

HERBEL LIMITED
GROUP FINANCIAL STATEMENTS
31 DECEMBER 2012



MANEELY Mc CANN
Chartered Accountants & Statutory Auditor
Aisling House
50 Stranmillis Embankment
Belfast
BT9 5FL

HERBEL LIMITED
GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

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HERBEL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mrs L E Herbert (Retired 1 April 2013) Mr M A Herbert
Company secretary	Mr M A Herbert
Registered office	Lesley Manor First Floor Suite 801 Lisburn Road Belfast Co Antrim BT9 7GX
Auditor	Maneely Mc Cann Chartered Accountants & Statutory Auditor Aisling House 50 Stranmillis Embankment Belfast BT9 5FL

HERBEL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS *(continued)*

Bankers

Danske Bank
Donegall Square West
Belfast
BT1 6JS

First Trust Bank
322 Antrim Road
Glengormley
Newtownabbey
BT36 5EQ

Ulster Bank Limited
11-16 Donegall Square East
Belfast
BT1 5UB

Allied Irish Bank
40-41 Westmoreland Street
Dublin 2

Bank of Ireland
1 Donegall Square South
Belfast
BT1 5LR

Isle of Man Bank
East Region
Douglas
Isle of Man
IM99 1AN

Royal Bank of Scotland plc
29 Harbour Road
Inverness
IV1 1NU

Aviva Commercial Finance
Sentinel House
Surrey Street
Norwich
NR1 3NJ

HERBEL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS *(continued)*

Solicitors

Maclay Murray & Spens LLP
1 George Square
Glasgow
G2 1AL

Mills Selig
21 Arthur Street
Belfast
BT1 4GA

Carson Mc Dowell
Murray House
Murray Street
Belfast
BT1 6DN

O'Hare Solicitors
St George's Buildings
37 - 41 High Street
Belfast
BT1 2AB

McCann Fitzgerald
Riverside One
Sir John Rogerson's Quay
Dublin 2

Eugene F Collins
Temple Chambers
3 Burlington Road
Dublin 4

HERBEL LIMITED

THE DIRECTOR'S REPORT

YEAR ENDED 31 DECEMBER 2012

The director has pleasure in presenting his report and the group financial statements of the group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year continued to be property investment for rental return and property development.

The principal activities of the Herbel Limited Group are retail fast food operations through the medium of the "Kentucky Fried Chicken" (KFC) franchise and property investment and development. The group's revenues are generated by fast food sales, rental income from investment properties and the sale of trading properties.

The group operates throughout Republic of Ireland, Northern Ireland, Isle of Man, Scotland and South West England.

The turnover of the group analysed by activity was as follows:

	2012 £	2011 £
KFC Trading	56,805,677	62,691,375
Rental	5,816,589	5,861,885
	<u>62,622,266</u>	<u>68,553,260</u>

The KFC franchise business continues to trade strongly despite the economic downturn.

The group holds a substantial investment property portfolio throughout the United Kingdom and Republic of Ireland. At the balance sheet date the group held investment properties totalling £134 million (2011: £141 million). A significant number of its properties are occupied by leading retail chains and are situated in prime locations. The portfolio includes shopping centres; industrial estate; office accommodation; and other well located properties. The group continues to achieve good rental yields.

HERBEL LIMITED
THE DIRECTOR'S REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2012

The group also holds several properties and sites with development potential.

The director has taken the view to write down the value of investment properties in light of the current economic climate and property market and this is reflected in the financial statements. Had it not been for the write down of these properties, in addition to the impairment of goodwill and a provision for the write off of loan due from a related party, the group would have achieved an operating profit of £5.8 million (2011: £8.9 million).

The group's result for the year is an operating profit of £2.1m (2011: £331k) and a loss on ordinary activities before tax of £2.9 million (2011: £5.5 million). At the year end net assets of the group were £39 million (2011: £43.5 million).

Overall the director is satisfied with the group's results for the year. The group is well placed to deal with any uncertainties that may arise due to the current economic downturn and in response to this the director is involved in prudent business planning and working closely with the group's key stakeholders.

