

GRS Pub Investments Limited

Report and Financial Statements

52 Weeks Ended

26 December 2010

Company Number 05895613

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GRS Pub Investments Limited

**Report and financial statements
for the 52 weeks ending 26 December 2010**

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Directors

R K F Thomson
S E Kennedy

Registered office

31 Haverscroft Industrial Estate, New Road, Attleborough, Norfolk, NR17 1YE

Company number

05895613

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

GRS Pub Investments Limited

Report of the directors for the 52 weeks ending 26 December 2010

The directors present their report together with the audited financial statements for the 52 weeks ended 26 December 2010

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period. No dividends were paid during the period (2009 – £Nil)

Principal activities and review of business

Principal activities and review of business

The principal activities of the company comprise the operation of pubs either under lease or tenancy agreements. The agreements with tenants in the leased estate comprise both tied and free of tie arrangements, generate income from rents, sales of beer and other drinks, and through profit share arrangements for income from leisure machines.

The company's pub assets are financed by a combination of bank debt, intercompany debt and shareholders' equity.

As explained in note 1 to the financial statements, the covenants on the Company's bank loans are not in compliance and the loan is scheduled for repayment in 2011. The Company's bank loans have been classified as current and the Directors are working with the bank to seek a suitable restructure of the loan facilities to enable the company to continue to meet its debt obligations. Until the revised banking terms are agreed the company is reliant on the bank continuing to provide support to the company. Whilst the bank has to date continued to provide support, and there is neither a guarantee that this will continue nor a guarantee that a suitable restructure of the loan facilities can be agreed.

The parent company, London Town plc, entered into administration on 19 February 2010. The current directors are engaged in continuing discussions relating to the terms and covenants on the bank loan and anticipate that new covenants or facilities can be agreed that will reflect the current operations and business structure of the company and hence the company has prepared the financial statements on a going concern basis.

Directors

The directors who served during the period are as follows:

R K F Thomson	(appointed 19 February 2010)
S E Kennedy	(appointed 19 February 2010)
I G Robinson	(resigned 19 February 2010)
R Cawtheray	(resigned 19 February 2010)
W Buchanan	(resigned 19 February 2010)

GRS Pub Investments Limited

Report of the directors
for the 52 weeks ending 26 December 2010 (Continued)

Directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

This director's report has been prepared under the small companies exemption.

On behalf of the Board



R K F Thomson
Director

Date 25 October 2011

GRS Pub Investments Limited

Independent auditor's report

TO THE MEMBERS OF GRS PUBS LIMITED

We have audited the financial statements of GRS Pubs Limited for the 52 week period ended 26 December 2010 which comprises the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 26 December 2010 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is currently not complying with its banking covenants and the loan is scheduled for repayment in 2011. As a result the company is reliant on the continuing support of its bankers not to call for the repayment of its bank loan. Although the Directors expect to agree a restructure of the bank facilities to enable the company to continue to meet its obligations, there is no guarantee that this will happen.

These conditions along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

GRS Pub Investments Limited

Independent auditor's report (Continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime

BDO LLP

Geraint Jones (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

25 October 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

GRS Pub Investments Limited

Profit and loss account for the 52 weeks ending 26 December 2010

	Note	52 weeks ended 26 December 2010 £'000	52 weeks ended 27 December 2009 £'000
Turnover	2	6,151	6,896
Cost of sales		(3,247)	(3,272)
Gross profit		2,904	3,624
Administrative income / (expenses)		1 044	(32,157)
Other income	4	17	28
Operating profit / (loss)	5	3,965	(28,505)
Loss on disposal of property, plant and equipment		(24)	-
Interest receivable		-	1
Interest payable and similar charges	6	(2,591)	(2,588)
Profit / (loss) on ordinary activities before and after taxation	7,14	1,350	(31,092)

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

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

GRS Pub Investments Limited

Balance sheet at 26 December 2010

Company number 05895613	Note	26 December 2010 £'000	26 December 2010 £'000	27 December 2009 £'000	27 December 2009 £'000
Fixed assets					
Property, plant and equipment	8		23,016		29,191
			<u>23,016</u>		<u>29,191</u>
Current assets					
Stock	10	834		1,023	
Debtors	11	1,372		579	
Cash at bank and in hand		61		61	
		<u>2,267</u>		<u>1,663</u>	
Creditors amounts falling due within one year	12	54,189		61,110	
		<u></u>		<u></u>	
Net current liabilities			(51,922)		(59,447)
Net liabilities			<u>(28,906)</u>		<u>(30,256)</u>
Capital and reserves					
Called up share capital	13		13,890		13,890
Profit and loss account	14		(42,796)		(44,146)
			<u></u>		<u></u>
Shareholders' deficit	15		<u>(28,906)</u>		<u>(30,256)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements were approved by the Board and authorised for issue on 25 October 2011

Keith Thomson

R K F Thomson
Director

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

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010

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:

Going concern

The company is currently not complying with its banking covenants and the loan is scheduled for repayment in 2011. As a result the company is reliant on the continuing support of its bankers not to call for the repayment of its bank loan.

