



**Herald Inns and Bars Limited (In Administrative  
Receivership)**

**Joint Administrative Receivers' Report to Creditors  
Under Section 48 of the Insolvency Act 1986**

30 September 2008

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30 September 2008

**To All Known Creditors**

CPD/MAR/PM/PCF12 1

Dear Sir(s)

**Herald Inns and Bars Limited (In Administrative Receivership) ("the Company")**

I write further to my appointment as Joint Administrative Receiver of the Company and enclose a copy of my Report to Creditors in accordance with Section 48 of the Insolvency Act 1986.

Yours faithfully  
for Herald Inns and Bars Limited



C P Dempster  
Joint Administrative Receiver

Enc Joint Administrative Receivers' Report

The Institute of Chartered Accountants of Scotland authorises C P Dempster and The Institute of Chartered Accountants in England and Wales authorises A Swarbrick to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986

The Joint Administrative Receivers act as agents of the Company only and contract without any personal liability

## Abbreviations

The following abbreviations are used in this report:

the Act	Insolvency Act 1986
the Company or HIB	Herald Inns and Bars Limited
the Bank	Bank of Scotland plc
Bakersfield	Bakersfield Entertainment Limited

## **Introduction**

C P Dempster and A Swarbrick of Ernst & Young LLP were appointed as Joint Administrative Receivers of the Company on 22 July 2008

Pursuant to Section 48 of the Insolvency Act 1986 the Joint Administrative Receivers are required to provide a Report to Creditors on the events leading up to and certain events occurring since their appointment. The purpose of this report is to fulfil these requirements.

In preparing this report, the Joint Administrative Receivers have relied on information provided by the Directors, management and other third parties. The Joint Administrative Receivers' investigations are continuing and, accordingly, it has not been possible to verify all such information. Therefore, the Joint Administrative Receivers take no responsibility for the completeness or accuracy of this information.

The rest of this document and its appendices include the matters required to be disclosed by section 48 of the Insolvency Act 1986.

### **Creditors' Meetings**

A meeting of the creditors of the Company has been called for 11.00 am on 16 October 2008 at the Radisson SAS Hotel Manchester Airport, Chicago Avenue, Manchester, M90 3RA to enable creditors to receive the Joint Administrative Receivers' report and to decide whether to form a creditors' committee.

Creditors will be permitted to vote provided that details of their relevant claims are received at George House, 50 George Square, Glasgow G2 1RR no later than 12 noon on 15 October 2008.

## Statutory Information

### Company information

Company name:	Herald Inns and Bars Limited
Registered number	04636778
Registered office	Levens House Ackhurst Business Park Chorley Lancashire PR7 1NY
Trading address	See appendix II
Previous name(s)	Brannigans Limited, Broomco (3119) Limited
Date of incorporation	14 January 2003

### Current Directors and Company Secretary

<u>Name</u>	<u>Director or Secretary</u>	<u>Date Appointed</u>
Peter William Callaghan	Director	31 March 2008
Julian George Sargeson	Director & Secretary	31 March 2008

## Background Information

The Company's principal activity is the operation of a chain of late night bars and public houses

The Company was formed in early 2003 as a vehicle to acquire the distressed assets of a chain of 15 pubs from Receivership. A further two acquisitions were undertaken in 2004 to acquire 30 pubs also from Receivership in an attempt to strengthen the Company's portfolio.

The second of these acquisitions in 2004 was Bakersfield which owned and operated eight bars trading under the name of 'Mood'. The assets of Bakersfield were subsequently hived up into HIB in February 2005.

Following these acquisitions there were a number of disposals of units which were not core to the Company's ongoing operations leaving 37 units under the management of HIB.

The trading performance of the Company over the last three years has been challenging as a result of changes in licensing laws, levels of admission to the pubs and liquor spend. During 2008 the Company has also been experiencing difficulties predominantly due to market conditions in the pub sector and the general downturn in the current economy.

As a result, in late May 2008 HIB's management began discussions with the Bank about the viability of a reduced operation focusing the business on the profitable units and a restructuring of the Bank debt.

The Directors carried out a review of the 37 trading units and agreed that the downsized business should focus on 21 core units. The Company's property portfolio included both freehold and leasehold units and management were required to close a number of the loss making units in June and July 2008 to prevent incurring additional trading losses. We were subsequently requested by the Bank to review the Directors' revised business plan during the course of June 2008.

Due to increasing cash flow difficulties, pressure from suppliers for payment and with a number of landlords threatening legal action in respect of unpaid rent which could have destabilised the whole business, the Directors resolved to request the Bank to appoint Administrative Receivers and Colin Dempster and Angela Swarbrick were subsequently appointed as Joint Receivers on 22 July 2008.

Colin Dempster and Angela Swarbrick were also appointed as Joint Administrators to Bakersfield on the same day.

