TCG Taverns Limited

Annual report and financial statements

Registered number 6663925

Year ended 31 August 2014

Contents

The directors present their strategic report on the company for the year ended 31 August 2014.

Review of the business

The Company has one principal area of activity, operating a managed estate of public houses.

The Company made a profit before tax for the year of £870,000 *(2013: loss £268,000).*

At the year end date the bank facility was due for renewal on 30 October 2014. On 15 May 2015, the facility date was extended to 31 August 2016.

During December 2014, the entire issued Share Capital and loan notes of Tattershall Castle Group Limited, the parent undertaking, were purchased by LSREF III Wight Holdings Limited and as a result the ultimate controlling party is now Castlewood CS Holdings Limited, a company registered in Ireland.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out in the basis of preparation note to the financial statements on page 12.

Principal risks and uncertainties

The principal risks and uncertainties that the business faces include the ongoing impact of slower than average economic growth and the pressures on margin arising from increasing input costs from food, drink and energy suppliers and above inflation increases in alcohol duties as a result of government policy. The Company seeks to mitigate these risks by maintaining high levels of customer service and responding to competitive pressures in a targeted, local manner whilst maintaining a tight grip of controllable costs.

Key performance indicators

The key performance indicators which the Company uses to monitor its overall performance can be summarised as follows:

	2014	2013
Average weekly sales per unit	**£21,850**	£15,478
Total gross margin to sales	**74.5%**	75.3%
Total operating costs* to sales	**40.8%**	43.3%
Rent to sales	**14.5%**	23.1%
EBITDA (before head office costs) to sales	**19.2%**	8.9%

*excluding rent charges, depreciation and amortisation, head office and exceptional costs

By order of the board

A B Green
Company Secretary

Regus House, Windmill Hill Business Park,
Whitehill Way, Swindon, Wiltshire, SN5 6QR

Directors' report

The Directors present their Directors' report and audited financial statements for the year ended 31 August 2014.

Proposed dividend

The Directors do not recommend the payment of a dividend *(2013: £Nil).*

Directors

The Directors who held office during the year were as follows:

N B Wright

M P Fontaine

Employees

The Company employed an average of 129 staff during the year and its operating business is people-based. The Company recognises that it is important that the business attracts, motivates, develops and retains the right people.

During the year the Company has adopted a practice of informing and consulting employees on various matters affecting the Company. The Directors give quarterly presentations describing the Company's performance and progress to senior management and administrative employees and monthly meetings take place with operational employees. Employees are also notified of significant developments via the Company's electronic mail system.

Across the Company, full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Wherever possible, arrangements would be made for the continued employment of persons who become disabled during service and for the appropriate training, career development and promotion of disabled persons.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A B Green
Company Secretary

Regus House, Windmill Hill Business Park,
Whitehill Way, Swindon, Wiltshire, SN5 6QR

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
One St Peter's Square
Manchester
M2 3AE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TCG TAVERNS LIMITED

We have audited the financial statements of TCG Taverns Limited for the year ended 31 August 2014 set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Auditor

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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 August 2014 and of its profit for the year then ended.
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year 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.

Richard Evans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

28 May 2015

One St Peter's Square
Manchester
M2 3AE

TCG Taverns Limited
Profit and Loss Account
for the year ended 31 August 2014

	Note	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
Turnover	2	**9,264**	8,048
Cost of sales		**(2,359)**	(1,990)
Gross profit		**6,905**	6,058
Operating costs excluding exceptional costs	3	**(6,000)**	(6,145)
Operating profit / (loss) before exceptional costs		**905**	(87)
Exceptional operating costs		**(35)**	(175)
Operating profit / (loss)		**870**	(262)
Loss on disposal of fixed assets		-	(6)
Profit / (Loss) on ordinary activities before taxation	3	**870**	(268)
Tax on profit / (loss) on ordinary activities	5	-	-
Profit / (Loss) on ordinary activities after taxation and for the financial year		**870**	(268)

The Company has no gains and losses other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

All results relate to continuing activities.

