Registered No 5847940

Admiral Taverns (Max) Limited

Report and Financial Statements

31 May 2010

Registered No 5847940

Directors
A Clifford
G Pearson
J Paveley
K Georgel

Secretary
A G Secretarial Limited

Auditors
Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Solicitors
Addleshaw Goddard
150 Aldersgate Street
London
EC1A 4EJ

Registered Office
150 Aldersgate Street
London
EC1A 4EJ

Regıstered No 5847940

Directors' report

The Dırectors present theır report and financıal statements for the year ended 31 May 2010

Results and dividends

The profit for the year after taxatıon amounted to £189,039,000 (2009 loss £144,039,000) after credıtıng operatıng and non operatıng exceptıonal ıtems totallıng £187,017,000 (2009 chargıng £148,482,000) The Dırectors do not recommend a final dıvıdend (2009 £nıl)

Principal activity and review of the business

The prıncıpal actıvıty of the Company ıs to act as a holdıng company

A comprehensıve revıew of the state of affaırs of the Group ınto whıch the Company ıs consolıdated, ıncludıng key performance ındıcators and key rısks and uncertaıntıes ıs contaıned ın the report and financıal statements of Admıral Taverns Group Holdıngs Lımıted, the ultımate parent undertakıng at the year end

Restructuring

On 16 November 2009, Admıral Taverns (Napıer) Lımıted and Admıral Taverns (Nevada) Lımıted assıgned ıntercompany receıvable balances due from the Company to Admıral Taverns (Chester) Lımıted for nomınal consıderatıon

On 17 November 2009, the Admıral Taverns group of companıes went through a debt restructurıng process The process resulted ın the core tradıng entıtıes and assets of the Admıral Taverns group beıng acquıred by two newly created companıes, Admıral Taverns Bıdco Lımıted ("Bıdco") and Admıral Taverns Nevada Propertıes Lımıted ("ATNPL"), both subsıdıarıes of Admıral Taverns Group Holdıngs Lımıted ("ATGHL"), the new group ultımate parent company ("the new Group") As part of the same process, the former group parent company Admıral Taverns Group Lımıted was placed ınto admınıstratıon along wıth four other group companıes The new Group headed by ATGHL, whıch ıs owned by a combınatıon of Lloyds Bankıng Group ("LBG") and employee benefit trusts, has a sıgnıficantly reduced level of bank debt and has been tradıng profitably sınce that date

As a consequence of thıs restructurıng, the Company was affected as follows

- The rıghts to ıntercompany amounts due from the Group to Admıral Taverns (Napıer) Lımıted wıth a face value of £249 mıllıon were assıgned by that company to Admıral Taverns (Chester) Lımıted for a nomınal amount
- LBG demanded that ıts loans to Admıral Taverns (Napıer) Lımıted and Admıral Taverns (Nevada) Lımıted be repaıd Thıs ın turn trıggered a serıes of events whıch resulted ın Admıral Taverns Group Lımıted, Admıral Taverns Holdıngs Lımıted, Admıral Taverns (Napıer) Lımıted, Admıral Taverns (Nevada) Lımıted and Admıral Taverns (869) Lımıted beıng placed ınto admınıstratıon
- Havıng demanded repayment of debt due from Admıral Taverns (Napıer) Lımıted and Admıral Taverns (Nevada) Lımıted, under exıstıng guarantees, LBG demanded £100,000 from the Company whıch created a new lıabılıty ın the Company whıch was formally confirmed by the ıssue of two loan ınstruments
- Admıral Taverns (58) Lımıted and the subsıdıarıes of Admıral Taverns (Napıer) Lımıted, ıncludıng the Company, all of whıch had sıgnıficant net lıabılıtıes, were sold by the Admınıstrator to Bıdco (a subsıdıary of ATGHL) for a nomınal amount

Directors' report

- £52,000 of the liability of the Company demanded by LBG, represented by one of the loan instruments referred to above, was novated to Bidco in exchange for an intercompany debt due to Bidco This intercompany debt bears interest at 2% above base rate on the face value of the debt and cannot be called by Bidco other than in an insolvency event of any of the subsidiaries of Bidco (other than ATNPL) including the Company Bidco subsequently novated this LBG debt to ATGHL who, in turn, exchanged it with LBG for an equity stake in ATGHL
- Bidco, having raised finance under a new facility with LBG, lent the Company funds on intercompany balance to enable it to repay £48,000, represented by the other loan instrument referred to above, to LBG The intercompany debt created bears interest at 0 5% above the borrowing rate on Bidco's external borrowings and is repayable on demand
- The Company has been released from all guarantees relating to the loans owed by the companies in administration to LBG

