

GRS Pub Investments Limited

Report and Financial Statements

52 Weeks Ended

27 December 2009

Company Number 05895613

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GRS Pub Investments Limited

Report and financial statements for the 52 weeks ending 27 December 2009

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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 27 December 2009

The directors present their report together with the audited financial statements for the 52 weeks ended 27 December 2009

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the period. No dividends were paid during the period (2008 – £Nil)

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 and note 12 to the financial statements, the covenants on the Company's bank loans were breached during 2009 and this has continued into 2010. The Company's bank loans have been classified as current despite their scheduled repayment date being 2011 because the breach of the loan covenants enables the bank to seek immediate repayment of the bank loan.

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)
A S Wilson	(resigned 8 June 2009)
H Thornton	(resigned 30 October 2009)
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 27 December 2009 (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 12/10/10

GRS Pub Investments Limited

Independent auditor's report

TO THE SHAREHOLDERS OF GRS PUB INVESTMENTS LIMITED

We have audited the financial statements of GRS Pub Investments Limited for the 52 week period ended 27 December 2009 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 27 December 2009 and of its loss for the 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 qualified, 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 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

Date 12 October 2010

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 27 December 2009

		52 weeks ended 27 December 2009 £'000	Period 1 January 2008 to 28 December 2008 £'000
	Note		
Turnover	2	6,040	6,490
Cost of sales		(2,416)	(2,341)
Gross profit		3,624	4,149
Administrative expenses		(32,157)	(8,746)
Other income	4	28	21
Operating loss	5	(28,505)	(4,576)
Interest receivable		1	6
Interest payable and similar charges	6	(2,588)	(4,062)
Loss on ordinary activities before and after taxation	7,14	(31,092)	(8,632)

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 27 December 2009

Company number 05895613	Note	27 December 2009 £'000	27 December 2009 £'000	28 December 2008 £'000	28 December 2008 £'000
Fixed assets					
Intangible assets	8		-		43
Property, plant and equipment	8		29,191		58,714
			<u>29,191</u>		<u>58,757</u>
Current assets					
Stock	10	1,023		1,439	
Debtors	11	579		511	
Cash at bank and in hand		61		1,009	
		<u>1,663</u>		<u>2,959</u>	
Creditors: amounts falling due within one year	12	<u>61,110</u>		<u>60,880</u>	
Net current liabilities			<u>(59,447)</u>		<u>(57,921)</u>
Net (liabilities)/assets			<u>(30,256)</u>		<u>836</u>
Capital and reserves					
Called up share capital	13		13,890		13,890
Profit and loss account	14		(44,146)		(13,054)
Shareholders' (deficit)/funds	15		<u>(30,256)</u>		<u>836</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 12/10/10

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 27 December 2009

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 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	-	5 - 10 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.

Buildings are maintained to an operational standard either through a regular schedule of repairs or refurbishment carried out by the company or by the tenant in respect of fully repairing leases. The Directors believe that this process enables the residual values to be maintained over time as fit for purpose since all aspects of wear and tear are covered by this process. It is not considered obsolescence is relevant given the purpose for which these buildings are maintained.

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 27 December 2009 (*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 27 December 2009 (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 £28,636 (2008 - £21,102) which represents supplier commissions

5 Operating loss

	52 weeks ended 27 December 2009 £'000	Period 1 January 2008 to 28 December 2008 £'000
This has been arrived at after charging		
Depreciation	134	169
Impairment of property, plant and equipment	29,556	6,520
Profit/(loss) on sale of property, plant and equipment	1	(34)
Provision for write down of stock	-	890
Audit fees	19	-
	<hr/>	<hr/>

6 Interest payable and similar charges

	52 weeks ended 27 December 2009 £'000	Period 1 January 2008 to 28 December 2008 £'000
Bank loan interest	2,458	3,933
Amortisation of finance cost	129	129
	<hr/>	<hr/>
	2,587	4,062
	<hr/>	<hr/>

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 27 December 2009 (Continued)

7 Taxation on loss on ordinary activities

	52 weeks ended 27 December 2009 £'000	Period 1 January 2008 to 28 December 2008 £'000
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Current tax

