

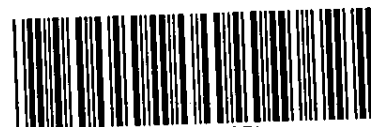
**GRS Pub Investments Limited**  
(formerly Inn Investments Limited)

Report and Financial Statements

Period ended

31 December 2007

WEDNESDAY



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COMPANIES HOUSE

**IBDO**

**BDO Stoy Hayward**  
Chartered Accountants

# **GRS Pub Investments Limited**

**Annual report and financial statements  
for the period ended 31 December 2007**

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## **Directors**

I G Robinson  
A S Wilson  
H Thornton  
R Gundry  
R Cawtheray  
B Buchanan

## **Company secretary and registered office**

G N Lello  
31 Haverscroft Industrial Estate, New Road, Attleborough, Norfolk, NR17 1YE

## **Company number**

05895613

## **Auditors**

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

# **GRS Pub Investments Limited**

## **Report of the directors for the period ended 31 December 2007**

The directors present their report together with the audited financial statements for the period ended 31 December 2007.

### **Change of name**

The company changed its name from Inn Investments Limited to GRS Pub Investments Limited on 8 February 2008.

### **Results and dividends**

The profit and loss account is set out on page 5 and shows the result for the period. No dividends were paid during the period.

### **Principal activities and review of business**

The principal activities of the Company comprise the operation of pubs either under lease and tenancy agreements. The agreements with tenants in the leased estate comprise both tied and free of tie arrangements, generate income from rents, sales of beer and other drinks, and through profit share arrangements for income from leisure machines.

It has been the first full year of trading of the 167 freehold pubs acquired in at the end of 2006. In 2007 the company acquired a further 33, mostly freehold pubs, 5 on 19 March 2007, 27 on 13 April 2007 and 1 on 31 August 2007.

Turnover amounted to £7.6 million on which gross profit was £4.6 million and operating profit £0.2 million. These figures reflect the increasingly difficult trading conditions particularly during the latter half of 2007 during which the smoking ban has been a factor. An increasing number of closed pubs during the course of the year has also been a key factor, together with the weakening market in pubs. The profit for the year also includes a provision of £3.2 million against pubs held for sale which have been identified as surplus to requirements

The company's pub assets are financed by a combination of bank debt, intercompany debt and shareholders' equity.

Bank debt falling due after more than one year at 31 December 2007 amounted to £53.4 million. At 31 December 2007, 100% of the interest rate risk of this debt was hedged with derivative financial instruments

The directors are currently renegotiating the terms and covenants on the company's bank loans following the acquisition of GRS Inns Limited by the company's ultimate parent, London Town Plc. Further details relating to this are included in note 14.

### **Directors**

The current directors are as follows:

I G Robinson	
A S Wilson	
H Thornton	(appointed 1 May 2008)
R Gundry	(appointed 1 May 2008)
R Cawtheray	(appointed 1 May 2008)
B Buchanan	(appointed 5 September 2008)
M Crowther	(appointed 26 March 2007; resigned 21 December 2007)

I G Robinson, A S Wilson, R Gundry and B Buchanan are also directors of the parent company, London Town Plc. Their interests in the share capital of that company are shown in its financial statements.

# GRS Pub Investments Limited

## Report of the directors for the period ended 31 December 2007 (*Continued*)

### Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared 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 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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

### By order of the Board



I G Robinson

Director

Date 3 December 2008

# GRS Pub Investments Limited

## Report of the independent auditors

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### To the shareholders of GRS Pub Investments Limited

We have audited the financial statements of GRS Pub Investments Limited for the period ended 31 December 2007 which comprises the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

# GRS Pub Investments Limited

## Report of the independent auditors (Continued)

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### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

### Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is currently not complying with its banking covenants but has received waivers of the covenants from the bank. The company is reliant on the continuing support of its bankers to waive the loan covenant tests until revised terms have been agreed. Although the directors expect to be able to agree satisfactory revised terms there is no guarantee that this will happen. This indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

*BDO Stoy Hayward LLP*

**BDO Stoy Hayward LLP**  
Chartered Accountants  
and Registered Auditors  
London

Date *3 December 2008*

## GRS Pub Investments Limited

### Profit and loss account for the period ended 31 December 2007

	Note	£'000
Turnover	2	7,592
Cost of sales		(2,963)
<b>Gross profit</b>		<b>4,629</b>
Provision for write down of stock		(3,233)
Administrative expenses		(1,370)
Other income	4	159
<b>Operating profit</b>	5	<b>185</b>
Interest receivable		3
Interest payable and similar charges	6	(4,610)
<b>Loss on ordinary activities before and after taxation</b>	7	<b>(4,422)</b>

All amounts relate to continuing activities.

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

There are no movements to reserves other than the loss for the year.

The notes on pages 7 to 12 form part of these financial statements.