TCG Taverns Limited
Balance Sheet
at 31 August 2014

	Note	**2014 £000**	**2014 £000**	2013 £000	2013 £000
Fixed assets					
Intangible assets	*6*	**-**		-	
Tangible assets	*7*	**514**		485	
			514		485
Current assets					
Stocks	*8*	**91**		88	
Debtors	*9*	**3,189**		1,657	
Cash at bank and in hand		**382**		303	
		3,662		2,048	
Creditors: amounts falling due within one year	*10*	**(7,999)**		(7,226)	
Net current liabilities			**(4,337)**		(5,178)
Total assets less current liabilities			**(3,823)**		(4,693)
Net liabilities			**(3,823)**		(4,693)
Capital and reserves					
Called up share capital	*11*		**-**		-
Profit and loss account	*12*		**(3,823)**		(4,693)
Shareholder's deficit			**(3,823)**		(4,693)

These financial statements were approved by the Board of Directors on 26 May 2015 and were signed on its behalf by:

M P Fontaine
Director

The notes on pages 12 to 20 form part of these financial statements.

Registered number : 6663925

TCG Taverns Limited
Cash Flow Statement
for the year ended 31 August 2014

	Note	**2014 £000**	**2014 £000**	2013 £000	2013 £000
Reconciliation of operating profit / (loss) to net cash flow from operating activities					
Operating profit / (loss)		**870**		(262)	
Depreciation of fixed assets		**233**		265	
Impairment of fixed assets		**35**		122	
(Increase) / Decrease in stocks		**(3)**		32	
Costs of asset disposal		**-**		(6)	
Increase in debtors		**(1,532)**		(902)	
Increase in creditors		**741**		972	
Net cash inflow from operating activities			**344**		221

Cash flow statement

	Note	**2014 £000**	2013 £000
Cash flow from operating activities		**344**	221
Capital expenditure and financial investment	*13*	**(265)**	(243)
Increase / (Decrease) in cash in the year		**79**	(22)

	Note	**2014 £000**	2013 £000
Reconciliation of net cash flow to movement in net funds	*14*		
Increase / (Decrease) in cash in the year		**79**	(22)
Net funds at the start of the year	*14*	**303**	325
Net funds at the end of the year	*14*	**382**	303

Reconciliation of Movements in Shareholder's Deficit
for the year ended 31 August 2014

	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
Profit /(Loss) for the financial year	**870**	(268)
Net decrease / (increase) in shareholder's deficit	**870**	(268)
Opening shareholder's deficit	**(4,693)**	(4,425)
Closing shareholder's deficit	**(3,823)**	(4,693)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company accounts are made up to the end of the financial year, which is within one week of 31 August. The accounts have therefore been prepared for the 53 week period ended 31 August 2014.

Going concern

The Company is a wholly owned subsidiary within the Tattershall Castle Group Limited Group ('the Group'). The Company has a net current liabilities position of £4.3m (2013: £5.2m) at year-end and recorded a profit for the year of £870,000 (2013: £268,000 loss). It meets its day-to-day working capital requirements through support provided by its parent, as needed, and has generated cash from its operating activities of £344,000 (2013: £221,000) during the year. At the year end the Company had cash resources of £382,000 (2013: £303,000) and intercompany loan balance of £7,150,000, due on demand. The Company is also party to a cross-guarantee arrangement in relation to the Group's borrowing facilities. The Company has received confirmation from its parent entity, Tattershall Castle Group Limited, that it will continue to support the entity as required for a period of at least twelve months from the date of signing these financial statements. Accordingly, due to its reliance on parent support and the cross guarantee arrangement, it is necessary to consider the going concern position of the Group in order to assess that of the Company.

The Directors of Tattershall Castle Group Limited make the following disclosures in their financial statements for the year ended 31 August 2014, which were approved on 26 May 2015.

