

4636778

**Herald Inns and Bars Limited**

Report and Financial Statements

Period Ended

31 March 2004



**BDO**

BDO Stoy Hayward  
Chartered Accountants

# **HERALD INNS AND BARS LIMITED**

**Annual report and financial statements for the period ended 31 March 2004**

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## **Contents**

### **Page:**

1	Report of the directors
3	Report of the independent auditors
5	Consolidated profit and loss account
6	Consolidated balance sheet
7	Notes forming part of the financial statements

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## **Directors**

David Burns  
George Edwards  
Marc Etches  
Mark Widders

## **Secretary and registered office**

Mark Widders  
Sagar House  
Ecclestone  
Chorley  
Lancashire PR7 5PH

## **Company number**

4636778

## **Auditors**

BDO Stoy Hayward LLP,  
Commercial Buildings,  
11-15 Cross Street,  
Manchester, M2 1WE

## **HERALD INNS AND BARS LIMITED**

### **Report of the Directors for the period ended 31 March 2004**

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The directors present their report together with the audited financial statements for the period ended 31 March 2004.

#### **Incorporation and change of name**

The company was incorporated as Broomco (3119) Limited on 14 January 2003. On 8 April 2003 the name of the company was changed to Brannigans Limited. On 20 September 2004 the name of the company was changed to Herald Inns and Bars Limited.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the loss for the period.

The directors do not recommend the payment of a dividend.

#### **Principal activities**

The principal activity of the company is the operation of a chain of public houses.

#### **Business review**

The period to March 2004 was the first period's trading of the company following its acquisition of the chain of 15 Brannigans' units. Trading was satisfactory bearing in mind the poor state of the units following the period of Receivership and the depressed and price competitive market. During the period three units were disposed back to the Receiver and a further unit was also disposed in September 2004.

The remaining 11 Brannigans' units are now showing better trading following improved management and operational controls and the company is now ready to begin a development programme which is expected to lift trading further.

The directors remain confident of future trading of the company, particularly in the context of an enlarged estate following further acquisitions since March 2004 as mentioned below.

#### **Directors**

The directors of the company during the period were:

David Burns	(appointed 26 March 2003)
George Edwards	(appointed 4 April 2003)
Marc Etches	(appointed 4 April 2003)
Mark Widders	(appointed 26 March 2003)
John Kay	(appointed 28 March 2003, resigned 3 May 2003)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company or its immediate and ultimate parent undertaking.

#### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be comparable with that of other employees.

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

## HERALD INNS AND BARS LIMITED

### Report of the Directors for the period ended 31 March 2004 (*Continued*)

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#### Political and charitable contributions

The company made no political or charitable contributions during the period.

#### Post balance sheet events

On 30 July the company acquired a further 30 pubs and bars from the Receiver of Valleyhill Limited and on 29 October it acquired Bakersfield Entertainments Limited, a company which owns and operates 8 trading units under the brand 'Mood'.

On 1 November, 8 of the smaller units acquired from the Receiver of Valleyhill Limited were disposed and the company acquired another trading unit on the same date.

#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

During the period the directors appointed BDO Stoy Hayward LLP as the first auditors of the company. They have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### On behalf of the Board



**Mark Widders**  
Director

Date 9 November 2004

## **HERALD INNS AND BARS LIMITED**

### **Report of the independent auditors**

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#### **To the shareholders of Herald Inns and Bars Limited**

We have audited the financial statements of Herald Inns and Bars Limited for the period ended 31 March 2004 on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

# HERALD INNS AND BARS LIMITED

## Report of the independent auditors

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### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Manchester

9 November 2004

# **HERALD INNS AND BARS LIMITED**

## **Consolidated profit and loss account for the period ended 31 March 2004**

		Continuing operations Acquisitions	Discontinued operations	Total
	Note	Period ended 31 March 2004 £'000	Period ended 31 March 2004 £'000	Period ended 31 March 2004 £'000
<b>Turnover</b>	2	18,634	2,033	20,667
Cost of sales		8,353	601	8,954
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Gross profit</b>		10,281	1,432	11,713
Administrative expenses		11,322	2,780	14,102
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating loss</b>	3	(1,041)	(1,348)	(2,389)
Earnings before interest, tax, depreciation and amortisation				20
Interest payable and similar charges	6			(1,082)
<b>Loss on ordinary activities before and after taxation</b>				<u>          </u> (3,471) <u>          </u>

All recognised gains and losses are included in the above statement.

