

Noble House Leisure Limited

Directors' Report and Financial Statements for the Year Ended 31 December 2007

Registered number: 03864086

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Noble House Leisure Limited

Directors' report for the year ended 31 December 2007

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2007

Principal activities and business review

The principal activity of the Company throughout the period was that of a holding company which owns a group of companies operating bars and restaurants. The subsidiary undertakings are listed in note 9.

Results and dividends

The results of the Company for the period are set out on page 6. The Company made a loss after tax of £14,986,000 (2006: £2,872,000). The Directors do not recommend the payment of a dividend.

Directors

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

JR Hall
CT Freeman

Employees

The Directors consider that the involvement and commitment of employees is important to the success of the Company. Employees are informed of developments through information published on the Company's intranet facility and area briefings. It is the policy of the Board of Directors and senior management to visit houses regularly to ensure that all staff are involved in the development of the Company.

Disabled persons are given full and fair consideration for all job vacancies for which they offer themselves as suitable applicants. It is the Company's policy to encourage and assist in the employment and training of disabled persons. Where an existing employee becomes disabled, their services will be retained wherever practicable.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period.

Noble House Leisure Limited

Directors' report for the year ended 31 December 2007 (continued)

Disclosure of information to Auditors

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 auditors are 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 auditors are aware of that information

Auditors

KPMG LLP were appointed as auditors on 7 January 2007. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the Board



CT Freeman
Director

01 May 2008

Park Mill, Burydell Lane,
Park Street, St Albans,
Hertfordshire, AL2 2HB

Noble House Leisure Limited

Statement of Directors' responsibilities in respect of the Directors' report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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, 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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 LLP

Aquis Court

31 Fishpool Street

St Albans

AL3 4RF

United Kingdom

Independent Auditor's report to the members of Noble House Leisure Limited

We have audited the financial statements of Noble House Leisure Limited for the year ended 31 December 2007 which comprise 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.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' Report and the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we 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.

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.

Independent Auditor's report to the members of Noble House Leisure Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 May 2008

Noble House Leisure Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £ '000	39 week period ended 31 December 2006 £ '000
Administrative expenses		(13,429)	(1,854)
Operating loss before interest income		(13,429)	(1,854)
Interest receivable and similar income	5	1	12
Interest payable and similar charges	6	(1,558)	(1,030)
Loss on ordinary activities before taxation	2	(14,986)	(2,872)
Tax on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation		(14,986)	(2,872)

Operating losses arose from continuing operations

There is no difference between the results as stated above and as stated on a historical cost basis

There are no recognised gains or losses other than the loss for the period

Noble House Leisure Limited

Balance sheet at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	-	7
Investments	9	6,390	15,253
		<u>6,390</u>	<u>15,260</u>
Current assets			
Debtors	10	43	2,823
Cash at bank and in hand		90	71
		<u>133</u>	<u>2,894</u>
Creditors' amounts falling due within one year	11	(28,155)	(25,310)
Net current liabilities		<u>(28,022)</u>	<u>(22,416)</u>
Total assets less current liabilities		<u>(21,632)</u>	<u>(7,156)</u>
Creditors' amounts falling due after more than one year	12	(7,640)	(7,130)
Provisions for liabilities	13	-	-
Net liabilities		<u>(29,272)</u>	<u>(14,286)</u>
Capital and reserves			
Called up share capital	14	2	2
Share premium account	15	1,568	1,568
Other reserve	15	19,171	19,171
Profit and loss account	15	(50,013)	(35,027)
Shareholders' deficit	16	<u>(29,272)</u>	<u>(14,286)</u>

These financial statements were approved by the Board of Directors on 01 May 2008 and were signed on its behalf by



