

Ha! Ha! Bar & Canteen Limited

Report and Financial Statements

39 weeks ending 26 February 2006

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Ha! Ha! Bar & Canteen Limited

Registered No: 3338454

Directors

Aaron Brown
Timothy Smalley
Ian Payne
Paul Symonds
Suzanne Baker
Christian Keen

Secretary

Eversecretary Limited
115 Colmore Row
Birmingham
B3 3AL

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Registered office

Porter Tun House
500 Capability Green
Luton
LU1 3LS

Directors' report

The directors present their annual report together with the audited financial statements for the period ended 26 February 2006.

Results and dividends

The turnover for the 39 weeks ended was £19,707,000 (61 weeks ended 29 May 2005: £29,051,000). The profit for the period after taxation amounted to £801,000 (period ended 29 May 2005: £2,208,000). The directors do not recommend the payment of a dividend (period ended 29 May 2005: £nil) leaving a profit of £801,000 (period ended 29 May 2005: £2,208,000) to be transferred to reserves.

Principal activities and review of the business

The company is principally engaged in the ownership and management of bars and restaurants. The companies key performance indicators were as follows:

	26 February 2006	29 May 2005	Change
Gross profit margin	9.0%	10.8%	-1.8%
Operating profit margin	5.8%	8.6%	-2.8%
No. of employees	650	681	-31

Both gross profit and operating profit margins decreased slightly due to increased costs in the business. This reduction in staff levels relates to better labour scheduling.

Two new sites opened in the year at Leeds and Oxford which, along with the existing sites, continues to perform satisfactorily.

The directors are currently in discussions with the Group's lenders with a view to restructuring the Group's borrowing facilities. The directors are confident that this will be completed in mid 2007. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

Principal risks and uncertainties

The company has a strong internal audit department which maintains a comprehensive cash handling policy and ensures there is minimal cash leakage out of the business.

The legislation changes regarding all day licencing has had no minimal impact due to the sites continuing to trade under the same trading hours as before.

Directors' report

Directors

The current directors are shown on page 1. The directors in office during the period are listed below. All served on the board throughout the period unless otherwise indicated.

	<i>Appointed</i>	<i>Resigned</i>
Timothy Smalley	—	—
Aaron Brown	—	—
Stephen Brown	—	31 January 2007
Ian Payne	26 January 2006	—
Paul Symonds	6 September 2006	—
Suzanne Baker	6 September 2006	—
Christian Keen	29 November 2006	—

The directors had no interest in the ordinary shares of the company at any time during the period.

The current serving directors are also directors of Laurel Pub Equity Holdings Limited and their interests in shares of group companies are shown in the report of the directors of that company.

No director had any interests in any contract or arrangements of a material nature with the company, its subsidiaries, its fellow subsidiaries or its ultimate parent company during the period under review.

Employee involvement

The company places great importance on the involvement of its employees. They are kept informed of developments through regular meetings. All employees are encouraged to participate in internal or external training schemes to enhance their career prospects.

The company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a disabled or handicapped person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The company supports the employment of disabled people wherever possible, both in recruitment and in retention of those who become disabled during their employment.

Political and charitable donations

There were no political donations made during the period (2005: £nil). Charitable donations of £6,485 were made (2005: £16,413).

Disclosure of information to the auditors

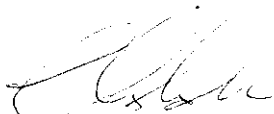
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board


14/3/07

Christian Keen

Director

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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 are required to:

- select suitable accounting policies and then apply them consistently;
- make 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
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the members of Ha! Ha! Bar & Canteen Limited

We have audited the company's financial statements for the period ended 26 February 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, if 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.

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 judgements 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.

Independent auditors' report

to the members of Ha! Ha! Bar & Canteen Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accounting Practice, of the state of the company's affairs as at 26 February 2006 and of its profit 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 financial statements.

Ernst & Young LLP

Registered Auditor

LUTON

14/3/07

Profit and loss account

for the period ended 26 February 2006

		39 weeks ended 26 February 2006 £'000	Restated 61 weeks ended 29 May 2005 £'000
	Notes		
Turnover	2	19,707	29,051
Cost of sales		(17,924)	(25,914)
Gross profit		1,783	3,137
Selling and distribution costs		(463)	(222)
Administrative expenses - normal		(176)	(410)
Administrative expenses - exceptional	3	—	(13)
Operating Profit	3	1,144	2,492
Interest receivable and similar income	5	2	—
Profit on ordinary activities before taxation		1,146	2,492
Taxation	6	(345)	(284)
Retained profit for the period		801	2,208

The results above relate to continuing activities. There were no recognised gains or losses other than the profit for the financial period.

