

GRS Pub Investments Limited

Report and Financial Statements

52 Weeks Ended

25 December 2011

Company Number 05895613



GRS Pub Investments Limited

**Report and financial statements
for the 52 weeks ending 25 December 2011**

Contents

Page:

1	Report of the directors
3	Independent auditor's report
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

R K F Thomson
S E Kennedy

Registered office

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

Company number

05895613

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

GRS Pub Investments Limited

Report of the directors for the 52 weeks ending 25 December 2011

The directors present their report together with the audited financial statements for the 52 weeks ended 25 December 2011

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the period. No dividends were paid during the period (2010 - £Nil)

Principal activities and review of business

The principal activities of the company comprise the operation of pubs either under lease or 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.

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

As explained in note 1 to the financial statements, the company is currently not complying with its banking covenants and the loan is due for repayment on demand.

The Directors have prepared cash flow forecasts through to 31 December 2013 which indicate that the company will generate sufficient cash to support its operations and cover its interest obligations over that period. However, they also indicate that there will be insufficient funds to repay the loan principal if demanded.

The Directors have been in discussions with its lenders and are working with them on a restructuring plan that involves property disposals and restructuring of the loan facilities. Whilst the directors believe that the restructuring plan will progress as intended, its ultimate success depends on the continued support of the company's lender and there can be no guarantee that this will continue.

These conditions indicate 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.

Directors

The directors who served during the period are as follows:

R K F Thomson
S E Kennedy

GRS Pub Investments Limited

Report of the directors for the 52 weeks ending 25 December 2011 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 LLP as auditors will be proposed at the next annual general meeting.

This director's report has been prepared under the small companies exemption.

On behalf of the Board



R K F Thomson
Director

Date 31/08/12

GRS Pub Investments Limited

Independent auditor's report

TO THE MEMBERS OF GRS PUBS LIMITED

We have audited the financial statements of GRS Pubs Limited for the 52 week period ended 25 December 2011 which comprises the profit and loss account, the balance sheet and the related notes. 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 statement of directors' responsibilities, 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 25 December 2011 and of its loss for the 52 week period 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.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, 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 in breach of the covenants on its £53,200,000 loan facility and, therefore it is repayable on demand.

The Directors have been in discussions with its lender and are working with them on a restructuring plan that involves property disposals and restructuring of the loan facilities. Whilst the directors are confident that the restructuring plan will progress as intended, its ultimate success depends on the continued support of the company's lender and there can be no guarantee that this will continue.

These conditions indicate 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.

GRS Pub Investments Limited

Independent auditor's report (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period 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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime

BDO LLP

Geraint Jones (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 31/3/12

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

GRS Pub Investments Limited

Profit and loss account for the 52 weeks ending 25 December 2011

	Note	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
Turnover	2	5,017	6,151
Cost of sales		(2,138)	(3,247)
Gross profit		2,879	2,904
Administrative (expense)/income		(4,198)	1,044
Other income	4	109	17
Operating (loss)/profit	5	(1,210)	3,965
Profit/(loss) on disposal of property, plant and equipment		8	(24)
Interest payable and similar charges	6	(2,308)	(2,591)
(Loss)/profit on ordinary activities before and after taxation	7,14	(3,510)	1,350

All amounts relate to continuing activities

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

The notes on pages 7 to 14 form part of these financial statements

GRS Pub Investments Limited

Balance sheet at 25 December 2011

<i>Company number 05895613</i>	Note	25 December 2011 £'000	25 December 2011 £'000	26 December 2010 £'000	26 December 2010 £'000
Fixed assets					
Property, plant and equipment	8		21,256		23,016
Current assets					
Stock	10	834		834	
Debtors	11	1,113		1,372	
Cash at bank and in hand		130		61	
		<u>2,077</u>		<u>2,267</u>	
Creditors: amounts falling due within one year	12	<u>55,749</u>		<u>54,189</u>	
Net current liabilities			<u>(53,672)</u>		<u>(51,922)</u>
Net liabilities			<u>(32,416)</u>		<u>(28,906)</u>
Capital and reserves					
Called up share capital	13		13,890		13,890
Profit and loss account	14		(46,306)		(42,796)
Shareholders' deficit	15		<u>(32,416)</u>		<u>(28,906)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements were approved by the Board and authorised for issue on

31/8/12



R K F Thomson
Director

The notes on pages 7 to 14 form part of these financial statements

GRS Pub Investments Limited

Notes forming part of the financial statements for the 52 weeks ending 25 December 2011

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:

Going concern

The company is currently in breach of the covenants on its £53,200,000 loan facility and, therefore it is repayable on demand.