C T Freeman
Director

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007

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

a) Basis of preparation

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

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As 100% of the Company's voting rights are controlled within the group headed by Orchid Pubs Limited, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of that group (or investees of the group qualifying as related parties). The consolidated financial statements of Orchid Pubs Limited, within which this company is included can be obtained from Companies House.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £29,272,000 (2006 £14,286,000) which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Orchid Pubs Limited, Oriental Group Restaurant Limited and Orient Pub Company Limited, other group companies. Orchid Pubs Limited, Oriental Group Restaurant Limited and Orient Pub Company Limited, have provided the company with undertakings that for at least 12 months from the date of approval of these financial statements, they will not seek repayment of the funds currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

b) Tangible fixed assets and depreciation

All tangible fixed assets are shown at historical cost. 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:

Leasehold buildings and improvements	Over period of lease
Office equipment	3 years
Fixtures and fittings	3 to 10 years

c) Investments

Fixed asset investments are shown at cost less provision for impairment.

d) Leases

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

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

e) Post retirement benefits

Pension costs in respect of contributions to certain employees' stakeholder pension plans and Company contributions to personal pension plans are charged to the profit and loss account as they accrue

f) Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences

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 Financial Reporting Standard 19

g) Intra group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

h) Finance costs

The Company classifies preference shares as financial liabilities within creditors. Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with in the reconciliation of movements in shareholders' funds

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

2. Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging

	2007 £'000	39 week period ended 31 December 2006 £'000
Depreciation of tangible fixed assets – owned	7	11
Impairment of fixed asset investments	8,863	-
Bad debt provision against Group undertakings	2,289	-
Operating lease rentals - land and buildings	61	97
Operating lease rentals - other	1	82
	<hr/>	<hr/>
Auditors' remuneration – audit of these financial statements	-	10

The audit for the period ended 31 December 2007 was borne by Orient Pub Company Limited, another group company. Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The smallest group in which the results of the Company are consolidated is that headed by Orchid Pubs Limited.

3. Remuneration of Directors

The directors who served during the periods to 31 December 2007 and 31 December 2006 did not receive any remuneration from the Company, and the Company made no contributions to their pensions. CT Freeman and JR Hall are directors of Orchid Pubs Limited, and their remuneration is disclosed in that company's financial statements.

4. Staff numbers and costs

The average numbers of persons employed by the Company (including directors), during the period, analysed by category, was as follows:

	2007 Number	39 week period ended 31 December 2006 Number
Administration	5	28
	<hr/>	<hr/>
	5	28

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

4. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2007 £'000	39 week period ended 31 December 2006 £'000
Wages and salaries	60	1,098
Social security costs	9	84
Pension costs	5	58
	<u>74</u>	<u>1,240</u>

5. Interest receivable and similar income

	2007 £'000	39 week period ended 31 December 2006 £'000
Bank interest receivable	1	12
	<u>1</u>	<u>12</u>

6. Interest payable and similar charges

	2007 £'000	39 week period ended 31 December 2006 £'000
Other interest payable	16	-
Loan and overdraft interest payable	-	110
Payable to group undertakings on loans	1,032	590
Payable to group undertakings on shares classified as liabilities	510	330
	<u>1,558</u>	<u>1,030</u>

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7. Taxation

(a) Analysis of charge in the period

	2007 £'000	39 week period ended 31 December 2006 £'000
UK Corporation tax on losses for the period	-	-
Deferred tax charge (see note 13)	-	-
Total charge	-	-

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below

	2007 £'000	39 week period ended 31 December 2006 £'000
Loss on ordinary activities before tax	(14,986)	(2,872)
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	(4,496)	(862)
Effects of		
Permanent differences	3,346	100
Depreciation in excess of capital allowances	2	2
Group relief	640	194
Unutilised trading losses carried forward	508	566
Total current tax charge	-	-

(c) Factors that may affect future current and total tax charges

Future current and total tax charges may be affected by losses carried forward and capital allowances (see note 13)