The group's property business is sensitive to changes in property values, occupancy, rental returns, inflation and interest rates. The KFC business is sensitive to consumer spending habits, inflation and increased costs (e.g. wages, energy costs and direct costs). The director is aware that any plans for future development of the business may be subject to unforeseen future events outside his control. The director however focuses strongly on managing and mitigating these risks as well as exploring new opportunities for the business.

FUTURE DEVELOPMENTS

The director continues to seek opportunities for retail fast food operations and property investment and development that fit with the group's strategic objectives.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £3,108,515. Particulars of dividends paid are detailed in note 12 to the group financial statements.

DIRECTORS

The directors who served the company during the year were as follows:

Mrs L E Herbert
Mr M A Herbert

Mrs L E Herbert retired as a director on 1 April 2013.

HERBEL LIMITED
THE DIRECTOR'S REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2012

DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Director's Report and the group financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare group financial statements for each financial year. Under that law the director has elected to prepare the group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year.

In preparing those group financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 group financial statements;
- prepare the group financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable him to ensure that the group financial statements comply with the Companies Act 2006. He is 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.

In so far as the director is aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

EMPLOYEE INVOLVEMENT

It is the policy of the group to provide employees with information on matters of concern to them through the normal management channels. The involvement of the employees in the group's performance is encouraged by the provision of relevant information aimed at achieving employee awareness of the various factors affecting the group.

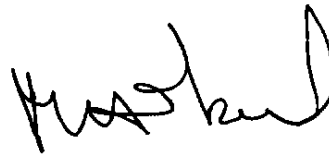
HERBEL LIMITED
THE DIRECTOR'S REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2012

AUDITOR

Maneely Mc Cann are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:
Lesley Manor
First Floor Suite
801 Lisburn Road
Belfast
Co Antrim
BT9 7GX

Signed by order of the director

A handwritten signature in black ink, appearing to read 'M A Herbert', written over a horizontal line.

MR M A HERBERT
Company Secretary

Approved by the director on 18 October 2013.

HERBEL LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HERBEL LIMITED
YEAR ENDED 31 DECEMBER 2012

We have audited the group and parent company group financial statements ("the group financial statements") of Herbel Limited for the year ended 31 December 2012. 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITOR

As explained more fully in the Director's Responsibilities Statement set out on page 6, the director is responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group 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 GROUP FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the group financial statements sufficient to give reasonable assurance that the group 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 group's and the parent 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 group financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited group financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

HERBEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERBEL LIMITED (continued)

YEAR ENDED 31 DECEMBER 2012

BASIS FOR QUALIFIED OPINION ON THE FINANCIAL STATEMENTS

With respect to land and buildings having a carrying amount of £15.5 million, the evidence available to us was limited because, although the director has fully complied with the requirements of FRS 15 'Tangible Fixed Assets', and has valued the land and buildings to the best of his ability, there is no active market from which we could make an assessment of its market value. Owing to the unstable nature of the current property environment we were unable to obtain sufficient appropriate audit evidence regarding the valuation of land and buildings by using other audit procedures.

In addition, with respect to the group's investment property having a carrying value of £134.2 million, the evidence available to us was limited. The director has complied fully with the requirements of accounting standards in respect of these properties and has valued the investment property to the best of his ability, at open market value as required by SSAP 19 'Accounting for Investment Properties'. However, in the current market conditions, we were unable to make an assessment of the accuracy of of this valuation. Owing to the unstable nature of the current property environment we were unable to obtain sufficient appropriate audit evidence regarding the valuation of investment property by using other audit procedures.

Furthermore, with respect to the group's stock of trading property having a carrying amount of £6.2 million, the evidence available to us was limited because, although the director has valued the trading property to the best of his ability, there is no active market from which we could make an assessment of its net realisable value. Owing to the unstable nature of the current property environment we were unable to obtain sufficient appropriate audit evidence regarding the valuation of trading property by using other audit procedures.