The Directors have prepared cash flow forecasts through to 31 December 2013 which indicate that the company will generate sufficient cash to support its operations and cover its interest obligations over that period. However, they also indicate that there will be insufficient funds to repay the loan principal if demanded.

The Directors have been in discussions with its lenders and are working with them on a restructuring plan that involves property disposals and restructuring of the loan facilities. Whilst the directors believe that the restructuring plan will progress as intended, its ultimate success depends on the continued support of the company's lender and there can be no guarantee that this will continue.

These conditions indicate 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.

Tangible fixed assets

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	- 10 years
Motor vehicles	- 4 years
Office Equipment	- 3 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.

Impairment of tangible fixed assets

The need for any tangible fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its net realisable value and value in use. These assessments are carried out at reporting dates or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Impairment charges are included in the operating expenses line item in the profit and loss account.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

1 Accounting policies (*continued*)

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

- *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 is measured at the lower of cost and net realisable value.

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.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

2 Turnover

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

3 Employees

	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
Staff costs (including directors) consist of		
Wages and salaries	821	454
Social security costs	97	54
	<u>918</u>	<u>506</u>

During the year, £591,000 (2010 - £166,000) of staff costs were recharged to related parties

The average number of employees (including directors) during the year was 14 (2010 - 8)

No directors received any remuneration in the current or previous year

4 Other Income

Other income includes £108,776 (2010 - £17,374) which represents supplier commissions

5 Operating loss

	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
This has been arrived at after charging / (crediting)		
Depreciation	125	116
Impairment of property, plant and equipment	1,829	5,751
Exceptional item relating to debt waiver from parent	-	(8,738)
Audit fees	39	19
	<u> </u>	<u> </u>

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

6 Interest payable and similar charges

	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
Bank loan interest	2,211	2,462
Amortisation of finance cost	97	129
	<u>2,308</u>	<u>2,591</u>

7 Taxation on loss/(profit) on ordinary activities

	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
<i>Current tax</i>		
UK corporation tax	-	-

The tax assessed for the period differs from the standard rate of corporation tax in the UK The differences are explained below

	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
(Loss)/profit on ordinary activities before tax	<u>(3,510)</u>	<u>1,350</u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	(930)	378
Effects of		
Expenses not deductible for tax purposes	525	1,643
Tax losses carried forward	407	426
Income not taxable	(2)	(2,447)
	<u>-</u>	<u>-</u>
Current tax charge for period	-	-

Factors that may affect future tax charges

A potential deferred tax asset of £2.92m in respect of trading loss, has not been recognised on the grounds that there is insufficient evidence at the current time that the asset will be recoverable in the foreseeable future

The company has estimated losses of £2.86m available for the use against future profits

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

8 Fixed assets

Property, plant and equipment

	Land and buildings £'000	Pub fixtures and fittings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
<i>Cost</i>					
At 27 December 2010	64,953	438	31	6	65,428
Additions	100	90	-	12	202
Disposals	-	(10)	-	-	(10)
At 25 December 2011	65,053	518	31	18	65,620
<i>Accumulated depreciation</i>					
At 27 December 2010	42,333	75	3	1	42,412
Charge for year	66	48	7	3	124
Disposals	-	(1)	-	-	(1)
Impairment charge	1,829	-	-	-	1,829
At 25 December 2011	44,228	122	10	4	44,364
<i>Net book value</i>					
At 25 December 2011	20,825	396	21	14	21,256
At 26 December 2010	22,620	363	28	5	23,016

In completing the impairment review a value in use calculation has been performed for each asset by projecting budgeted performance and resulting cash flows. For the purpose of this calculation, no subsequent growth in cash flows has been assumed and a risk adjusted discount rate of 17% has been used in calculating present value. The directors have also considered the valuation assessments provided by a third party valuer.