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8. Tangible fixed assets

	Short Leasehold buildings and improvements £'000	Fixture and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2007	32	349	10	391
Disposals	(32)	(349)	(10)	(391)
At 31 December 2007	-	-	-	-
Depreciation:				
At 1 January 2007	31	348	5	384
Charge for the period	1	1	5	7
Disposals	(32)	(349)	(10)	(391)
At 31 December 2007	-	-	-	-
Net book value				
At 31 December 2007	-	-	-	-
At 31 December 2006	1	1	5	7

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9. Fixed asset investments

	2007 £'000
Shares in subsidiary undertakings	
Cost	
At 31 December 2007 and at 31 December 2006	<u>15,253</u>
Impairment	
Charge for the period	<u>8,863</u>
At 31 December 2007	<u>8,863</u>
Net book value	
At 31 December 2007	<u>6,390</u>
At 31 December 2006	<u>15,253</u>

During the period the Company's investment in Oriental Restaurant Group Limited was impaired by £8,863 which has been charged to the profit and loss account

The following companies were all wholly owned subsidiaries of the Company at 31 December 2007

Company name	Share type	Principal activity
Oriental Restaurant Group Limited	Ordinary	Bar and restaurant operator
Taipan Taverns Limited	Ordinary	Bar and restaurant operator

The above companies are incorporated in England

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10. Debtors

	2007 £'000	2006 £'000
Trade debtors	-	46
Amounts owed by Group undertakings	43	2,657
Other debtors	-	15
Prepayments and accrued income	-	105
	<u>43</u>	<u>2,823</u>

The amounts owed by Group undertakings are repayable on demand and are non-interest bearing. During the year a bad debt provision against amounts owed to Group undertakings of £2,289,000 was charged to the profit and loss account.

11. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	-	139
Amounts owed to parent undertaking	20,531	17,565
Amounts owed to group undertakings	7,599	7,413
Taxation and social security	-	65
Other creditors	25	60
Accruals and deferred income	-	68
	<u>28,155</u>	<u>25,310</u>

Amounts owed to the parent undertaking is subject to interest at the Bank of England base rate plus 2% per annum. Amounts owed to group undertakings are repayable on demand and are non-interest bearing.

12. Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Redeemable preference shares	7,640	7,130
	<u>7,640</u>	<u>7,130</u>

Holders of the preference shares have the right, in the event of a winding up, to receive a sum equal to all arrears of preference dividends and the issue price paid for the preference shares, in priority to any distribution to ordinary shareholders.

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13. Provisions for liabilities

Deferred taxation

The Company had no deferred tax liabilities at 31 December 2007

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, surplus tax losses and other short term timing differences as the timing of when they will be recovered is uncertain. The amount of the asset not recognised is £2,638,000 (2006 £3,038,000)

14. Called up share capital

	2007 £'000	2006 £'000
Authorised		
158,730 'A' ordinary shares of 1p each	1,587	1,587
17,861 'B' ordinary shares of 1p each	179	179
17,856 'C' ordinary shares of 1p each	179	179
25,971,430 preference shares of 1p each	259,714	259,714
	261,659	261,659
Allotted, called up and fully paid		
133,928 'A' ordinary shares of 1p each	1,339	1,339
23,218 'B' ordinary shares of 1p each	232	232
14,285 'C' ordinary shares of 1p each	143	143
6,800,000 preference shares of 1p each	68,000	68,000
	69,714	69,714

The preference shares accrue interest at 7.5 pence per share per annum and are redeemable at £1 per share on 3 May 2010. The preference shares are classified as liabilities at their redeemable value of £6,800,000, as shown below, plus accrued dividends

	2007 £'000	2006 £'000
Share classified as liabilities	6,800	6,800
Shares classified in shareholders' deficit	2	2
	6,802	6,802

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

14. Called up share capital (continued)

Holders of the 'A', 'B' and 'C' ordinary shares are not entitled to dividends so long as the preference shares remain in issue, except with the approval of a majority of the holders of 'A' shares. Any such dividend will be applied equally amongst all ordinary shareholders. In the event of a winding up, all ordinary shareholders have an equal right to receive the nominal paid up value of their shares, after distributions to the preference shareholders.