QUALIFIED OPINION ON FINANCIAL STATEMENTS

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's loss for the year 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Director's Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

HERBEL LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HERBEL LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2012

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Arising from the limitation of our work referred to above:

- we have not received all the third party information and explanations we require for our audit.

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 director's remuneration specified by law are not made; or



CATHAL MANEELY (Senior Statutory Auditor)

For and on behalf of
MANEELY Mc CANN
Chartered Accountants
& Statutory Auditor

Aisling House
50 Stranmillis Embankment
Belfast
BT9 5FL

18 October 2013

HERBEL LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
GROUP TURNOVER (including share of joint venture)	2	62,901,434	69,293,018
Less: share of joint venture turnover		<u>(279,168)</u>	<u>(739,758)</u>
Group Turnover		62,622,266	68,553,260
Cost of sales		<u>34,578,210</u>	<u>34,899,963</u>
GROSS PROFIT		28,044,056	33,653,297
Administrative expenses		26,178,596	33,530,030
Other operating income	3	<u>(253,481)</u>	<u>(208,062)</u>
OPERATING PROFIT	4	2,118,941	331,329
Attributable to:			
Operating profit before exceptional items		5,804,958	8,936,042
Exceptional items	4	<u>(3,686,017)</u>	<u>(8,604,713)</u>
		2,118,941	331,329
Share of joint venture operating loss		<u>(111,264)</u>	<u>(437,524)</u>
TOTAL OPERATING PROFIT/LOSS: GROUP AND SHARE OF JOINT VENTURES		2,007,677	(106,195)
Loss on disposal of fixed assets	7	<u>(253,712)</u>	<u>—</u>
		1,753,965	(106,195)
Interest receivable		317,612	311,444
Share of interest receivable, joint venture		—	75
Interest payable and similar charges	9	<u>(4,617,205)</u>	<u>(5,466,586)</u>
Share of interest payable, joint venture		<u>(355,613)</u>	<u>(314,842)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,901,241)	(5,576,104)
Tax on loss on ordinary activities	10	207,274	(352,250)
LOSS FOR THE FINANCIAL YEAR	11	<u>(3,108,515)</u>	<u>(5,223,854)</u>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own Profit and Loss Account.

The notes on pages 16 to 42 form part of these group financial statements.

HERBEL LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2012

	2012 £	2011 £
Loss for the financial year excluding share of (loss) of joint venture	(2,641,638)	(4,471,563)
Share of joint venture loss for the year	<u>(466,877)</u>	<u>(752,291)</u>
Loss attributable to shareholders of the parent company	(3,108,515)	(5,223,854)
Unrealised loss on revaluation of certain fixed assets	<u>(2,135,885)</u>	<u>(10,527,075)</u>
Group revaluation surpluses	<u>(5,244,400)</u>	<u>(15,750,929)</u>
Total gains and losses recognised since the last annual report	<u><u>(5,244,400)</u></u>	<u><u>(15,750,929)</u></u>

The notes on pages 16 to 42 form part of these group financial statements.

HERBEL LIMITED
GROUP BALANCE SHEET
31 DECEMBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Intangible assets	13	3,556,013	5,134,865
Tangible assets	14	164,171,987	173,864,627
Investments	15		
Investments in joint ventures:			
Share of gross assets		6,424,770	6,517,923
Share of gross liabilities		(14,549,398)	(14,175,673)
		(8,124,628)	(7,657,750)
Other investments		—	—
		(8,124,628)	(7,657,750)
		<u>159,603,372</u>	<u>171,341,742</u>
CURRENT ASSETS			
Stocks	16	6,698,133	5,424,934
Debtors	17	18,052,050	15,677,422
Cash at bank and in hand		6,913,905	6,983,843
		31,664,088	28,086,199
CREDITORS: Amounts falling due within one year	18	140,883,613	144,414,397
NET CURRENT LIABILITIES		(109,219,525)	(116,328,198)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,383,847</u>	<u>55,013,544</u>
CREDITORS: Amounts falling due after more than one year	19	10,313,252	10,355,164
PROVISIONS FOR LIABILITIES			
Deferred taxation	21	1,076,370	1,101,904
		<u>38,994,225</u>	<u>43,556,476</u>
CAPITAL AND RESERVES			
Called-up equity share capital	26	177,500	177,500
Revaluation reserve	27	3,891,510	4,068,581
Other reserves	28	28,144,163	29,046,453
Profit and loss account	29	6,781,052	10,263,942
SHAREHOLDERS' FUNDS	30	<u>38,994,225</u>	<u>43,556,476</u>

These group financial statements were approved and signed by the director and authorised for issue on 18 October 2013.