Subsequently, on 29 May 2010, Admiral Taverns (Chester) Limited sold the intercompany debt it acquired as noted above to Bidco, who in turn released its rights to payment of the intercompany debt acquired

As a result of these steps, the Company has recorded an exceptional charge of £100,000 as a result of the LBG call under the guarantees referred to above and an exceptional credit of £248,840,000 as a result of the release of intercompany debt by Bidco

Following the restructuring and refinancing summarised above, the Company along with the other entities in the Group, is operating under a new banking facility with LBG, with the facility term for an initial 18 month period expiring on 17 May 2011 Subsequent to the year end, the Directors have successfully agreed an extension to the banking facility for a further six months, such that the new facility will expire on 30 November 2011

Accounting policies and practices

Following the acquisition of the Company by ATGHL in order to align itself with the policies and practices of the new Group, now holds its investments in subsidiaries at historic cost less provision for impairment rather than at valuation Whilst this policy has been applied retrospectively, there is no impact on the financial statements arising as a result of this change in accounting policy

In the opinion of the Directors the financial statements give a fair view of the development of the business during the year and of its position at the end of the year

Going Concern

As noted above, the Group meets its day to day working capital requirements through a bank facility which is due for renewal on 30 November 2011 The Directors have prepared detailed forecasts for the Group through to 31 May 2012 which has been compared to the available facility (that runs to 30 November 2011) and the covenant tests set out therein This review, which includes appropriate sensitivity analysis, shows that the Group will be able to meet its liabilities as they fall due throughout the period to 30 November 2011

Based on the above, and after appropriate making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Registered No 5847940

Directors' report

Directors

The Directors who served the Company during the year were as follows

E S Rosenberg (resigned 16 November 2009)
D Rosenberg (resigned 16 November 2009)
A Landesberg (resigned 16 November 2009)
G Landesberg (resigned 16 November 2009)
L D'Arcy (resigned 7 July 2010)
A Clifford
G Pearson
J Paveley (appointed 20 January 2010)

Subsequent to the year end, on 19 July 2010, Mr K Georgel was appointed as a Director

There are no Directors' interests requiring disclosure under the Companies Act 2006

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

In accordance with the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company

On behalf of the Board

G Pearson
Director

22 November 2010

Statement of directors' responsibilities in respect of the financial statements

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 year In preparıng these financıal statements, the Dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgements and estımates that are reasonable and prudent,
- state whether applıcable accountıng standards have been followed, subject to any materıal departures dısclosed and explaıned ın the financıal statements, 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 proper 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

The Dırectors are responsıble for the maıntenance and ıntegrıty of the corporate and financıal ınformatıon ıncluded on the Company's websıte Legıslatıon ın the Unıted Kıngdom governıng the preparatıon and dıssemınatıon of financıal statements may dıffer from legıslatıon ın other jurısdıctıons

Independent auditor's report

to the members of Admiral Taverns (Max) Limited

We have audited the financial statements of Admiral Taverns (Max) Limited for the year ended 31 May 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 (APB'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

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 31 May 2010 and of its profit 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

Independent auditor's report

to the members of Admiral Taverns (Max) Limited

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

Ernst & Young LLP
Andrew Merrick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Birmingham

22 November 2010

Profit and loss account

for the year ended 31 May 2010

	Notes	2010 £'000	2009 £'000
Interest receivable and similar income	4	2,024	4,443
Interest payable and similar charges	5	(2)	–
Impairment of fixed asset investments	9	(61,723)	(148,482)
Fundamental financial restructuring	6	248,740	–
Profit/(loss) on ordinary activities before taxation		189,039	(144,039)
Tax on profit/(loss) for the financial year	7	–	–
Profit/(loss) for the financial year	15	189,039	(144,039)

All amounts relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 May 2010

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £189,039,000 for the year ended 31 May 2010 (2009 loss £144,039,000)

Balance sheet

at 31 May 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	9	–	61,723
Current assets			
Debtors	10	78,500	78,500
Creditors amounts falling due within one year	11	(98,839)	(349,653)
Net current liabilities		(20,339)	(271,153)
Total assets less current liabilities		(20,339)	(209,430)
Creditors · amounts falling due in more than one year	12	(52)	–
Net liabilities		(20,391)	(209,430)
Capital and reserves			
Called up share capital	14	–	–
Profit and loss account	15	(20,391)	(209,430)
Equity shareholders' deficit	15	(20,391)	(209,430)

The accounts were authorised for issue by the Board of Directors on 22 November 2010 and were signed on its behalf by

G Pearson
Director

Notes to the financial statements

at 31 May 2010

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards

The accounting policies set out below have all been applied consistently throughout the year and the preceding year with the exception of the change in accounting policy relating to the valuation of investments in subsidiaries which is explained in note 8

