) Limited (formerly Mandaco 349 Limited)

We have audited the company's financial statements for the period ended 28 August 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

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.

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Independent auditors' report

to the members of Porter Black (2003) Limited (formerly Mandaco 349 Limited) (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 28 August 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Southampton

20 October 2004

Profit and loss account

for the period from 8 July 2003 to 28 August 2004

	Notes	*Period from 8 Jul 03 to 28 Aug 04* £
Turnover	2	3,551,316
Cost of sales		1,117,113
Gross profit		2,434,203
Administrative expenses		2,396,716
Operating profit	3	37,487
Interest payable and similar charges	5	307,863
		307,863
Loss on ordinary activities before taxation		(270,376)
Tax on loss on ordinary activities	6	–
Loss for the financial period		(270,376)

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Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £270,376 attributable to the shareholders for the period ended 28 August 2004.

Balance sheet
at 28 August 2004

	Notes	28 Aug 04 £
Fixed assets		
Tangible assets	7	6,426,856
Current assets		
Stocks	8	61,898
Debtors	9	244,244
Cash at bank		596,627
		902,769
Creditors: amounts falling due within one year	10	1,153,097
Net current liabilities		(250,328)
Total assets less current liabilities		6,176,528
Creditors: amounts falling due after more than one year	11	6,095,904
		80,624
Capital and reserves		
Called up share capital	14	351,000
Profit and loss account	15	(270,376)
Equity shareholders' funds	15	80,624

M A J Salter
Director

20th oct 2004

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Statement of cash flows
for the period from 8 July 2003 to 28 August 2004

	Notes	*Period from 8 Jul 03 to 28 Aug 04* £
Net cash inflow from operating activities	16(a)	376,196
Returns on investments and servicing of finance	16(b)	(430,958)
Capital expenditure and financial investment	16(c)	(6,475,634)
Financing	16(d)	7,068,900
Increase in cash		538,504

Reconciliation of net cash flow to movement in net debt

		28 Aug 04 £
Increase in cash		538,504
Net cash inflow from increase in bank loans		(6,717,900)
Issue costs of new long term loans		189,354
		(5,990,042)
Other non-cash movements		(17,357)
		(6,007,399)
Change in net debt	16(e)	(6,007,399)
Net funds at 8 July	16(e)	–
Net debt at 28 August	16(e)	(6,007,399)

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Notes to the financial statements
at 28 August 2004

1. Accounting policies
Basis of preparation

The financial statements are prepared under the historical cost convention.

Fixed assets

All fixed assets are initially recorded at cost, together with any incidental costs of acquisitions.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Land and Buildings	-	over 50 years
Plant & Machinery	-	over 20 years
Fixtures & Fittings	-	over 10 years
Computer Equipment	-	over 3 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

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Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that,at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled ov er into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements
at 28 August 2004

2. Turnover
Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. The company has a single class of business, consisting of the management of public houses within the United Kingdom. Turnover is derived solely within the United Kingdom.

3. Operating profit
This is stated after charging/(crediting):

		Period from 8 Jul 03 to 28 Aug 04
		£
Auditors' remuneration	- audit services	6,000
	- non-audit services	3,000

Directors are remunerated by Celtic Inns Limited and are charged to this company by way of a management recharge.

Depreciation of owned fixed assets	60,732
Profit on disposal of fixed assets	(11,954)

4. Staff costs

	Period from 8 Jul 03 to 28 Aug 04
	£
Wages and salaries	953,164
Social security costs	62,966
	1,016,130

The monthly average number of employees during the period was as follows:

	Period from 8 Jul 03 to 28 Aug 04
	No.
Administrative staff	3
Operations staff	133
	136

Notes to the financial statements
at 28 August 2004

5. Interest payable and similar charges

	Period from 8 Jul 03 to 28 Aug 04
	£
Bank interest and charges payable	290,506
Amortisation of loan issue expenses	17,357
	307,863

6. Taxation on ordinary activities

(a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	Period from 8 Jul 03 to 28 Aug 04
	£
Loss on ordinary activities before taxation	(270,376)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(51,371)
Capital allowances for period in excess of depreciation	24,476
Unrelieved tax losses carried forward	23,295
Capital gains	3,600
Total current tax	–

(b) Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows:

	28 Aug 04
	£
Capital allowances in advance of depreciation	24,476
Tax losses available	23,295
	47,771

Notes to the financial statements
at 28 August 2004

7. Tangible fixed assets

	Land and Buildings £	*Plant & Machinery* £	*Fixtures & Fittings* £	*Computer Equipment* £	*Total* £
Cost:					
Additions	6,404,533	549,047	171,596	8,086	7,133,262
Disposals	(539,696)	(62,380)	(45,835)	(620)	(648,531)
At 28 August 2004	5,864,837	486,667	125,761	7,466	6,484,731
Depreciation:					
Provided during the period	25,145	22,008	11,417	2,162	60,732
Disposals	(258)	(890)	(1,606)	(103)	(2,857)
At 28 August 2004	24,887	21,118	9,811	2,059	57,875
Net book value:					
At 28 August 2004	5,839,950	465,549	115,950	5,407	6,426,856