## Background Information (cont'd)

The Company's historic financial results can be summarised as follows

<b>Period</b>	<b>Type</b>	<b>Turnover £'000</b>	<b>Operating (Loss) £'000</b>	<b>(Loss) after taxation £'000</b>	<b>Net (Liabilities) £'000</b>
Year ended 31 March 2007	Audited	37,453	(11,345)	(12,528)	(26,993)
Year ended 31 March 2006	Audited	39,416	(4,061)	(7,362)	(14,465)
Year ended 31 March 2005	Audited	28,118	(1,415)	(3,632)	(7,103)
Year ended 31 March 2004	Audited	20,667	(2,389)	(3,471)	(3,471)

## Conduct of the Administrative Receivership

Following written acceptance of our appointment on 22 July 2008 the business and assets of the Company were sold to Cougar Leisure Limited and Cougar Leisure Properties Limited including 21 core trading units.

The offer received from the Cougar companies was significantly in excess of an independent valuation carried out on behalf of the Bank and the Company during March 2008

As there was no source of funding available in the Receivership it would have been extremely difficult to try to market the business whilst trading the pubs through an insolvency process. In addition, due to the cash restraints which the business was facing, rent payments of a number of leasehold premises were unable to be met, which would have made any negotiations with the landlords more problematic

The sale ensured that the return to the Company's secured creditor was maximised and preserved the core business and employment of a workforce of 500 staff

Immediately on appointment, we closed three of the loss making sites the remaining thirteen having already been closed by the Company. We also instructed our property agents to review the 16 closed properties and carry out a brief marketing campaign to ascertain whether there was any interest for these properties

We have since surrendered the keys to the landlords on 12 of these properties and are reviewing the position with the remaining four properties where interest has been received. In the event that assignments of the leases to new tenants are not possible in the short term then we will also surrender the leases for these properties

My staff will continue to deal with the wind down of these closed units, collection of debtor balances, various queries from creditors of the Company and statutory requirements

## Amount due to Creditors

### Secured Creditors

The debt due to the Bank under its Bond and Floating Charge at the date of our appointment is as follows.

	£
Overdraft and Term Loan	(71,016,445.08)
Interest	<u>(3,550,879.03)</u>
	<u>(74,567,324.11)</u>

This indebtedness to the Bank is guaranteed by both HIB and Bakersfield.

### Preferential Creditors

Our estimates of the preferential claims of the Company's employees at the date of our appointment are as follows

	£
Employees' arrears of wages	(6,420.16)
Employees' accrued holiday pay	<u>(13,467.88)</u>
	<u>(19,888.04)</u>

Based on the Directors' Statement of Affairs discussed below, we estimate that the claims of the Company's preferential creditors will be repaid in full.

### Ordinary Unsecured Creditors

The Joint Administrative Receivers are of the opinion that it is highly unlikely that there will be any funds available for a distribution to the ordinary unsecured creditors. However, details of creditors' claims are being kept on file and will be passed to any subsequently appointed Liquidator.

## Other Information

### Statement of Affairs

The Directors of the Company have submitted their Statement of Affairs as at 22 July 2008, a summary of which is shown at Appendix I to this report

The figures provided by the Directors have not been subjected to an independent review or audit

A limited review has been undertaken by the Joint Administrative Receivers and the Directors' estimated realisations appear to be reasonable. However, it should be noted that the statutory provisions concerning the preparation of such a statement do not require the Directors to include estimated costs of realisations (such as holding / occupancy costs, interim wages / salaries and professional fees) and, accordingly, the statement is prepared before such costs

### Report on Directors' Conduct

Pursuant to the Company Directors Disqualification Act, we are conducting investigations into the conduct of the Directors and management. We are required to submit our findings to the Department of Trade and Industry within six months from the date of appointment

Should any creditor wish to bring any information to our attention which they feel is relevant to our investigations, please contact Peter Mackie in writing at Ernst & Young LLP, George House, 50 George Square, Glasgow, G2 1RR

C P Dempster  
Joint Administrative Receiver

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## Directors' Statement of Affairs

**HERALD INNS AND BARS LIMITED (IN ADMINISTRATIVE RECEIVERSHIP)**  
**SUMMARY DIRECTORS' STATEMENT OF AFFAIRS**  
**AS AT 22 JULY 2008**