Presentation of accounts

Following the acquisition of Admiral Taverns group of companies by Admiral Taverns Group Holdings Limited, as detailed in the Directors' report, consolidated accounts have not been prepared for the Group headed by the Company to 31 May 2010 The comparative figures have therefore been amended only to include the results of the Company for the year ended 31 May 2009

Basis of consolidation

The Company has taken advantage of the exemption available under section 400 of Companies Act 2006 not to prepare and deliver group financial statements

Statement of cash flows

Under the provisions of Financial Reporting Standard No 1 (Revised), the Company has not prepared a cash flow statement because its ultimate parent undertaking, Admiral Taverns Group Holdings Limited, has prepared consolidated financial statements which include the results of the Company and which are publicly available

Going concern

Following the events described in the Directors' report the Directors are of the view that it is appropriate to consider the ability of the Group as a whole to operate within the terms of the LBG banking facility provided to Admiral Taverns Bidco Limited when assessing the ability of the Company and the new Group to operate as a going concern

As noted in the Directors' report, the Group meets its day to day working capital requirements through a bank facility which is due for renewal on 30 November 2011 The Directors have prepared detailed forecasts for the Group through to 31 May 2012 which has been compared to the available facility (that runs to 30 November 2011) and the covenant tests set out therein This review, which includes appropriate sensitivity analysis, shows that the Group will be able to meet its liabilities as they fall due throughout the period to 30 November 2011

Based on the above, and after making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Fixed asset investments

Investments in subsidiaries are initially recorded at cost Subsequently, at any period end, investments in subsidiaries are reviewed for impairment based on the net asset value of the subsidiary adjusted to reflect the Directors' estimate of the existing use value of the pub estate owned by the subsidiary Any impairment charge is recorded through the profit and loss account as an exceptional item, below operating profit

Notes to the financial statements
at 31 May 2010

1. Accounting policies (continued)

Debt instruments

All interest bearing loans and borrowings are initially recorded at net proceeds After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts in the period

Finance costs of debt, including transaction costs associated with the debt, are allocated over the expected term of the debt at a constant rate on the carrying amount

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with 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 over 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

2. Auditors' remuneration

Auditor's remuneration for the financial year ended 31 May 2010 was paid by Admiral Taverns (Chester) Limited, a fellow group company

3. Staff costs and Directors remuneration

The Company had no employees during the year (2009 none) The Directors' emoluments are paid by Admiral Taverns (Chester) Limited, a fellow group company No amounts are attributable to the Company

4. Interest receivable and similar income

	2010	*2009*
	£'000	*£'000*
Interest receivable from group undertakings	2,024	4,443

5. Interest payable and similar charges

	2010	*2009*
	£'000	*£'000*
Interest payable to group undertakings	2	–

Notes to the financial statements

at 31 May 2010

6. Fundamental financial restructuring

	2010 £'000	2009 £'000
Repayment of bank debt under group cross guarantee	(100)	–
Release of amounts owed to group undertakings	248,840	–
	248,740	–

The exceptional items noted above arose in respect of the capital and debt restructuring of the Admiral Taverns group of companies, as described in the Directors' report

7. Tax

There is no tax charge for the year

Factors affecting tax for the year

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the rate of corporation tax in the UK of 28% The differences are explained below

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before tax	189,039	(144,039)
Profit/(loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 28%	52,931	(40,331)
Effects of		
Expenses not deductible for tax purposes	(52,365)	35,897
Unrelieved tax losses carried forward	1,927	482
Group relief surrendered for nil consideration	1,532	3,952
Imputed interest charged for tax purposes	(4,025)	–
Current tax for the year	–	–

8. Change in accounting policy

Investments

During the year the Company changed its accounting policy with respect to the valuation of investments in subsidiaries Investments are now valued initially at cost and subsequently, at each period end, are reviewed for impairment based upon the net assets of the subsidiaries adjusted to reflect the Directors' estimate of existing use value of the pub estate owned by the subsidiaries The Directors consider that the new policy provides a fairer presentation of the financial position of the Company and its investments as the previously periodic adjustments were made to increase revaluation reserves where the investment was valued in excess of historic cost or a deficit was included in the profit and loss account where the valuation was below historic cost There has been no impact of this change in accounting policy on the results of the Company for either the current or comparative periods as the investment in subsidiaries had been impaired to the value of the value of the subsidiary's net assets at 31 May 2009 and further impaired by £61,723,000 to £nil at 31 May 2010, to reflect the net liability position of the subsidiary at 31 May 2010

Notes to the financial statements

at 31 May 2010

9. Investments

	Shares in group undertakings £'000
Net book value	
At 1 June 2009	61,723
Impairment	(61,723)
At 31 May 2010	–

