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Ha! Ha! Bar & Canteen Limited

Report and Financial Statements

25 February 2007

Registered No 3338454

Directors

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

Secretary

Eversecretary Limited
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

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 year ended 25 February 2007

Results and dividends

The turnover for the year ended was £27,480,000 (period ended 26 February 2006 £19,707,000) The profit for the year after taxation amounted to £954,000 (period ended 26 February 2006 £801,000) The directors do not recommend the payment of a dividend (period ended 26 February 2006 £nil) leaving a profit of £954,000 (period ended 26 February 2006 £801,000) 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 company's key performance indicators were as follows

	Year ended 25 February 2007	*39 weeks ended 26 February 2006*	*Change*
Gross profit margin	6 1%	9 0%	-2 9%
Operating profit margin	3 5%	5 8%	-2 3%
No of employees	644	650	-6

Both gross profit and operating profit margins decreased due to increased house costs

One new site opened in the year 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 by March 2008 and considering the company's ability to meet all its future obligations based on the projected cash flows, the directors therefore consider it appropriate to prepare the financial statements on a going concern basis

Principal risks and uncertainties

The group 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 licensing has had 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 year are listed below All served on the board throughout the year unless otherwise indicated

	Appointed	Resigned
Julian Sargeson	–	19 May 2006
Timothy Smalley	–	–
Aaron Brown	–	–
Stephen Brown	–	31 January 2007
Ian Payne	–	–
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 year

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 year under review

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

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 year (2006 £nil) Charitable donations of £nil were made (2006 £6 485)

Directors' report

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

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

Christian Keen

Director

9 November 2007

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 year 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 Hal Hal Bar & Canteen Limited

We have audited the company's financial statements for the year ended 25 February 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17 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 Accepted Accounting Practice, of the state of the company's affairs as at 25 February 2007 and of its profit for the year 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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Luton

16 November 2007

Profit and loss account

for the year ended 25 February 2007

	Notes	Year ended 25 February 2007 £'000	39 weeks ended 26 February 2006 £'000
Turnover	2	27,480	19,707
Cost of sales		(25,793)	(17,924)
Gross profit		1,687	1,783
Selling and distribution costs		(624)	(463)
Administrative expenses		(114)	(176)
Operating Profit	3	949	1,144
Interest receivable and similar income	6	5	2
Profit on ordinary activities before taxation		954	1,146
Taxation	7	–	(345)
Retained profit for the year		954	801

All results are in respect of continuing activities

There were no other recognised gains or losses other than those included in the profit and loss account and consequently no statement of total recognised gains and losses is presented

Balance sheet

at 25 February 2007

	Notes	*25 February 2007 £'000*	*26 February 2006 £'000*
Current assets			
Stocks	8	366	308
Debtors	9	37,905	32,199
Cash at bank and in hand		598	609
		38,869	33,116
Creditors amounts falling due within one year	10	(30,401)	(25,602)
Net assets		8,468	7,514
Capital and reserves			
Called up share capital	11	5	5
Profit and loss account	12	8,463	7,509
Total equity shareholders' funds		8,468	7,514

Christian Keen

Director

9 November 2007

Notes to the financial statements

at 25 February 2007

1. Accounting policies

The financial statements of Ha! Ha! Bar & Canteen Limited were approved for issue by the Board of Directors on 9 November 2007

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 taxation is provided in accordance with Financial Reporting Standard ("FRS") 19 on all timing differences arising from the different treatment of items for accounts and taxation purposes calculated at rates at which it is estimated that tax will arise Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

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 year were attributable to one activity, the management of bars and restaurants carried out wholly within the United Kingdom

Notes to the financial statements

at 25 February 2007

3. Operating profit

Operating profit before taxation is stated after charging

	Year ended 25 February 2007 £'000	*39 weeks ended 26 February 2006 £'000*
Operating lease rentals		
External		
- plant and machinery	45	42
- buildings	3,663	2,250
Intra-group		
- equipment depreciation	1,842	1,194

Auditors' remuneration has been borne by other group companies in the current financial year and previous period The estimated auditors' remuneration for the year for this company amounted to £20,000 (2006 £20,000)

4. Directors' emoluments

The directors received no remuneration for their services in respect of the company in the financial year The company had no employees other than the directors

Notes to the financial statements

at 25 February 2007

5. Staff costs

	Year ended 25 February 2007 £'000	*39 weeks ended 26 February 2006 £'000*
Wages and salaries	7,439	5,344
Social security costs	552	401
Pension costs	14	10
	8,005	5,755