MR M A HERBERT
Director

The notes on pages 16 to 42 form part of these group financial statements.

HERBEL LIMITED
COMPANY BALANCE SHEET
31 DECEMBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	14	668,678	3,190,504
Investments	15	177,500	177,500
		<u>846,178</u>	<u>3,368,004</u>
CURRENT ASSETS			
Stocks	16	3,446,350	2,081,550
Debtors	17	600,591	475,836
Cash at bank		2,809,052	1,834,027
		<u>6,855,993</u>	<u>4,391,413</u>
CREDITORS: Amounts falling due within one year	18	<u>6,918,862</u>	<u>6,045,470</u>
NET CURRENT LIABILITIES		<u>(62,869)</u>	<u>(1,654,057)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>783,309</u>	<u>1,713,947</u>
CREDITORS: Amounts falling due after more than one year	19	<u>408,084</u>	<u>415,000</u>
		<u>375,225</u>	<u>1,298,947</u>
CAPITAL AND RESERVES			
Called-up equity share capital	26	177,500	177,500
Profit and loss account	29	197,725	1,121,447
SHAREHOLDERS' FUNDS		<u>375,225</u>	<u>1,298,947</u>

These group financial statements were approved and signed by the director and authorised for issue on 18 October 2013.



MR M A HERBERT
Director

Company Registration Number: NI605214

The notes on pages 16 to 42 form part of these group financial statements.

HERBEL LIMITED
GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	12,539,590	13,137,203
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		317,612	311,444
Interest paid		(4,598,965)	(5,454,176)
Interest element of hire purchase		<u>(18,240)</u>	<u>(12,410)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4,299,593)	(5,155,142)
TAXATION		(9,646)	(147,391)
CAPITAL EXPENDITURE			
Payments to acquire intangible fixed assets		(20,000)	-
Payments to acquire tangible fixed assets		(1,989,618)	(2,986,282)
Receipts from sale of fixed assets		<u>906,417</u>	<u>415,431</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(1,103,201)	(2,570,851)
EQUITY DIVIDENDS PAID		(528,000)	-
CASH INFLOW BEFORE FINANCING		6,599,150	5,263,819
FINANCING			
(Repayment of)/increase in other loans		(452,647)	966,688
Repayment of bank loans		(3,444,111)	(67,548)
Net outflow from amounts due to related parties		(2,863,917)	(1,568,330)
Capital element of hire purchase		(80,741)	269,136
Repayment of director's long-term loans		<u>172,319</u>	<u>192,091</u>
NET CASH OUTFLOW FROM FINANCING		(6,669,097)	(207,963)
(DECREASE)/INCREASE IN CASH	31	<u>(69,947)</u>	<u>5,055,856</u>

The notes on pages 16 to 42 form part of these group financial statements.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

Basis of accounting

The group financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. The accounting policies of group undertakings are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over its estimated useful economic life from the year of acquisition. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

The group's share of joint venture operations is included under the gross equity method of accounting, whereby the group's share of joint venture net assets and liabilities are reflected in the consolidated financial statements.

Turnover

Turnover represents the total amounts derived from sales in the course of the group's retail activities, from rentals receivable on lettings to third party tenants and from the sale of trading property. Turnover from retail activities is recognised on the date of supply; turnover from rentals accrues on a time basis by reference to the agreements entered; turnover from property sales is recognised on the date of completion.