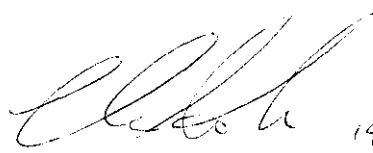
The results for the period ended 29th May 2005 have been restated to reflect common accounting treatment in line with the acquiring group. This has no impact on reported profit.

Balance sheet

at 26 February 2006

		26 February 2006 £'000	29 May 2005 £'000
	Notes		
Current assets			
Stocks	7	308	267
Debtors	8	32,199	26,100
Cash at bank and in hand		609	3,029
		<u>33,116</u>	<u>29,396</u>
Creditors: amounts falling due within one year	9	(25,602)	(22,683)
		<u>7,514</u>	<u>6,713</u>
Net current assets and total assets			
Capital and reserves			
Called up share capital	10	5	5
Profit and loss account		7,509	6,708
		<u>7,514</u>	<u>6,713</u>
Total equity shareholders' funds	11	<u>7,514</u>	<u>6,713</u>

Director

 14/3/07

Notes to the financial statements

at 26 February 2006

1. Accounting policies

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost means purchase price including handling and transport costs calculated on a first in, first out basis. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

Pensions

Defined benefit scheme

The cost of pensions is provided on a systematic basis over the period during which the company benefits from employees' services. As the company is part of a group scheme where the assets and liabilities cannot be split between individual employer companies, under FRS 17 the pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leased assets

All leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Cash flow statement

The company has taken advantage of the provisions of paragraph 5 of FRS 1 "Cash Flow Statements" and has not produced a cash flow statement.

2. Turnover

The turnover and profit for the period were attributable to one activity, the management of bars and restaurants, carried out wholly within the United Kingdom.

Notes to the financial statements

at 26 February 2006

3. Operating profit

Profit on ordinary activities before taxation is stated after charging:

	39 weeks ended 26 February 2006 £'000	61 weeks ended 29 May 2005 £'000
Operating lease rentals		
External		
- plant and machinery	42	168
- buildings	2,250	3,180
Intra-group		
- equipment depreciation	1,194	1,704
Exceptional item		
- closure of the head office	-	13
	<u> </u>	<u> </u>

The auditors' remuneration was settled by a fellow group company in the current and previous periods.

4. Staff costs

	39 weeks ended 26 February 2006 £'000	61 weeks ended 29 May 2005 £'000
Wages and salaries	5,344	8,383
Social security costs	401	609
Pension costs	10	25
	<u> </u>	<u> </u>
	5,755	9,017
	<u> </u>	<u> </u>

The average number of employees during the period was as follows:

	39 weeks ended 26 February 2006 No.	61 weeks ended 29 May 2005 No.
Management	-	9
Retail	650	672
	<u> </u>	<u> </u>
	650	681
	<u> </u>	<u> </u>

The emoluments and pension scheme costs of the directors are borne and paid by a fellow group company in the current and previous periods.

Notes to the financial statements

at 26 February 2006

5. Interest receivable and similar income

	39 weeks ended 26 February 2006 £'000	61 weeks ended 29 May 2005 £'000
Bank interest receivable	2	—

6. Tax on profit on ordinary activities

The tax charge is made up as follows:

	39 weeks ended 26 February 2006 £'000	61 weeks ended 29 May 2005 £'000
Current tax	345	284

Current tax reconciliation

The tax assessed is higher (2005 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	39 weeks ended 26 February 2006 £'000	61 weeks ended 29 May 2005 £'000
Profit on ordinary activities before tax	1,146	2,492
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2005: 30%)	344	747
Effects of:		
Expenses not deductible for tax purposes	1	—
Group relief	—	(463)
Current tax charge for period	345	284