9 Subsidiary undertakings

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. Inn Portfolio was dormant during the period.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

10 Stock

	25 December 2011 £'000	26 December 2010 £'000
Land and buildings		
At 27 December 2010	834	1,015
Transfers from land and buildings	-	432
Disposals	-	(613)
	<hr/>	<hr/>
At 25 December 2011	834	834
	<hr/>	<hr/>

11 Debtors

	25 December 2011 £'000	26 December 2010 £'000
Trade debtors	637	1,135
Other debtors	329	216
Prepayments and accrued income	147	21
	<hr/>	<hr/>
	1,113	1,372
	<hr/>	<hr/>

12 Creditors: amounts falling due within one year

	25 December 2011 £'000	26 December 2010 £'000
Amounts due to group companies	253	38
Trade creditors	562	865
Other creditors	1,131	519
Accruals and deferred income	603	880
Bank loan	53,200	51,887
	<hr/>	<hr/>
	55,749	54,189
	<hr/>	<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%

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

13 Share capital

	25 December 2011	25 December 2011 Allotted, called up and fully paid	26 December 2010	26 December 2010 Allotted called up and fully paid
	Authorised £'000	£'000	Authorised £'000	£'000
Ordinary shares of £1 each	120,000	13,890	120,000	13,890
	<hr/>	<hr/>	<hr/>	<hr/>
	25 December 2011	25 December 2011 Allotted, called up and fully paid	26 December 2010	26 December 2010 Allotted called up and fully paid
	Authorised Number '000	Number '000	Authorised Number '000	Number '000
Ordinary shares of £1 each	120,000	13,890	120,000	13,890
	<hr/>	<hr/>	<hr/>	<hr/>

14 Reserves

	Profit and loss account £'000
At 27 December 2010	(42,796)
Loss for the period	(3,510)
	<hr/>
At 25 December 2011	(46,306)
	<hr/>

15 Reconciliation of movement in shareholders' deficit

	52 weeks ended 25 December 2011 £'000	52 weeks ended 26 December 2010 £'000
Opening shareholders' deficit	(28,906)	(30,256)
(Loss)/profit for the period	(3,510)	1,350
	<hr/>	<hr/>
Closing shareholders' deficit	(32,416)	(28,906)
	<hr/>	<hr/>

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 25 December 2011 (*continued*)

16 Related party transactions

At 25 December 2011, the following amounts are due from/(to) related parties

	Amounts due from/(to) related parties as at the year end 26 December 2010 £'000	Management fee income/ (charge) £'000	Payments/ (repayments) £'000	Amounts due from/(to) related parties as at the year end 25 December 2011 £'000
Farlane Limited	101	165	(781)	185
Goldtry Limited	51	180	(88)	43
Indeed Nominee 1 Limited	245	173	(196)	222
Pebble Solutions Limited	(82)	(823)	911	6
Pubfolio Limited	339	1,136	(1,650)	(175)
GRS Pub Limited	(38)	-	(436)	(474)

The related party transactions arise as a result of common directors and relates to trading activity during the period

At 26 December 2010, the following amounts are due from/(to) related parties

	Amounts due from/(to) related parties as at the year end 27 December 2009 £'000	Management fee income/ (charge) £'000	Payments/ (repayments) £'000	Amounts due from/(to) related parties as at the year end 26 December 2010 £'000
Farlane Limited	-	173	(72)	101
Goldtry Limited	-	39	12	51
Indeed Nominee 1 Limited	-	143	102	245
Pebble Solutions Limited	-	(571)	489	(82)
Pubfolio Limited	-	259	80	339
GRS Pub Limited	-	135	(173)	(38)

The related party transactions arise as a result of common directors and relates to trading activity during the period

17 Ultimate controlling party

At 25 December 2011, the company's parent company was London Town Plc which is in administration