Goodwill

Positive purchased goodwill is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life which is estimated to be 20 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	- 5% per annum straight line
Franchise licences	- over the duration of the licence agreement

Fixed assets

All fixed assets are initially recorded at cost.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short leasehold Property	- over the duration of the lease
Fixtures, fittings & equipment	- over 5, 10, 12 and 15 years
Motor Vehicles	- 20% per annum reducing balance

Land and buildings

Land and buildings other than investment properties are revalued in accordance with FRS 15 - Tangible Fixed Assets. Any surpluses or deficits thereon are credited/debited to a revaluation reserve. Deficits arising are charged to the profit and loss account if not exceeded by previous revaluation surpluses.

The annual depreciation charge which would be necessary to write the book value of the assets to residual value is considered to be immaterial and is therefore not provided for.

An impairment review is carried out at each balance sheet date and any impairment in value is recognised in accordance with FRS 15 - Tangible Fixed Assets.

Professional costs - inception of leases

Professional costs which relate directly to negotiating new leases of the group's properties are treated as prepayments and charged to the profit and loss account on a systematic and rational basis over the lease term.

Investment properties

Investment properties are revalued annually in accordance with Statement of Standard Accounting Practice No 19 - Accounting for Investment Properties. Any surpluses arising thereon are credited to an investment revaluation reserve. Deficits arising are charged to the profit and loss account if not exceeded by previous revaluation surpluses and they are considered to be permanent.

No depreciation is charged on investment properties. This constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their useful economic lives and is necessary to enable the financial statements to give a true and fair view, in accordance with Statement of Standard Accounting Practice No 19 - Accounting for Investment Properties.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES *(continued)*

Stocks

Retail stock

Retail stocks are stated at the lower of cost incurred in bringing the product to its present location and condition, and net realisable value. Cost is based on the purchase price of food and wrapping stocks, including directly attributable costs. Net realisable value is the price at which the stock can be realised in the normal course of business. Provision is made where necessary for obsolete and slow moving items.

Trading property stock

Trading property stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each property or site to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion or disposal.

Work in progress

Trading property & work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of trading property & work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The group contributes to a money purchase scheme, the Herbel Pension Scheme, which is a self administered scheme for the benefit of certain executive employees. The assets of the scheme are held separately from those of the group. The group contributions are accounted for by charging costs against profits as payments accrue.

Retirement benefits to other employees in the group are provided by another money purchase scheme, the Herbel Restaurants Retirement Benefits Scheme, whereby the assets of the scheme are held separately from those of the group in an independently administered fund. Contributions are accounted for by charging costs against profits as payments accrue.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES *(continued)*

Taxation

Corporation tax is calculated on the results for the year.

Tax deferred as a result of timing differences between accounting and taxation profits is provided for in full in respect of deferred tax liabilities with the exception of differences arising from the revaluation of fixed assets, where there is no binding agreement to sell the asset at the balance sheet date and where the gain or loss on such a sale has not been recognised in the financial statements. Such provision or recognition is made at the taxation rates at which the differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

Tax losses are surrendered between group companies for no consideration.

Tax arising on the sale of revalued assets is allocated on a pro rata basis between any gain reported in the profit and loss account and the revaluation gains reported previously in the statement of total recognised gains and losses.

Foreign currencies

Group

The financial statements of foreign subsidiary undertakings are translated at the rate ruling at the balance sheet date. The exchange difference arising on the retranslation of the opening net assets is taken directly to reserves.

Company

Assets and liabilities in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Derivative instruments

Amounts payable or receivable under interest rate derivatives are matched with the interest payable on the debt which the derivatives hedge.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Exclusivity agreement

Where the company has received a lump sum payment from an exclusivity agreement, in relation to the purchase and supply of specific goods, the income is treated as deferred income and released to the profit and loss account over the term of the agreement.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES *(continued)*

Operating lease incentives

The cost of incentives used in negotiating new or existing operating leases are accounted for as follows:

(i) Rent free periods

The cost of the rent free period is charged on a straight line basis to the profit and loss account over the shorter of either the period ending at the first rent review date or the period ending on the date of the tenant-only break option.