The Group meets its day to day working capital requirements through existing cash balances and external funding facilities and has generated cash from its operating activities of £6.0m (2013: £4.7m) during the year. At the year end the Group had cash resources of £5.9m (2013: £5.1m).

At the balance sheet date, the external funding facilities consist of a secured loan in favour of LSREF III Wight Limited and unsecured loan notes in favour of Alchemy Investment Plan ("Alchemy"). The secured loan had an outstanding balance of £98.4m (2013: £98.4m) and the loan notes had an outstanding balance of £191.4m (2013: £191.4m) both repayable on 31 October 2014. On 03 December 2014 the loan notes were purchased by LSREF III Wight Holdings Limited and on 15 May 2015 the secured loan facility repayment date was extended to 31 August 2016. On 19 May 2015, the loan note repayment dates was extended to 31 August 2016.

The Group's ability to meet its future working capital requirements and therefore continue as a going concern is dependent on it being able to generate sufficient revenues and free cash flow. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within existing cash resources.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1 Accounting policies *(continued)*

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

Impairment of goodwill

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires an estimate to be made of the 'value in use' or the 'fair value less costs to sell' as appropriate. The value in use calculation includes estimates about the future financial performance of the cash generating units, including management's estimates of long-term operating margins and long-term growth rates.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings - 1 to 4 years

Cost includes directly attributable finance costs.

Impairment of tangible fixed assets

Tangible fixed assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An asset is derecognised upon disposal or when no future economic benefits are expected from its future use or disposal.

Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company operates two defined contribution pension schemes, an auto enrolment scheme which commenced operation during the year, and a non-auto enrolment scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting year.

1 Accounting Policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activity, stated net of tax and discounts.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Segmental analysis

The Company has one principal area of activity, operating a managed estate of public houses. This operation takes place solely in the UK.

3 Notes to the profit and loss account

	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	**233**	265
Impairment of tangible fixed assets – exceptional costs	**35**	122
Hire of other assets - operating leases	**-**	1,860

Auditor's remuneration:

	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
Audit of these financial statements	**15**	15
Corporate tax compliance services	**14**	14

4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2014	2013
House staff	**127**	123
Directors	**2**	2
	129	125

The aggregate payroll costs of these persons were as follows:

	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
Wages and salaries	**2,000**	1,768
Social security costs	**102**	92
Pension costs	**16**	10
	2,118	1,870

The Directors are remunerated by a fellow subsidiary undertaking, TCG Management Services Limited.

The company operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the company to the schemes and amounted to £16,000 (2013: £10,000). Accrued pension contributions of £1,000 (2013: £1,000) were payable to the schemes and are included in creditors.

5 Taxation

Analysis of charge in year

	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
UK corporation tax		
Current tax on loss for the year	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2013: higher) than the standard rate of corporation tax in the UK of 22.16% (2013: 23.58%). The differences are explained below.

	Year ended 31 August 2014 £000	Year ended 31 August 2013 £000
Current tax reconciliation		
Profit / (Loss) on ordinary activities before tax	**870**	(268)
Current tax at 22.16% (2013: 23.58%)	**193**	(63)
Effects of:		
Expenses not deductible for tax purposes	**1**	1
Fixed asset timing differences	**12**	41
Transfer pricing adjustments	**7**	110
Unutilised tax losses	**(213)**	(89)
Total current tax charge (see above)	-	-

Reductions in the UK corporation tax rate to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective 1 April 2014) and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 August 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

The Company has unrecognised deferred tax assets of £469,000 (2013: £672,000) comprising fixed asset timing differences £152,000 (2013: £157,000) and tax losses £317,000 (2013: £515,000). The asset can be used against suitable taxable profits arising in future years but has not been recognised due to the uncertainty of generating suitable taxable profits in the foreseeable future.