UK corporation tax on loss for the period

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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 27 December 2009 £'000	Period 1 January 2008 to 28 December 2008 £'000
Loss on ordinary activities before tax	(31,092)	(8,632)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 28.5%)	(8,706)	(2,460)
Effects of Expenses not deductible for tax purposes	8,313	2,180
Tax losses carried forward	393	280
Current tax charge for period	-	-

Factors that may affect future tax charges

A potential deferred tax asset of £1.7m 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 £6.1m available for the use against future profits

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 27 December 2009 (Continued)

8 Fixed assets

Intangible assets	27 December 2009 £'000	28 December 2008 £'000
Operating leases - tenanted	-	43
Property, plant and equipment		
	Land and buildings £'000	Pub fixtures and fittings £'000
		Total £'000
<i>Cost</i>		
At 29 December 2008	65,409	164
Additions	251	280
Transferred to stock	(350)	(14)
At 27 December 2009	65,310	430
<i>Accumulated depreciation</i>		
At 29 December 2008	6,851	8
Charge for year	103	31
Provision for impairment	29,556	-
At 27 December 2009	36,510	39
<i>Net book value</i>		
At 27 December 2009	28,800	391
At 29 December 2008	58,558	156

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 13% 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 27 December 2009 (Continued)

10 Stock

	27 December 2009 £'000	28 December 2008 £'000
Land and buildings		
At 29 December 2008	1,439	5,675
Transfers from land and buildings	350	(878)
Planning and development costs	34	15
Provision against stock	-	(890)
Disposals	(808)	(2,483)
At 27 December 2009	1,015	1,439
Other	8	-
At 27 December 2009	1,023	1,439

11 Debtors

	27 December 2009 £'000	28 December 2008 £'000
Trade debtors	385	408
Other debtors	62	77
Prepayments and accrued income	132	26
	579	511

12 Creditors: amounts falling due within one year

	27 December 2009 £'000	28 December 2008 £'000
Amounts due to group companies	7,560	8,362
Trade creditors	481	424
Other creditors	421	465
Accruals and deferred income	2,742	1,045
Bank loan	49,906	50,584
	61,110	60,880

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%. The bank loans are for a 5 year term ending on 26 September 2011.

The financial covenants on the company's bank loans were breached during 2009 and this has continued into 2010. The company's bank loans have been classified as current, despite their scheduled repayment date being 26 September 2011, because the breach of loan covenants enables the bank to seek immediate repayment of the bank loan.

GRS Pub Investments Limited

Notes forming part of the financial statements
for the 52 weeks ending 27 December 2009 (Continued)

13 Share capital

	27 December 2009	27 December 2009 Allotted, called up and fully paid	28 December 2008	28 December 2008 Allotted called up and fully paid
	Authorised £'000	£'000	Authorised £'000	£'000
Ordinary shares of £1 each	120,000	13,890	120,000	13,890

	27 December 2009	27 December 2009 Allotted, called up and fully paid	28 December 2008	28 December 2008 Allotted called up and fully paid
	Number	Number	Number	Number
Ordinary shares of £1 each	120,000	13,890	120,000	13,890

14 Reserves

	Profit and loss account £'000
At 29 December 2008	(13,054)
Loss for the period	(31,092)
At 27 December 2009	(44,146)

15 Reconciliation of movement in shareholders' (deficit)/funds

	52 weeks ended 27 December 2009 £'000	Period 1 January 2008 to 28 December 2008 £'000
Opening shareholders' funds	836	9,468
Loss for the period	(31,092)	(8,632)
Closing shareholders' (deficit)/funds	(30,256)	836

GRS Pub Investments Limited

**Notes forming part of the financial statements
for the 52 weeks ending 27 December 2009 (*Continued*)**

16 Ultimate controlling party

At 27 December 2009, the company's parent company was London Town Plc

17 Post balance sheet events

On the 19 February 2010 the London Town plc group went into administration. As a result the company has appointed new directors following the resignation of the directors of the London Town plc group. The new directors are in discussions with its bankers to agree a sustainable level of debt based on the profit projections going forward. It is expected that the company will be refinanced on completion of this activity.