The Directors are working with the bank to seek a suitable restructure of the loan facilities to enable the company to continue to meet its debt obligations. Until the revised banking terms are agreed the company is reliant on the bank continuing to provide support to the company. Whilst the bank has to date continued to provide support, and there is neither a guarantee that this will continue nor a guarantee that a suitable restructure of the loan facilities can be agreed.

Having reviewed the cash flow projections together with assessing the attitude of the company's bank, the Directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due for the foreseeable future. The Directors therefore consider it appropriate to prepare the company's financial statements on the going concern basis. However, because of the uncertainty surrounding the successful restructure of the company's loan facilities the Directors recognise that there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Tangible fixed assets

Landlord's fixtures and fittings include removable items, which are generally regarded as within landlord ownership. These are depreciated in accordance with the policy detailed below.

Property, plant and equipment assets are carried at cost or deemed cost less accumulated depreciation and any recognised impairment in value. Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual values, by equal annual instalments as follows:

Freehold and leasehold buildings	- 50 years or the life of the lease if shorter
Public house fixtures and fittings	- 10 years
Motor vehicles	- 4 years
Office Equipment	- 3 years

Freehold land is not depreciated.

Freehold buildings are depreciated so as to write off the difference between their carrying value and residual value over their useful economic life of 50 years. Residual values are reviewed at least once each financial year and there is no depreciable amount if the residual value is the same or exceeds the carrying value.

Impairment of tangible fixed assets

The need for any tangible fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its net realisable value and value in use. These assessments are carried out at reporting dates or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Impairment charges are included in the operating expenses line item in the profit and loss account.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (Continued)

1 Accounting policies (Continued)

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of the business, net of discounts and VAT

- *Drink and food sales*
Turnover in respect of drink and food sales is recognised at the point at which the goods are provided, net of discounts or volume rebates allowed
- *Rents receivable*
Rents receivable are recognised on a straight-line basis over the lease term
- *Machine income*
The company's share of net machine income is recognised in the period to which it relates

Investments

Investments in subsidiary undertakings are stated at cost less provision for any diminution in value

Finance costs

In accordance with FRS 4, costs of obtaining finance are initially recognised on the balance sheet and are spread evenly over the life of the loan to which they relate. Such items are deducted from the carrying value of the loan

Stock

Stock represents pubs held for development and resale and is measured at the lower of cost and net realisable value

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 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 profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (Continued)

2 Turnover

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

3 Directors

No directors received any remuneration in the current or previous year

Excluding the directors there were no employees during the year

4 Other income

Other income includes £17,374 (2009 - £28,636) which represents supplier commissions

5 Operating loss

	52 weeks ended 26 December 2010 £'000	52 weeks ended 27 December 2009 £'000
This has been arrived at after charging / (crediting)		
Depreciation	116	134
Impairment of property, plant and equipment	5,751	29,556
Exceptional item relating to debt waiver from parent	(8,738)	-
Audit fees	19	19
	<hr/>	<hr/>

6 Interest payable and similar charges

	52 weeks Ended 26 December 2010 £'000	52 weeks ended 27 December 2009 £'000
Bank loan interest	2,461	2,458
Amortisation of finance cost	129	130
	<hr/>	<hr/>
	2,590	2,588
	<hr/>	<hr/>

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (Continued)

7 Taxation on loss on ordinary activities

	52 weeks ended 26 December 2010 £'000	52 weeks ended 27 December 2009 £'000
<i>Current tax</i>		
UK corporation tax on loss for the period	-	-
<hr/>		
The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below		
	52 weeks ended 26 December 2010 £'000	52 weeks ended 27 December 2009 £'000
Profit / (loss) on ordinary activities before tax	1,350	(31,092)
<hr/>		
Profit / (loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 – 28%)	378	(8,706)
Effects of		
Expenses not deductible for tax purposes	1,643	8,313
Tax losses carried forward	426	393
Income not taxable	(2,447)	
<hr/>		
Current tax charge for period	-	-
<hr/>		

Factors that may affect future tax charges

A potential deferred tax asset of £2.1m in respect of trading loss, has not been recognised on the grounds that there is insufficient evidence at the current time that the asset will be recoverable in the foreseeable future.