	<u>Book Value</u> (£)	<u>Directors' Estimate to Realise</u> (£)
<b>ASSETS SPECIFICALLY SECURED</b>		
Freehold Property	9,101,455	9,114,000
Leasehold Property	8,075,983	9,386,000
	<u>17,177,438</u>	<u>18,500,000</u>
<b>ASSETS NOT SPECIFICALLY SECURED</b>		
Plant, machinery, fixtures & fittings	14,640,091	59,000
Goodwill	9,847,288	39,082,000
Intellectual property	21,000	19,000
Investments	6,151,000	-
Stock	-	-
Trade debtors	356,000	22,000
Other debtors - Corporation tax recoverable	3,992,000	3,992,000
Other debtors - Bond	1,700	0
Rent Deposits	1,441,000	711,000
Prepayments	9,000	-
Cash floats	54,000	41,000
	<u>36,513,079</u>	<u>43,926,000</u>
<b>ESTIMATED TOTAL ASSETS AVAILABLE FOR PREFERENTIAL CREDITORS</b>	53,690,517	62,426,000
<b>PREFERENTIAL CREDITORS</b>		
Arrears of wages and holiday pay		(19,888)
<b>ESTIMATED TOTAL ASSETS AVAILABLE TO FLOATING CHARGE HOLDERS</b>		62,406,112
Debts secured by floating charges		<u>(74,567,324)</u>
<b>ESTIMATED DEFICIENCY AVAILABLE TO UNSECURED CREDITORS</b>		(12,161,212)
<b>ORDINARY CREDITORS</b>		
Trade creditors		(2,725,000)
Inter company balances		(14,342,000)
VAT liability		(324,000)
Other creditors		(1,319,000)
Provisions		(35,000)
Accruals		(82,000)
		<u>(18,827,000)</u>
<b>ESTIMATED DEFICIENCY AS REGARDS CREDITORS</b>		(30,988,212)
Issued and called-up capital		(1)
<b>ESTIMATED TOTAL DEFICIENCY AS REGARDS MEMBERS</b>		<u>(30,988,213)</u>

## Trading Addresses

### HERALD INNS AND BARS LIMITED (IN ADMINISTRATIVE RECEIVERSHIP) TRADING ADDRESSES

Glass	258 Wilmslow Road, Manchester, M14 6JR
Mood	158-159 Friargate, Preston, PR1 2EJ
Mood	Units 1,2 and 3 Botchergate, Carlisle, CA1 1QS
Brannigans	Units R8, R9 and R10 Riverside Level, The Oracle, Reading, RG1 2AG
Mood	1 Xscape Building, Avebury Boulevard, Milton Keynes, MK9 3XS
Running Horse	Wootton Bassett Road, Swindon, SN1 4NQ
Breeze	6,7,8 Cambrian Retail Centre, Newport, Gwent, NP20 4AD
Brannigans	Unit C 200 Broad Street, Birmingham, B15 1SU
Brannigans	Unit 4, Crawley Leisure Centre, London Road, Crawley, RH10 8LR
Monastery Rooms	Brotherhood House, 12 Gas Street, Rugby, CV21 2TX
Mood	3 Priory Walk, Doncaster, DN1 1TS
Morden Hall	Morden Hall Road, Morden, Surrey, SM4 5JD
New River Arms	High Road Turnford, Broxbourne, EN10 6DB
Cranbrook	182 Cranbrook Road, Ilford, Essex, IG1 4LX
Uncle Toms Cabin	44-46 Queens Promenade, Blackpool, FY2 9RW
Duke of York	Barnet Road, Ganwick Corner, Barnet, Hertfordshire, EN5 2SG
Brannigans	76 Foregate Street, Chester, CH1 1HA
Brannigans	76/84 Promenade and 29/37 Market Street, Blackpool, FY1 1EZ
Brannigans	Albert Hall, 27 Peter Street, Manchester, M2 5QR
Brannigans	64 South Street, Romford, Essex, RM1 1RB
Mood	The Glasshouse, 2 Greenside Place, Edinburgh, EH1 3AA
Mood	The Gate, Newgate Street, Newcastle Upon Tyne, NE1 5TG
Mood	18-20 Fleet Street, Liverpool, L1 4AN
View	40 Chorlton Street, Manchester, M1 3HW
Spirit	63 Richmond Street, Manchester, M1 3WB
Berkeley	27-29 Wallgate, King Street, Wigan, WN1 1LD
Agenda	92-98 St John's Road, Corstorphine, Edinburgh, EH12 8AT
Uisge Beatha	232 Woodlands Road, Glasgow, G3 6ND
Town House	258 Whitley Road, Whitley Bay, Tyne and Wear, NE26 2TG
Boardwalk	Broughton Lane, Sheffield, S9 2DE
Kingsley	Kingsbury Road, Minworth, B76 9DP
Agenda	15 Millbrae Road, Glasgow, G42 9UA
Old West Station	Linden Park Road, Tunbridge Road, Kent, TN2 5QL
Brannigans	15-17 Friars Gate, Warrington, WA1 2RR
Town House	48-52 Gallowgate Street, Largs, KA30 8LX
Quay	Western Boulevard, Leicester, LE2 7HN
Barca	Arches 8&9, Catalan Square, Castlefield, Manchester, M2 4WD