8. Stocks

	28 Aug 04 £
Stocks for resale	61,898

9. Debtors

	28 Aug 04 £
Trade debtors	45,825
Other debtors	52,543
Prepayments and accrued income	145,876
	244,244

10. Creditors: amounts falling due within one year

	28 Aug 04 £
Current instalment due on bank loan (note 12)	450,000
Bank overdraft	58,122
Trade creditors	223,987
Amounts owed to group undertakings	26,174
Other taxation and social security	124,531
Other creditors	52,431
Accruals and deferred income	217,852
	1,153,097

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Notes to the financial statements
at 28 August 2004

11. Creditors: amounts falling due after more than one year

	28 Aug 04 £
Loans (note 12)	6,095,904

12. Loans
Creditors include finance capital which is due for repayment as follows:

	28 Aug 04 £
Amounts repayable:	
In one year or less or on demand	450,000
In more than one year but not more than two years	300,000
In more than two years but not more than five years	1,100,000
	1,850,000
In more than five years	4,867,900
	6,717,900
Less: unamortised loan issue expenses	171,996
	6,545,904

	28 Aug 04 £
Not wholly repayable within five years:	
Bank Mezzanine Loan	1,617,900
Bank Senior Loan	5,100,000
Less: unamortised loan issue expenses	(171,996)
	6,545,904
Less: included in creditors: amounts falling due within one year (note 10)	450,000
	6,095,904

Bank Mezzanine Loan
The bank mezzanine loan attracts interest of LIBOR plus 1.75%, which is paid as incurred. The capital will be repaid in full on the earliest of (i) a Sale; (ii) a Flotation; and (iii) 31 August 2014.

Bank Senior Loan
The bank senior loan attracts interest of LIBOR plus 1.75%, which is paid as incurred. The capital will be repaid in increasing six monthly instalments with the final repayment due on 31 August 2013.

13. Related party transactions
During the period the company paid a management fee to Celtic Inns Limited of £160,707 and was recharged by Celtic Inns Limited £18,076 in respect of payroll costs. Celtic Inns Limited has common directors with the company.

At the year end the company owed Celtic Inns Limited £26,174, included within "amounts owed to group undertakings" in note 10.

Notes to the financial statements
at 28 August 2004

14. Share capital

	Authorised *28 Aug 04* £
'A' Ordinary shares of £1 each	490
'B' Ordinary shares of £1 each	510
Preference shares of £1 each	350,000
	351,000

	Allotted, called up and fully paid *No.*	£
'A' Ordinary shares of £1 each	490	490
'B' Ordinary shares of £1 each	510	510
Preference shares of £1 each	350,000	350,000
		351,000

"A" and "B" ordinary shares of £1 each

No dividend shall be paid without the consent of the holders of a majority in nominal value of each class of Ordinary Share. On a return of assets or otherwise, the shares rank second in respect of subscribed share capital. Each share attracts one vote

Preference shares of £1 each

On a return of assets on liquidation or otherwise, the preference shares ranks first in respect of subscribed share capital. Any balance will be paid equally to the holders of the equity shares. Preference shareholders are entitled to receive notice of and attend general meetings, but not to vote thereat.

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Profit and loss account* £	*Total share-holders' funds* £
At incorporation	–	–	–
Loss for the period	–	(270,376)	(270,376)
New equity share capital subscribed	351,000	–	351,000
At 28 August 2004	351,000	(270,376)	80,624

Notes to the financial statements
at 28 August 2004

16. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Period from 8 Jul 03 to 28 Aug 04 £
Operating profit	37,487
Depreciation	60,732
Profit on disposal of fixed assets	(11,954)
Increase in stocks	(61,898)
Increase in debtors	(244,244)
Increase in creditors	596,073
Net cash inflow from operating activities	376,196

(b) Returns on investments and servicing of finance

	Period from 8 Jul 03 to 28 Aug 04 £
Interest and charges paid	(241,604)
Issue costs of new long term loans	(189,354)
	(430,958)

(c) Capital expenditure

	Period from 8 Jul 03 to 28 Aug 04 £
Payments to acquire tangible fixed assets	(7,133,262)
Receipts from sales of tangible fixed assets	657,628
	(6,475,634)

(d) Financing

	Period from 8 Jul 03 to 28 Aug 04 £
Issue of equity shares	351,000
New bank loans	6,867,900
Repayment of bank loans	(150,000)
	7,068,900

Notes to the financial statements
at 28 August 2004

16. Notes to the statement of cash flows (continued)

(e) Analysis of changes in net debt

	At 8 July 2003 £	*Cash flows* £	*Other Changes* £	*At 28 August 2004* £
Cash at bank and in hand	–	596,627	–	596,627
Overdrafts	–	(58,122)	–	(58,122)
Debt due within one year	–	(450,000)	–	(450,000)
Debt due after one year	–	(5,990,042)	(17,357)	(6,095,904)
	–	(6,007,399)	(17,357)	(6,007,399)

Other changes consist of amortisation of loan issue expenses of £17,357.

17. Controlling Party

The company's controlling party is Celtic Inns Limited, which is incorporated in the United Kingdom. It has not included the company in its group financial statements as it has taken exemption under section 248 of the Companies Act 1985 not to prepare consolidated accounts.