

GRS Pub Investments Limited
(formerly Inn Investments Limited)

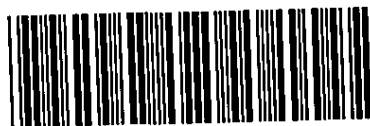
Report and Financial Statements

Period ended

28 December 2008

Company number: 05895613

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GRS Pub Investments Limited

**Annual report and financial statements
for the period ended 28 December 2008**

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

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

Company secretary and registered office

H Thornton
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 period ended 28 December 2008

The directors present their report together with the audited financial statements for the period ended 28 December 2008.

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.

Turnover amounted to £6.6 million on which gross profit was £4.1 million and operating loss of £4.6 million. These figures reflect the difficult trading conditions during 2008. The profit for the year also includes a provision of £0.9 million against pubs held for sale which have been identified as surplus to requirements

Operating loss for the period includes an impairment charge of £6.5m. An impairment review is carried out annually on the Company's freehold and leasehold pub properties, which include both leased and managed pubs. The impairment is recognised on an individual pub basis where the value in use, as measured by their discounted expected future cash flows, falls below their carrying value. This impairment is charged to the income statement. Any uplifts in value are not recognised unless they reverse a previous impairment charge. This substantial charge reflects the poor profits experienced in 2008 of certain of the Company's leased and managed pubs and weak future prospects for them in a difficult trading environment.

As explained in note 1 and note 13 to the financial statements, the covenants on the Group's bank loans were breached during 2008 and this has continued into 2009. The Group's bank loans have been classified as current despite their scheduled repayment date being 2011 because the breach of the loan covenants enables the bank to seek immediate repayment of the bank loan.

The Directors are engaged in continuing discussions relating to the terms and covenants on the Group's bank loans and anticipate that new covenants can be agreed that will reflect the current operations and business structure of the group. The Directors expect satisfactory terms will be agreed and that sufficient loan facilities will continue to be available to the Group and have therefore prepared the financial statements on a going concern basis.

Directors

The current directors and directors who served during the year are as follows:

I G Robinson	
A S Wilson	(resigned 8 June 2009)
H Thornton	(appointed 1 May 2008)
R Gundry	(appointed 1 May 2008, resigned 18 February 2009)
R Cawtheray	(appointed 1 May 2008)
B Buchanan	(appointed 5 September 2008)

I G Robinson, A S Wilson, and B Buchanan are also directors of the parent company, London Town Plc.

GRS Pub Investments Limited

Report of the directors for the period ended 28 December 2008 (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 LLP as auditors will be proposed at the next annual general meeting.

By order of the Board



Billy Buchanan

Director

29 October 2009

GRS Pub Investments Limited

Report of the independent auditors

To the shareholders of GRS Pub Investments Limited

We have audited the financial statements of GRS Pub Investments Limited for the period from 1 January 2008 to 28 December 2008 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*)

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 28 December 2008 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 temporary waivers of the covenants from the bank. The company is reliant on the continuing support of its bankers to waive the loan covenant tests on a quarterly basis until revised terms have been agreed. These conditions along with other matters disclosed in note 1 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.

BDO LLP

BDO LLP
Chartered Accountants
and Registered Auditors
London
United Kingdom

29 October 2009

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 period ended 28 December 2008

	Note	Period from 1 Jan 08 to 28 Dec 08 £'000	2007 £'000
Turnover	2	6,590	7,592
Cost of sales		(2,441)	(2,963)
Gross profit		4,149	4,629
Administrative expenses		(8,746)	(4,603)
Other income	4	21	159
Operating (loss)/profit	5	(4,576)	185
Interest receivable		6	3
Interest payable and similar charges	6	(4,062)	(4,610)
Loss on ordinary activities before and after taxation	7,16	(8,632)	(4,422)

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 13 form part of these financial statements.

GRS Pub Investments Limited

Balance sheet at 28 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Property, plant and equipment	8	58,714		64,189	
Intangible assets	9	43		21	
Investments	10	-		-	
			58,757		64,210
Current assets					
Stock	11	1,439		5,675	
Debtors	12	511		691	
Cash at bank and in hand		1,009		812	
		2,959		7,178	
Creditors: amounts falling due within one year	13	60,880		9,036	
Net current liabilities			(49,559)		(1,858)
Creditors: amounts falling due after more than one year	14		-		(52,884)
Net assets			836		9,468
Capital and reserves					
Called up share capital	15		13,890		13,890
Profit and loss account	16		(13,054)		(4,422)
Shareholders' funds	17		836		9,468

The financial statements were approved by the Board and authorised for issue on 29 October 2009


Billy Buchanan
Director

Company number: 05895613

The notes on pages 7 to 13 form part of these financial statements.

GRS Pub Investments Limited

Notes forming part of the financial statements for the period ended 28 December 2008

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 Limited as an individual company and 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 temporary 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 covenants on a quarterly basis.

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 28 December 2008 (Continued)

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.

Impairment of non-financial assets

The need for any non-financial 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 income statement.

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 28 December 2008 (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 £21,000 which represents supplier commissions.