6 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of the year	896
Amortisation	
At beginning and end of the year	896
Net book value	
At 31 August 2014 and 31 August 2013	**-**

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

7 Tangible fixed assets

	Fixtures & fittings £000
Cost	
At beginning of year	2,723
Additions	297
At end of year	**3,020**
Depreciation	
At beginning of year	2,238
Charge for year	233
Asset impairment	35
At end of year	**2,506**
Net book value	
At 31 August 2014	**514**
At 31 August 2013	485

8 Stocks

	2014 **£000**	2013 £000
Goods for resale	**91**	88

9 Debtors

	2014 £000	2013 £000
Amounts owed by Group undertakings	**3,084**	1,545
Prepayments and accrued income	**103**	110
Other debtors	**2**	2
	3,189	1,657

10 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**217**	265
Amounts owed to Group undertakings	**7,150**	6,460
Taxation and social security	**245**	215
Accruals and deferred income	**385**	284
Other creditors	**2**	2
	7,999	7,226

The unsecured intergroup loan of £7,150,000 (2013: £6,460,000) is repayable on demand. There is no interest charged on the loan.

11 Called up share capital

	2014	2013
Authorised	**£000**	£000
1,000 shares issued at £1	**1**	1
Allotted, called up and fully paid	**£**	£
1 share issued at £1	**1**	1

12 Reserves

	Profit and loss account £000
At beginning of year	(4,693)
Profit for the year	870
At end of year	**(3,823)**

13 Analysis of cash flows

	2014	**2014**	2013	2013
	£000	**£000**	£000	£000
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(265)**		(243)	
		(265)		(243)

14 Analysis of net funds

	At beginning of year	**Cash flow**	**At end of year**
	£000	£000	£000
Cash at bank and in hand	303	79	**382**

15 Commitments

(a) The Company had no capital commitments in the current or prior year

(b) Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and buildings	2013 Land and buildings
	£000	£000
Operating leases which expire:		
Within the next year	-	277
In the second to fifth years inclusive	-	-

16 Bank guarantees

The Company is a guarantor for the bank loan taken out by an intermediate holding Company, TCGT Holdings Limited. The bank has a debenture containing a floating charge over the whole of the Company and a first fixed charge over the freehold properties and the issued share capital of the Company.

The balance on the loan at the year end was £98,422,392 (2013: £98,361,000).

17 Related Party transactions

During the year, the Company received management services of £620,000 (2013: £519,000) from TCG Management Services Limited, a fellow subsidiary undertaking. At 31 August 2014, TCG Management Services Limited owed the Company £Nil (2013: £Nil) in respect of these services.

At 31 August 2014, the Company was owed £2,987,000 (2013: £1,385,000) from TCG Management Services Limited in respect of an unsecured intergroup loan.

During the year, the Company leased its freehold property from its parent company, TCGT Holdings Limited and paid rent of £1,347,000 (2013: £1,860,000). At 31 August 2014, the prepaid rent was £97,000 (2013: £160,000).

During the year, TCGT Holdings Limited made a further loan of £690,000 (2013: £938,000) to the Company and £4,351,000 is outstanding at the end of the year (2013: £3,661,000). At 31 August 2014, £2,799,000 (2013: £2,799,000) was due to Tattershall Castle Group Limited, in respect of an unsecured intergroup loan.

A summary of the intercompany balances at the year end are:

	2014	2013
	£'000	£'000
Due from:		
TCGT Holdings Limited	**97**	160
TCG Management Services Limited	**2,987**	1,385
	3,084	1,545
Due to:		
Tattershall Castle Group Limited	**(2,799)**	(2,799)
TCGT Holdings Limited	**(4,351)**	(3,661)
	(7,150)	(6,460)

18 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The entire issued share capital of the Company was owned directly by Tattershall Castle Group Limited, a Company incorporated and registered in Guernsey. At the year end, 87.5% of the issued share capital of Tattershall Castle Group Limited was held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited.

19 Post Balance Sheet events

On 15 May 2015 the repayment date of the Group secured loan was extended to 31 August 2016 and on 19 May 2015 the repayment date of the loan notes was extended to 31 August 2016.

On 03 December 2014 the ultimate controlling company became Castlewood CS Holdings Limited.