The company has estimated losses of £7.5m available for the use against future profits.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (*Continued*)

8 Fixed assets

Property, plant and equipment

	Land and buildings £'000	Pub fixtures and fittings £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
<i>Cost</i>					
At 28 December 2009	65,310	430	-	-	65,740
Additions	75	48	31	6	160
Transferred to stock	(432)	-	-	-	(432)
Disposals	-	(40)	-	-	(40)
At 26 December 2010	64,953	438	31	6	65,428
<i>Accumulated depreciation</i>					
At 28 December 2009	36,510	39	-	-	36,549
Charge for year	72	42	3	1	118
Provision for impairment	5,751	-	-	-	5,751
Disposals	-	(6)	-	-	(6)
At 26 December 2010	42,333	75	3	1	42,412
<i>Net book value</i>					
At 26 December 2010	22,620	363	28	5	23,016
At 27 December 2009	28,800	391	-	-	29,191

In completing the impairment review a value in use calculation has been performed for each asset by projecting budgeted performance and resulting cash flows. For the purpose of this calculation, no subsequent growth in cash flows has been assumed and a risk adjusted discount rate of 17% has been used in calculating present value.

9 Subsidiary undertakings

The principle subsidiary undertaking at the balance sheet date comprises a 100% holding in the ordinary issued share capital of Inn Portfolio, an unlimited company incorporated in England and Wales whose principal activities comprise the operation of pubs either under lease and tenancy agreements. Inn Portfolio was dormant during the period.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (Continued)

10 Stock

	26 December 2010 £'000	27 December 2009 £'000
Land and buildings		
At 28 December 2009	1,015	1,439
Transfers from land and buildings	432	350
Planning and development costs	-	34
Disposals	(613)	(808)
	<hr/>	<hr/>
At 26 December 2010	834	1,015
Other	-	8
	<hr/>	<hr/>
At 26 December 2010	834	1,023
	<hr/>	<hr/>

11 Debtors

	26 December 2010 £'000	27 December 2009 £'000
Trade debtors	1,135	385
Other debtors	216	62
Prepayments and accrued income	21	132
	<hr/>	<hr/>
	1,372	579
	<hr/>	<hr/>

12 Creditors amounts falling due within one year

	26 December 2010 £'000	27 December 2009 £'000
Amounts due to group companies	38	7,560
Trade creditors	865	481
Other creditors	519	421
Accruals and deferred income	880	2,742
Bank loan	51,887	49,906
	<hr/>	<hr/>
	54,189	61,110
	<hr/>	<hr/>

The bank loan is secured by a fixed charge over the company's freehold property and bears interest at floating rates of three month LIBOR plus 1.65%

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (Continued)

13 Share capital

	26 December 2010	26 December 2010 Allotted, called up and fully paid £'000	27 December 2009	27 December 2009 Allotted called up and fully paid £'000
Ordinary shares of £1 each	120,000	13,890	120,000	13,890
	26 December 2010	26 December 2010 Allotted, called up and fully paid Number	27 December 2009	27 December 2009 Allotted called up and fully paid Number
Ordinary shares of £1 each	120,000	13,890	120,000	13,890

14 Reserves

	Profit and loss account £'000
At 28 December 2009	(44,146)
Profit for the period	1,350
At 26 December 2010	(42,796)

15 Reconciliation of movement in shareholders' deficit

	52 weeks ended 26 December 2010 £'000	52 weeks ended 27 December 2009 £'000
Opening shareholders' (deficit) / funds	(30,256)	836
Profit / (loss) for the period	1,350	(31,092)
Closing shareholders' deficit	(28,906)	(30,256)

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 26 December 2010 (*Continued*)

16 Related Party Transactions

At 26 December 2010, the following amounts are due from/(to) related parties

	26 December 2010 £'000	27 December 2009 £'000
Farlane Limited	101	-
Goldtry Limited	51	-
InnDeed Nominee 1 Limited	245	-
Pebble Solutions Limited	(82)	-
Pubfolio Limited	339	-
GRS Pubs Limited	(38)	-

The related party transactions arise as a result of common directors and relates to trading activity during the year. The parent company waived its debt of £8,737,662 during the period.

17 Ultimate controlling party

At 26 December 2010, the company's parent company was London Town Plc which is in administration.