Holders of the 'A' ordinary shares are entitled to exercise 45% of the aggregate number of votes cast at general meetings, and have the right to appoint and remove one director. To constitute a quorum at any general meeting, holders of at least 50% of 'A' ordinary shares must be present.

Holders of the 'B' and 'C' ordinary shares are entitled to exercise 55% of the aggregate number of votes cast at general meetings, and have certain voting rights in the event that the company is in arrears in the payment of interest on, or redemption of, loan stock.

15. Share premium and reserves

	Share premium	Other reserve	Profit and loss account
	£'000	£'000	£'000
At 1 January 2007	1,568	19,171	(35,027)
Loss for the financial period	-	-	(14,986)
At 31 December 2007	1,568	19,171	(50,013)

16. Reconciliation of movements in shareholders' deficit

	2007 £'000	2006 £'000
Loss for the financial period	(14,986)	(2,872)
Net change to shareholders' deficit	(14,986)	(2,872)
Opening shareholders' deficit	(14,286)	(11,414)
Closing shareholders' deficit	(29,272)	(14,286)

17. Operating lease commitments and financial commitments

At 31 December 2007 and 31 December 2006 the Company had no capital commitments.

Noble House Leisure Limited

Notes to the financial statements for the year ended 31 December 2007(continued)

18. Contingent liabilities

At 31 December 2006, the bank loans of Orchid Pubs Limited and subsidiaries were secured by a fixed and floating charge and cross guarantees between all group companies. On 25 January 2007 the company discharged the security over the Orchid Pubs Properties Limited bank loan when it entered in to its new banking arrangement. At 31 December 2007, the guarantees over bank loans totalled £56,833,000 (2006 £503,750,000)

The Company has a joint and several contingent liability in respect of VAT payable under the Orchid Pubs Limited Group VAT registration. At 31 December 2007, the amount of VAT owed by the Group was £1,818,000 (2006 £3,842,000)

19. Pension costs

The Orchid Pubs Limited Group operates a stakeholder pension scheme. Company contributions to the scheme are based on the employees' own contributions and the scheme is of a defined contribution nature.

The Company also contributes to individual pension schemes for staff members who choose not to join the Group stakeholder scheme. Contributions are of a defined contribution nature.

The pension cost charge for the period represents contributions payable by the Company to the schemes and amounted to £5,000 (2006 58,000)

20. Related party disclosures

Prior to the acquisition of the company by Orchid Pubs Limited the company entered into transactions in the ordinary course of business with various parties who were related parties. During 2007 there have been no related party transactions.

Brantridge Management Limited ("Brantridge") During the year ended 31 December 2007 the company invoiced Brantridge £Nil (2006 £3,000) for administrative services. The balance due from Brantridge at 31 December 2007 was £20,000 (2006 £20,000)

Merchant Inns PLC ("Merchant Inns") During the year ended 31 December 2007 the company invoiced Merchant Inns £Nil (2006 £46,000) for administrative services. The balance due from Merchant Inns at 31 December 2007 was £29,000 (2006 £29,000)

Whirlwind Restaurants Limited ("Whirlwind") The amount charged in the year ended 31 December 2007 was £Nil (2006 £56,000). The balance due from Whirlwind at 31 December 2007 was £42,000 (2006 £42,000)

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

The immediate parent company is Orchid Pubs Limited incorporated in England. The ultimate controlling party is GI Partners Fund II LP incorporated in the USA.

The largest group in which the results of the Company are consolidated is that headed by Orchid Capital Limited, incorporated in Jersey. The consolidated financial statements of this group are not available to the public. The smallest group in which the results of the Company are consolidated is that headed by Orchid Pubs Limited, incorporated in England. The consolidated financial statements of this group are available from Companies House.