# GRS Pub Investments Limited

## Balance sheet at 31 December 2007

	Note	£'000	£'000
<b>Fixed assets</b>			
Property, plant and equipment	8	64,189	
Intangible assets	9	21	
Investments	10	-	
			<b>64,210</b>
			<hr/>
<b>Current assets</b>			
Stock	11	5,675	
Debtors	12	691	
Cash at bank and in hand		812	
			<b>7,178</b>
			<hr/>
<b>Creditors: amounts falling due within one year</b>	13	9,036	
			<hr/>
<b>Net current liabilities</b>			<b>(1,858)</b>
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(52,884)</b>
			<hr/>
<b>Net assets</b>			<b>9,468</b>
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	15		13,890
Profit and loss account			<b>(4,422)</b>
			<hr/>
<b>Shareholders' funds</b>	16		<b>9,468</b>
			<hr/>

The financial statements were approved by the Board and authorised for issue on **3 DECEMBER 2008**



**I G Robinson**  
**Director**

The notes on pages 7 to 12 form part of these financial statements.



# GRS Pub Investments Limited

## Notes forming part of the financial statements for the period ended 31 December 2007

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Group financial statements*

The financial statements contain information about GRS Pub Investments as an individual company as do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s.228 of the Companies Act 1985 not to produce consolidated financial statements because it is itself a wholly owned subsidiary of its parent undertaking, London Town plc. London Town plc prepares and files consolidated accounts which incorporate the activities of the company and its subsidiary undertakings.

#### *Going concern*

The company is currently not complying with the terms of its banking covenants and has obtained formal waivers of the covenants from the bank. The company is discussing potential changes to the banking covenants and banking facility which would enable the company to comply with its covenants when they are tested at future dates. Until the revised banking terms are agreed the company is reliant on the bank continuing to waive future covenants.

Having reviewed the cash flow projections together with assessing the position of the bank and the ongoing support received from related parties, the Directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the Directors consider it appropriate to prepare the company's financial statements on the going concern basis. However, because of the current uncertainty in the banking market the Directors recognise that there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

#### *Intangible assets*

Intangible assets are capitalised at cost. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Operating leases        -        Over the term of the lease

#### *Property, plant and equipment*

Landlord's fixtures and fittings include removable items, which are generally regarded as within landlord ownership. These are depreciated in accordance with the policy detailed below.

Property, plant and equipment assets are carried at cost or deemed cost less accumulated depreciation and any recognised impairment in value. Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual values, by equal annual instalments as follows:

Freehold and leasehold buildings	-	50 years or the life of the lease if shorter
Public house fixtures and fittings	-	5 - 10 years

Freehold land is not depreciated.

Freehold buildings are depreciated so as to write off the difference between their carrying value and residual value over their useful economic life of 50 years. Residual values are reviewed at least once each financial year and there is no depreciable amount if the residual value is the same or exceeds the carrying value.

# GRS Pub Investments Limited

## Notes forming part of the financial statements for the period ended 31 December 2007 (*Continued*)

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### 1 Accounting policies (*Continued*)

#### *Property, plant and equipment (Continued)*

Buildings are maintained to an operational standard either through a regular schedule of repairs or refurbishment carried out by the Company or by the tenant in respect of fully repairing leases. The Directors believe that this process enables the residual values to be maintained over time as fit for purpose since all aspects of wear and tear are covered by this process. It is not considered obsolescence is relevant given the purpose for which these buildings are maintained.

#### *Turnover*

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of the business, net of discounts and VAT. All operations take place solely in the United Kingdom.

- *Drink and food sales*  
Turnover in respect of drink and food sales is recognised at the point at which the goods are provided, net of discounts or volume rebates allowed.
- *Rents receivable*  
Rents receivable are recognised on a straight-line basis over the lease term.
- *Machine income*  
The company's share of net machine income is recognised in the period to which it relates.

#### *Investments*

Investments in subsidiary undertakings are stated at cost less provision for any diminution in value.

#### *Finance costs*

In accordance with FRS 4, costs of obtaining finance are initially recognised on the balance sheet and are spread evenly over the life of the loan to which they relate. Such items are deducted from the carrying value of the loan.

#### *Stock*

Stock represents pubs held for development and resale and are measured at the lower of cost and net realisable value.

#### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 (Revised) not to present a cash flow statement as a consolidated cash flow statement is included in the financial statements of the ultimate parent company.

# GRS Pub Investments Limited

Notes forming part of the financial statements  
for the period ended 31 December 2007 (*Continued*)

## 1 Accounting policies (*Continued*)

### *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 to make 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.

## 2 Turnover

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

## 3 Directors

No directors received any remuneration during the period.

Excluding the directors there were no employees during the period.

## 4 Other income

Other income includes £158,000 which represents a dividend received during the period from its subsidiary company, Inn Portfolio.