(ii) Cash incentives

Cash incentives are charged on a straight line basis to the profit and loss account over the shorter of either the period ending at the first rent review date or the period ending on the date of the tenant-only break option.

Going concern

Within the group certain loan facilities have expired. Although the director expects to be able to renew the facilities on similar terms and the banks have continued to support the group to date, the group has no binding agreement with the banks involved. The director is currently in discussions to extend the terms of the bank facilities and is confident of signing such terms and hence it is appropriate for the financial statements to be prepared on the going concern basis. However, the ability of the group to continue as a going concern depends on the successful conclusion of the financing offers under discussion and the negotiation of appropriate financing as required thereafter.

2. TURNOVER

(a) Class of business

Turnover

	2012 £	2011 £
Retail sales	56,805,677	62,691,375
Gross rental income	5,816,589	5,861,885
Total	<u>62,622,266</u>	<u>68,553,260</u>

(b) Geographical Markets

All of the group's turnover is derived within United Kingdom, Republic of Ireland and Isle of Man.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

3. OTHER OPERATING INCOME

	2012	2011
	£	£
Management charges receivable	200,000	85,666
Other operating income	53,481	122,396
	<u>253,481</u>	<u>208,062</u>

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2012	2011
	£	£
Amortisation of intangible assets	445,755	457,805
Depreciation of owned fixed assets	2,490,955	2,708,929
Depreciation of assets held under hire purchase agreements	15,154	15,154
Loss on disposal of fixed assets	294,127	11,170
Operating lease costs:		
- Plant and equipment	33,702	41,187
- Other	2,894,350	3,346,401
Net loss on foreign currency translation	123,089	851
Auditor's remuneration - audit of the group financial statements	65,204	26,280
Auditor's remuneration - other fees	3,500	25,781
Provision for write off of loan due from related party	566,735	3,532,034
Impairment of investment properties and goodwill	3,119,282	5,072,679
	<u> </u>	<u> </u>

	2012	2011
	£	£
Auditor's remuneration - audit of the group financial statements	65,204	26,280
	<u> </u>	<u> </u>

Auditor's remuneration - other fees:

	2012	2011
	£	£
- Taxation services	3,500	6,100
- Business consultancy	—	19,681
	<u>3,500</u>	<u>25,781</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	2012	2011
	No	No
Number of administrative staff	24	29
Number of sales staff	1,203	1,081
	<u>1,227</u>	<u>1,110</u>

The aggregate payroll costs of the above were:

	2012	2011
	£	£
Wages and salaries	13,600,733	14,684,349
Social security costs	851,197	960,489
	<u>14,451,930</u>	<u>15,644,838</u>

6. DIRECTOR'S REMUNERATION

The director's aggregate remuneration in respect of qualifying services were:

	2012	2011
	£	£
Remuneration receivable	<u>80,757</u>	<u>188,717</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2012	2011
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

No contributions were made during the year.

7. LOSS ON DISPOSAL OF FIXED ASSETS

	2012	2011
	£	£
Loss on disposal of fixed assets	<u>(253,712)</u>	<u>-</u>

During the year the group disposed of an investment property realising the above loss.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

8. EXCEPTIONAL ITEMS

	2012 £	2011 £
Recognised in arriving at operating profit:		
Exceptional direct costs	<u>2,751,291</u>	<u>-</u>

Cost of sales includes the exceptional write down of the group's property development sites held as trading stock by £2,751,291 (2011: £nil). The write down was to reflect the decline in the property market having regard to future intentions and projections of the group.

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
Interest payable on bank borrowing	4,181,026	5,018,823
Finance charges	18,240	12,410
Other similar charges payable	417,939	435,353
	<u>4,617,205</u>	<u>5,466,586</u>

10. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2012 £	2011 £
Current tax:		
UK Taxation		
In respect of the year:		
UK Corporation tax based on the results for the year at 24% (2011 - 26.50%)	195,557	172,979
(Over)/under provision in prior year	16,483	-
	<u>212,040</u>	<u>172,979</u>
Double taxation relief	<u>(195,557)</u>	<u>(128,502)</u>
	16,483	44,477
Foreign tax		
Current tax on income for the year	195,557	128,502
Total current tax	<u>212,040</u>	<u>172,979</u>
Deferred tax:		
Origination and reversal of timing differences	(4,766)	(525,229)
Tax on loss on ordinary activities	<u>207,274</u>	<u>(352,250)</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24% (2011 - -26.50%).