The notes on pages 7 to 14 form part of these financial statements.

# HERALD INNS AND BARS LIMITED

## Balance sheet at 31 March 2004

	Note	31 March 2004 £'000	31 March 2004 £'000
<b>Fixed assets</b>			
Intangible assets	8		29,280
Tangible assets	9		11,086
			<u>40,366</u>
<b>Current assets</b>			
Stocks	10	204	
Debtors	11	780	
Cash at bank and in hand		259	
		<u>1,243</u>	
<b>Creditors: amounts falling due within one year</b>	12	2,080	
		<u></u>	
<b>Net current liabilities</b>			(837)
<b>Total assets less current liabilities</b>			<u>39,529</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(43,000)
			<u>(3,471)</u>
			<u></u>
<b>Capital and reserves</b>			
Called up share capital	14		-
Profit and loss account			(3,471)
<b>Equity shareholders' deficit</b>	15		<u>(3,471)</u>
			<u></u>

The financial statements were approved by the Board on 9 November 2004



**M.L. Widders**  
**Director**

The notes on pages 7 to 14 form part of these financial statements.



## HERALD INNS AND BARS LIMITED

### Notes forming part of the financial statements for the period ended 31 March 2004

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#### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

##### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax.

##### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful economic lives. It is calculated at the following rates:

Freehold property	- 2% per annum
Leasehold property	- over the term of the lease
Fixtures and fittings	- straight line over 4-10 years

##### *Goodwill*

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties nor on capital gains relating to other group companies and rolled over into the company unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profit in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

## HERALD INNS AND BARS LIMITED

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

### 1 Accounting policies (Continued)

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

#### *Basis of preparation*

The balance sheet shows net liabilities of £3,471,000. The company meets its day to day working capital requirements through funds made available by the parent undertaking. The parent undertaking has indicated its present intention to provide the support necessary for the company to continue as a going concern for at least twelve months from the date of approval of these financial statements and they are therefore prepared on a going concern basis.

### 2 Analysis of turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

### 3 Operating loss

	2004 £'000
This has been arrived at after charging:	
Auditors' remuneration : audit services	25
: non audit services	4
Depreciation and other amounts written off owned tangible fixed assets:	868
Amortisation of goodwill	1,541
Operating leases - other	2,423
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### 4 Remuneration of directors

None of the directors received any remuneration from the company during the period.

## HERALD INNS AND BARS LIMITED

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

### 5 Staff numbers and costs

The average monthly number of employees, including directors, was 443.

The aggregate payroll costs of these persons were as follows:

	2004 £'000
Wages and salaries	3,992
Social security costs	158
	<u>4,150</u>

### 6 Interest payable and similar charges

	2004 £'000
On bank loans and overdrafts	1,081
Credit card commission	1
	<u>1,082</u>

### 7 Taxation

	2004 £'000
UK Corporation tax	
Current tax on loss for the period	Nil

The tax assessed for the period is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £'000
Loss on ordinary activities before tax	(3,471)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(1,041)
Effect of:	
Expenses not deductible for tax purposes	6
Depreciation in excess of capital allowances	272
Capital items expensed	13
Losses carried forward	750
Current tax charge for the period	<u>-</u>

# **HERALD INNS AND BARS LIMITED**

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

## **8 Intangible assets**

	Purchased goodwill £'000
<i>Cost</i>	
Additions and balance at end of period	30,821
<i>Amortisation</i>	
Charge for period and balance at end of period	1,541
<i>Net book value</i>	
At 31 March 2004	29,280

The goodwill arose on the acquisition of Brannigans chain of late night bars. The goodwill is being amortised over 20 years as the directors believe the company will continue to derive economic benefit from the brand names and trade acquired in the acquisition over that period.

## **9 Tangible assets**

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>				
Acquired with subsidiaries	1,818	2,528	8,434	12,780
Additions	-	14	262	276
Disposals	(58)	-	(1,044)	(1,102)
At end of period	1,760	2,542	7,652	11,954
<i>Depreciation</i>				
Charge for the period and balance at end of period	35	74	759	868
<i>Net book value</i>				
At 31 March 2004	1,725	2,468	6,893	11,086

## HERALD INNS AND BARS LIMITED

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

### 10 Stocks

	2004 £'000
Goods for resale	204
	<u>204</u>

There is no material difference between the replacement cost of stocks and the amount stated above.