## 5 Operating profit £'000

This has been arrived at after charging:

Auditors' remuneration	5
Depreciation	170
	<hr/>

## 6 Interest payable and similar charges £'000

Bank loan interest	4,068
Bank interest rate hedging fee	421
Amortisation of finance cost	121
	<hr/>
	4,610
	<hr/>

# GRS Pub Investments Limited

Notes forming part of the financial statements  
for the period ended 31 December 2007 (*Continued*)

<b>7</b>	<b>Taxation on loss on ordinary activities</b>	<b>£'000</b>
	<i>Current tax</i>	
	UK corporation tax on loss for the period	-
	Total current tax	-
	The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:	
		<b>£'000</b>
	Loss before tax	(4,422)
	Tax based on the standard rate of corporation tax in the UK of 30%	(1,327)
	Effects of:	
	Income not taxable for tax purposes	(47)
	Expenses not deductible for tax purposes	51
	Group relief	-
	Tax losses carried forward	1,323
	Current tax charge for period	-

<b>8</b>	<b>Property, plant and equipment</b>	<b>Land and buildings £'000</b>	<b>Pub fixtures and fittings £'000</b>	<b>Total £'000</b>
	<i>Cost:</i>			
	Additions	73,252	15	73,267
	Transferred to stock	(8,908)	-	(8,908)
	At 31 December 2007	<b>64,344</b>	<b>15</b>	<b>64,359</b>
	<i>Depreciation:</i>			
	Charge for period	168	2	170
	At 31 December 2007	<b>168</b>	<b>2</b>	<b>170</b>
	<i>Net book value:</i>			
	At 31 December 2007	<b>64,176</b>	<b>13</b>	<b>64,189</b>

# GRS Pub Investments Limited

Notes forming part of the financial statements  
for the period ended 31 December 2007 (Continued)

<b>9</b>	<b>Intangible assets</b>	<b>£'000</b>
	Operating leases	21
		<hr/>
<b>10</b>	<b>Subsidiary undertaking</b>	
	The principle subsidiary undertaking at the balance sheet date comprises a 100% holding in the ordinary issued share capital of Inn Portfolio, an unlimited company incorporated in England and Wales whose principal activities comprise the operation of pubs either under lease and tenancy agreements.	
<b>11</b>	<b>Stock</b>	<b>£'000</b>
	Cost	-
	Transfers from land and buildings	8,908
	Provision against stock	(3,233)
		<hr/>
		5,675
		<hr/>
<b>12</b>	<b>Debtors</b>	<b>£'000</b>
	Trade debtors	509
	Other debtors	58
	Amounts due from group companies	110
	Prepayments and accrued income	14
		<hr/>
		691
		<hr/>
<b>13</b>	<b>Creditors: amounts falling due within one year</b>	<b>£'000</b>
	Amounts due to group companies	7,641
	Trade creditors	386
	Other creditors	355
	Other taxes and social security	146
	Accruals and deferred income	508
		<hr/>
		9,036
		<hr/>

# GRS Pub Investments Limited

Notes forming part of the financial statements  
for the period ended 31 December 2007 (*Continued*)

<b>14 Creditors: amounts falling due after more than one year</b>	<b>£'000</b>
Bank loan	53,369
Less: Unamortised finance costs	(485)
	<hr/>
	<b>52,884</b>
	<hr/>

The bank loan is secured by a fixed charge over the company's freehold property and bears interest at floating rates of three month LIBOR plus 1.65%. The bank loans are for a 5 year term ending on 26 September 2011.

Following the acquisition of GRS Inns Limited by the company's ultimate parent, London Town Plc, the Directors are in the process of renegotiating the terms and covenants on the secured bank loans. The new agreement is not expected to result in a change in the bank loan amount and is expected to enable the company to meet its loan covenant requirements at future dates and accordingly the Directors are confident that the company will continue to have sufficient loan facilities. Waivers for bank covenant tests were in place at 31 December 2007 in relation to secured bank loans totalling £53,369,000 at that date. Therefore these loans have been presented in the balance sheet as falling due for payment under their original terms rather than on demand.

## 15 Share capital

	<b>£'000</b>	<b>Number '000</b>
<i>Authorised - Ordinary shares of £1 each</i>		
Shares authorised	120,000	120,000
	<hr/>	<hr/>
At 31 December 2007	<b>120,000</b>	<b>120,000</b>
	<hr/>	<hr/>
	<b>£'000</b>	<b>Number '000</b>
<i>Allotted - Ordinary shares of £1 each</i>		
New shares issued	13,890	13,890
	<hr/>	<hr/>
At 31 December 2007	<b>13,890</b>	<b>13,890</b>
	<hr/>	<hr/>

<b>16 Reconciliation of movement in shareholders' funds</b>	<b>£'000</b>
Loss for the period	(4,422)
Issue of share capital	13,890
	<hr/>
At 31 December 2007	<b>9,468</b>
	<hr/>

## 17 Ultimate controlling party

At 31 December 2007, the company's parent company was London Town Plc. There is no ultimate controlling party of London Town Plc. Copies of the consolidated financial statements of London Town Plc are available from Companies House.