5 Operating loss

This has been arrived at after charging:

	Period from 1 Jan 08 to 28 Dec 08 £'000	2007 £'000
Auditors' remuneration	-	5
Depreciation	169	170
Impairment of property, plant and equipment	6,520	-
Loss of sale of property, plant and equipment	34	-
Provision for write down of stock	890	3,263

6 Interest payable and similar charges

	Period from 1 Jan 08 to 28 Dec 08 £'000	2007 £'000
Bank loan interest	3,933	4,068
Bank interest rate hedging fee	-	421
Amortisation of finance cost	129	121
	4,062	4,610

GRS Pub Investments Limited

Notes forming part of the financial statements
for the period ended 28 December 2008 (*Continued*)

	Period from 1 Jan 08 to 28 Dec 08 £'000	2007 £'000
7 Taxation on loss on ordinary activities		
<i>Current tax</i>		
UK corporation tax on loss for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:		
	2008 £'000	2007 £'000
Loss before tax	(8,632)	(4,422)
	<hr/>	<hr/>
Tax based on the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(2,460)	(1,327)
Effects of:		
Income not taxable for tax purposes	-	(47)
Expenses not deductible for tax purposes	2,180	51
Group relief	280	1,323
	<hr/>	<hr/>
Current tax charge for period	-	-
	<hr/>	<hr/>

Factors that may affect future tax charges

A potential deferred tax asset of £1m 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 £4.4m available to use against future profits.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the period ended 28 December 2008 (Continued)

8 Property, plant and equipment			
	Land and buildings £'000	Pub fixtures and fittings £'000	Total £'000
<i>Cost:</i>			
At 1 January 2008	64,344	15	64,359
Additions	187	292	479
Transferred to stock	878	-	878
Disposals	-	(143)	(143)
At 28 December 2008	65,409	164	65,573
<i>Accumulated Depreciation:</i>			
At 1 January 2008	168	2	170
Charge for period	163	6	169
Impairment Charge	6,520	-	6,520
At 28 December 2008	6,851	8	6,859
<i>Net book value:</i>			
At 28 December 2008	58,558	156	58,714
At 1 January 2008	64,176	13	64,189

GRS Pub Investments Limited

Notes forming part of the financial statements
for the period ended 28 December 2008 (Continued)

	2008 £'000	2007 £'000
9 Intangible assets		
Operating leases	43	21
	<hr/>	<hr/>
10 Subsidiary undertaking		
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.		
11 Stock	£'000	£'000
Property for sale at 1 January 2008	5,675	-
Transfers from land and buildings	(878)	8,908
Provision against stock	(890)	(3,233)
Planning and development costs	15	-
Disposals	(2,483)	-
	<hr/>	<hr/>
Property for sale at 28 December 2008	1,439	5,675
	<hr/>	<hr/>
12 Debtors	£'000	£'000
Trade debtors	408	509
Other debtors	77	58
Amounts due from group companies	-	110
Prepayments and accrued income	27	14
	<hr/>	<hr/>
	512	691
	<hr/>	<hr/>
13 Creditors: amounts falling due within one year	£'000	£'000
Amounts due to group companies	8,362	7,641
Trade creditors	424	386
Other creditors	465	355
Other taxes and social security	-	146
Accruals and deferred income	1045	508
Bank Loan	51,037	-
Less: Unamortised finance costs	(453)	-
	<hr/>	<hr/>
	60,880	9,036
	<hr/>	<hr/>

The bank loans are secured by a fixed charge over the Group's freehold property and bear 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. The covenants on the Group's bank loans were breached during 2008 and this has continued into 2009. The Group's bank loans have been classified as current, despite their scheduled repayment date being September 2011, because the breach of loan covenants enables the bank to seek immediate repayment of the bank loan.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the period ended 28 December 2008 (Continued)

14	Creditors: amounts falling due after more than one year		2008	2007
			£'000	£'000
	Bank loan		-	53,369
	Less: Unamortised finance costs		-	(485)
			<hr/>	<hr/>
			-	52,884
			<hr/>	<hr/>
15	Share capital	2008	2008	2007
		£'000	Number	2007
			'000	Number
	<i>Authorised - Ordinary shares of £1 each</i>			'000
		120,000	120,000	120,000
		<hr/>	<hr/>	<hr/>
		£'000	Number	Number
			'000	'000
	<i>Allotted - Ordinary shares of £1 each</i>			
		13,890	13,890	13,890
		<hr/>	<hr/>	<hr/>
16	Reserves			
				Profit and loss
				account
				2008
				£'000
	At 1 January 2008			(4,422)
	Loss for the period			(8,632)
	At 28 December 2008			<hr/>
				(13,054)
				<hr/>
17	Reconciliation of movement in shareholders' funds		2008	2007
			£'000	£'000
	Opening shareholders' funds		9,468	-
	Loss for the period		(8,632)	(4,422)
	Issue of share capital		-	13,890
			<hr/>	<hr/>
	Closing shareholders' funds		836	9,468
			<hr/>	<hr/>
18	Ultimate controlling party			

At 28 December 2008, 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.