### 11 Debtors

	2004 £'000
Trade debtors	2
Other debtors	416
Prepayments and accrued income	362
	<u>780</u>

All debtors, fall due within one year.

### 12 Creditors: amounts falling due within one year

	2004 £'000
Trade creditors	783
Taxation and social security	274
Other creditors	87
Accruals and deferred income	936
	<u>2,080</u>

# HERALD INNS AND BARS LIMITED

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

## 13 Creditors: amounts falling due after more than one year

	2004 £'000		
Loan notes			10,000
Bank loans			21,000
Amounts owed to group undertakings			12,000
			<u>43,000</u>
			<u><u>43,000</u></u>
	Amounts owed to group undertaking		
	Loan notes	Bank loans	Amounts owed to group undertaking
	2004	2004	2004
	£'000	£'000	£'000
Due within one year	-	-	-
Due between one and two years	-	-	12,000
Due between two and five years	-	15,750	-
Due in more than 5 years	10,000	5,250	-
	<u>10,000</u>	<u>21,000</u>	<u>12,000</u>
	<u><u>10,000</u></u>	<u><u>21,000</u></u>	<u><u>12,000</u></u>

The Loan Notes attract an interest rate of LIBOR + 1% from 1 April 2004. The LIBOR element of the interest is payable quarterly in arrears and the margin element of the interest is accrued and payable on the redemption of the Loan Notes. The Loan Notes may be redeemed by the Group at any time prior to the redemption date in tranches of 500,000 Notes. The holders of the Loan Notes may redeem the Notes at any time after the redemption date in tranches of 500,000 Notes. The redemption date is 31 March 2010.

The bank loan is repayable in 16 equal quarterly instalments commencing on 30 June 2006. Interest is payable in arrears on a monthly, bi-monthly, quarterly or semi-annual basis at either a rate tied to LIBOR or the Bank of Scotland base rate.

## 14 Share capital

	Authorised 2004 £	Allotted, called up and fully paid 2004 £
Equity:		
1,000 (allotted 1) ordinary shares of £1 each	1,000	1
	<u>1,000</u>	<u>1</u>

On incorporation of the company, 1 ordinary share of £1 was issued at par.

## HERALD INNS AND BARS LIMITED

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

### 15 Reconciliation of movements in shareholders' funds

	2004 £'000
Loss for the financial period	(3,471)
Shares issued	-
Closing shareholders' deficit	<u>(3,471)</u>

### 16 Acquisitions

#### *Acquisition of Brannigans chain of late night bars*

In calculating the goodwill arising on acquisition, the fair value of the net assets of Brannigans have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value £'000	Fair value £'000
Fixed assets		
Tangible	12,780	12,780
Current assets		
Stocks	183	183
Total assets	<u>12,963</u>	<u>12,963</u>
Net assets	<u>12,963</u>	<u>12,963</u>
Cash consideration (including expenses of £784,000)		£'000 43,784
Net assets acquired		12,963
Goodwill arising on acquisition		<u>30,821</u>

## HERALD INNS AND BARS LIMITED

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

### 17 Discontinued activities

On 31 March 2004 the Group disposed of three trading units. No profit or loss arose on this transaction.

### 18 Commitments

There were no capital commitments at the end of the financial period.

### 19 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	31 March 2004 Land and buildings £'000	31 March 2004 Other £'000
Operating leases which expire:		
Within one year	-	7
In two to five years	-	15
In more than five years	1,353	-
	<u>1,353</u>	<u>22</u>

### 20 Related party disclosures

	Amounts owed £'000
<b>Related party</b>	
Crown Leisure Limited	18
Hemway Limited	8

The related parties detailed above are both controlled by the family interests of Mr T.J. Hemmings. (see note 22).

### 21 Post balance sheet events

On 30 July the company acquired a further 30 pubs and bars from the Receiver of Valleyhill Limited and on 29 October it acquired Bakersfield Entertainments Limited, a company which owns and operates 8 trading units under the brand 'Mood'.

On 1 November, 8 of the smaller units acquired from the Receiver of Valleyhill Limited were disposed and the company acquired another trading unit on the same date.

### 22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate parent company of Herald Inns and Bars Limited is Dollagh Limited, a company incorporated in the Isle of Man. Dollagh Limited is controlled by the family interests of Mr TJ Hemmings.