Details of the investments in which the Company (unless indicated) holds 20% or more of the nominal value of any class of share are as follows

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Directly held			
Admiral Taverns (780) Limited	Ordinary shares	100%	Pub Company

The above entity is unlisted and incorporated in the United Kingdom

10. Debtors

	2010 £'000	*2009 £'000*
Amounts owed by group undertakings	78,500	78,500

Amounts falling due in more than one year included above are

	2010 £'000	*2009 £'000*
Amounts owed by group undertakings	28,500	78,500

Included within Amounts owed by group companies is an unsecured loan of £28,500,000 to Admiral Taverns (780) Limited which was drawn on 30 May 2008 at an interest rate of LIBOR plus 1 5% The loan is wholly repayable on 30 May 2018

Also included in amounts owed by group undertakings is an unsecured loan of £50,000,000 to Admiral Taverns (780) Limited, which was drawn down in September 2006 at an interest rate of LIBOR plus 2% and is repayable on demand

Notes to the financial statements

at 31 May 2010

11. Creditors: amounts falling due within one year

	2010	*2009*
	£'000	*£'000*
Amounts owed to group undertakings	98,839	349,653

12. Creditors: amounts falling due in more than one year

	2010	*2009*
	£'000	*£'000*
Amounts owed to group undertakings	52	–

The amount due to group undertakings arises as a proportion of the amount demanded by LBG under cross guarantees and was novated to Bidco in exchange for an intercompany loan due to Bidco, as detailed in the Directors' report The loan bears interest at 2% above base rate on the face value of the debt and cannot be called by the Bidco other than in an insolvency event of any of the subsidiaries of Admiral Taverns (Bidco) Limited (other than Admiral Taverns Nevada Properties Limited) including the Company

13. Deferred taxation

Deferred taxation assets not recognised are as follows

		Not recognised
	2010	*2009*
	£'000	*£'000*
Tax losses	(12,036)	(10,142)

The deferred tax asset in relation to tax losses is not recognised in the financial statements due to the uncertainty of when these losses will be utilised by the Company

In his Budget of 22 June 2010, the Chancellor of the Exchequer announced tax changes which will have an effect on the Company's future tax position As at 31 May 2010, the tax changes announced in the Budget were not 'substantively' enacted and as such, in accordance with Accounting Standards, the changes have not been reflected in the Company's financial statements as at 31 May 2010

The Budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year from April 2011, which will be enacted annually The reduction of the main rate of corporation tax from 28% to 27% from April 2011 has now been substantively enacted, on 27 July 2010 The effect of the reduction of the corporation tax rate to 24% would be to reduce deferred tax The rate change would also impact the amount of future cash tax payments to be made by the Company The effect on the Company of the proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted

Notes to the financial statements

at 31 May 2010

14. Authorised and issued share capital

Authorised	*2010* *£'000*	*2009* *£'000*
Ordınary shares of £1 each	1,000	1,000

Allotted, called up and fully paıd	*No*	*2010* *£'000*	*No*	*2009* *£'000*
Ordınary shares of £1 each	1	–	1	–

15. Reconciliation of shareholders' deficit and movements on reserves

	Share capıtal *£'000*	*Profit and loss account* *£'000*	*Total share-holders' deficıt* *£'000*
At 31 May 2008	–	(65,391)	(65,391)
Loss for the year	–	(144,039)	(144,039)
At 31 May 2009	–	(209,430)	(209,430)
Profit for the year	–	189,039	189,039
At 31 May 2010	–	(20,391)	(20,391)

16. Related party transactions

The Company has taken advantage of the exemptıon avaılable under FRS 8 not to dısclose transactıons wıth other wholly owned members of the Admıral Taverns Group Holdıngs Lımıted group

There are no other related party transactıons requırıng dısclosure ın the financıal statements

17. Ultimate parent undertaking and controlling party

The ımmedıate parent undertakıng was Admıral Taverns (Napıer) Lımıted, a Company ıncorporated ın the Unıted Kıngdom Followıng the capıtal and debt restructurıng of the Admıral Taverns group of companıes, as detaıled ın the Dırectors' report, the Company became a dırect subsıdıary of Admıral Taverns Bıdco Lımıted, a company ıncorporated ın the Unıted Kıngdom from 17 November 2009 From the same date the Company's ultımate parent undertakıng has been Admıral Taverns Group Holdıngs Lımıted, a company also ıncorporated ın the Unıted Kıngdom

The consolıdated financıal statements of thıs Group wıll be avaılable to the publıc and may be obtaıned from the regıstered office of Admıral Taverns Group Holdıngs Lımıted at 150 Aldersgate Street, London, EC1A 4EJ