7. Stocks

	26 February 2006 £'000	29 May 2005 £'000
Goods for resale	308	267

Notes to the financial statements

at 26 February 2006

8. Debtors

	<i>26 February 2006 £'000</i>	<i>29 May 2005 £'000</i>
Trade debtors	173	12
Amounts owed by group undertakings	31,714	25,114
Other debtors	21	157
Prepayments and accrued income	291	817
	<u>32,199</u>	<u>26,100</u>

9. Creditors: amounts falling due within one year

	<i>26 February 2006 £'000</i>	<i>29 May 2005 £'000</i>
Bank overdraft	213	—
Trade creditors	758	2,100
Amounts owed to group undertakings	22,762	19,978
Other creditors	9	8
Other taxes and social security costs	927	—
Corporation tax creditor	345	—
Accruals and deferred income	588	597
	<u>25,602</u>	<u>22,683</u>

Notes to the financial statements

at 26 February 2006

10. Share capital

	26 February 2006 £'000	29 May 2005 £'000
Authorised		
9,986 ordinary shares of £1 each	10	10
1,400 deferred shares of £0.01 each	—	—
	<u>10</u>	<u>10</u>
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	5	5
1,320 deferred shares of £0.01 each	—	—
	<u>5</u>	<u>5</u>

11. Reconciliation of shareholders' funds and movement on reserves

	£'000
At 28 March 2004	4,505
Profit for the financial period	2,208
	<u>6,713</u>
At 29 May 2005	6,713
Profit for the financial period	801
	<u>7,514</u>
At 26 February 2006	<u>7,514</u>

12. Leasing commitments

At 26 February 2006 the company had annual commitments under non-cancellable operating leases. These were due to expire the following periods after 26 February 2006.

	26 February 2006 £'000	29 May 2005 £'000
Plant and machinery		
Within one year	21	6
Between one and two years	24	33
Between two and five years	9	20
	<u>54</u>	<u>59</u>

Notes to the financial statements

at 26 February 2006

13. Pensions

Yates Group Limited operates a funded defined benefit scheme, the membership of which is closed, and a defined contribution scheme which was introduced on 1 April 1994. The assets of the two schemes are held in a single separate trustee administered fund.

The defined benefit pension scheme is a group wide pension scheme. It has not been possible to split the assets and liabilities of the scheme between the individual employer companies. The directors considered it appropriate that, for the disclosure requirements of FRS 17, the scheme be treated as a defined contribution scheme.

The disclosure below relates to the entire multiemployer scheme in which Ha! Ha! Bar and Canteen Limited participates. It is considered appropriate that key assumptions as well as the scheme surplus or deficit is disclosed in the financial statements.

The main assumptions used by the actuary were:

	26 February 2006	29 May 2005	31 March 2004
Discount rate	4.90%	5.25%	5.50%
Inflation	2.70%	2.75%	3.00%
Rate of increase of salaries	3.70%	4.50%	4.75%
Rate of increase in pensions payment	2.70%	2.75%	3.00%

The assets in the scheme and the long term expected rates of return were:

	Long term expected rate of return %	2006 Value £000	Long term expected rate of return %	2005 Value £000	Long term expected rate of return %	2004 Value £000
Equities	7.5	5,869	7.5	4,546	7.75	4,172
Bonds	4.0	5,518	4.5	4,784	4.75	4,332
Cash	3.5	30	4.75	755	4	91
Total market value of assets		11,417		10,085		8,595
Present value of scheme liabilities		(12,487)		(10,840)		(10,827)
Deficit in the scheme		(1,070)		(755)		(2,232)
Related deferred tax asset		321		227		670
Net pension liability		(749)		(528)		(1,562)

Notes to the financial statements

at 26 February 2006

14. Related party transactions

The company has taken advantage of the exemption in FRS 8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

15. Ultimate parent undertaking

The immediate parent undertaking of the company is Yates Group Limited which is registered in England and Wales.

The ultimate parent company is Laurel Pub Equity Holdings Limited and the ultimate controlling party is the Tchenguiz Family Trust. The only group for which consolidated financial statements are prepared which include the company is that headed by the Yates Group Limited. Consolidated financial statements for the company are available to the public and can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

16. Contingent liabilities

The company entered into an intercreditor agreement as a guarantor on 20 May 2005 on all intercompany balances as they arise from time to time. The agreement is between among others, the company, Laurel Pub Bidco Limited, Dresdner Bank AG, London Branch and Kaupthing Bank hf as agent and security trustee.