	Year ended 25 February 2007 No	*39 weeks ended 26 February 2006 No*
The average number of employees during the year was as follows		
Retail	644	650

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

6. Interest receivable and similar income

	Year ended 25 February 2007 £'000	*39 weeks ended 26 February 2006 £'000*
Bank interest receivable	5	2

Notes to the financial statements

at 25 February 2007

7. Tax on profit on ordinary activities

The tax charge is made up as follows

	Year ended 25 February 2007 £'000	*39 weeks ended 26 February 2006 £'000*
Current tax	–	345

Current tax reconciliation

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

	Year ended 25 February 2007 £'000	*39 weeks ended 26 February 2006 £'000*
Profit on ordinary activities before tax	954	1,146
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2006 - 30%)	286	344
Effects of		
Expenses not deductible for tax purposes	2	1
Group relief	(288)	–
Current tax charge for year	–	345

Notes to the financial statements

at 25 February 2007

8. Stocks

	25 February 2007 £'000	26 February 2006 £'000
Goods for resale	366	308

9. Debtors

	25 February 2007 £'000	26 February 2006 £'000
Trade debtors	166	173
Amounts owed by group undertakings	37,563	31,714
Other debtors	6	21
Prepayments and accrued income	170	291
	37,905	32,199

10. Creditors: amounts falling due within one year

	25 February 2007 £'000	26 February 2006 £'000
Bank overdraft	–	213
Trade creditors	984	758
Amounts owed to group undertakings	27,902	22,762
Other creditors	8	9
Other taxes and social security costs	462	927
Corporation tax creditor	345	345
Accruals and deferred income	700	588
	30,401	25,602

Notes to the financial statements

at 25 February 2007

11. Share capital

	25 February 2007 £'000	*26 February 2006 £'000*
Authorised		
9,986 ordinary shares of £1 each	10	10
1,400 deferred shares of £0.01 each	–	–
	10	10
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	5	5
1,320 deferred shares of £0.01 each	–	–
	5	5

12. Reserves

	Profit and loss account £'000
At 29 May 2005	6,713
Profit for the financial period	801
At 26 February 2006	7,514
Profit for the financial year	954
At 25 February 2007	8,468

13. Leasing commitments

At 25 February 2007 the company had annual commitments under non-cancellable operating leases These were due to expire the following periods after 25 February 2007

	25 February 2007 £'000	*26 February 2006 £'000*
Plant and machinery		
Within one year	24	21
Between one and two years	9	24
Between two and five years	–	9
	33	54

Notes to the financial statements

at 25 February 2007

14. Pensions

Yates Group Limited operates a funded defined benefit scheme, the membership of which is closed and a defined contribution scheme introduced on 1 April 1994 The assets of the two schemes are held in a single, separate trustee administered fund Any actuarial assessment of the defined benefit part of the scheme was last carried out by an independent qualified actuary at 31 March 2004 The assumptions which have the most significant effect on the valuation are

	25 February 2007	*26 February 2006*	*29 May 2005*
Discount rate	5 40%	4 90%	5 25%
Inflation	3 00%	2 70%	2 75%
Rate of increase of salaries	4 00%	3 70%	4 50%
Rate of increase in pensions payment	3 00%	2 70%	2 75%

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

		2007		*2006*		*2005*
	Long term expected rate of return %	*Value £000*	*Long term expected rate of return %*	*Value £000*	*Long term expected rate of return %*	*Value £000*
Equities	7 50	5,880	7 50	5,869	7 50	4,546
Bonds	5 00	5,792	4 00	5,518	4 50	4,784
Cash	5 25	103	3 50	30	4 75	755
Total market value of assets		11,775		11,417		10,085
Present value of scheme liabilities		(11,719)		(12,487)		(10,840)
Surplus/(deficit) in the scheme		56		(1,070)		(755)
Related deferred tax asset /(liability)		(17)		321		227
Net pension asset/(liability)		39		(749)		(528)

Notes to the financial statements

at 25 February 2007

15. 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

16. 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 Laurel Pub Equity Holdings Limited Consolidated financial statements for the company are available from the registered office, Porter Tun House, 500 Capability Green, Luton, LU1 3LS

17. Contingent liabilities

The company along with other group undertakings, had guaranteed the indebtedness of another group undertaking, Laurel Pub BIDCO Limited As at 25 February 2007, the amount outstanding in the books of Laurel Pub BIDCO Limited including accrued finance charges, was £166 7 million

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