	2012 £	2011 £
Loss on ordinary activities before taxation	<u>(2,901,241)</u>	<u>(5,576,104)</u>
Loss on ordinary activities by rate of tax	(696,297)	(1,477,668)
Expenses not deductible for tax purposes	639,913	1,405,062
Capital allowances for period in excess of depreciation	137,512	50,013
Utilisation of tax losses	(1,600)	-
Effects of non standard rates of corporation tax	-	41,410
Tax chargeable at higher / (lower) rates	3,932	(52,143)
Adjustments to tax charge in respect of previous periods	16,483	-
Consolidation adjustments	108,001	206,305
Unutilised tax losses	4,096	-
Total current tax (note 10(a))	<u>212,040</u>	<u>172,979</u>

11. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the group financial statements of the parent company was £(395,722) (2011 - £1,123,447).

12. DIVIDENDS

Equity dividends

	2012 £	2011 £
Paid during the year		
Equity dividends on ordinary shares	<u>528,000</u>	<u>-</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

13. INTANGIBLE FIXED ASSETS

Group	Goodwill £	Franchise licences £	Total £
COST			
At 1 January 2012	6,113,685	1,410,657	7,524,342
Additions	20,000	–	20,000
Disposals	–	(245,070)	(245,070)
Exchange difference	–	(11,997)	(11,997)
At 31 December 2012	6,133,685	1,153,590	7,287,275
AMORTISATION			
At 1 January 2012	1,620,945	768,532	2,389,477
Charge for the year	306,795	138,960	445,755
On disposals	–	(239,159)	(239,159)
Impairment	1,142,231	–	1,142,231
Exchange difference	–	(7,042)	(7,042)
At 31 December 2012	3,069,971	661,291	3,731,262
NET BOOK VALUE			
At 31 December 2012	3,063,714	492,299	3,556,013
At 31 December 2011	4,492,740	642,125	5,134,865

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

14. TANGIBLE FIXED ASSETS

Group	Land & Buildings £	Short Leasehold Property £	Investment property £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
COST OR VALUATION						
At 1 Jan 2012	15,655,623	1,018,061	141,598,780	29,624,658	269,414	188,166,536
Additions	-	-	620,812	1,350,389	18,417	1,989,618
Disposals	-	(30,921)	(641,452)	(3,734,634)	(112,469)	(4,519,476)
Revaluation	-	-	(1,242,023)	-	-	(1,242,023)
Impairment	-	-	(893,862)	-	-	(893,862)
Transfer to stock	-	-	(3,455,465)	-	-	(3,455,465)
Exchange difference	(180,000)	(22,566)	(1,807,895)	(237,381)	-	(2,247,842)
At 31 Dec 2012	15,475,623	964,574	134,178,895	27,003,032	175,362	177,797,486
DEPRECIATION						
At 1 Jan 2012	-	450,469	-	13,711,413	140,027	14,301,909
Charge for the year	-	37,674	-	2,446,284	22,151	2,506,109
On disposals	-	(30,921)	-	(2,968,970)	(71,240)	(3,071,131)
Exchange difference	-	(9,053)	-	(102,335)	-	(111,388)
At 31 Dec 2012	-	448,169	-	13,086,392	90,938	13,625,499
NET BOOK VALUE						
At 31 Dec 2012	15,475,623	516,405	134,178,895	13,916,640	84,424	164,171,987
At 31 Dec 2011	15,655,623	567,592	141,598,780	15,913,245	129,387	173,864,627

Hire purchase agreements

Included within the net book value of £164,171,987 is £151,544 (2011 - £166,698) relating to assets held under hire purchase agreements. The depreciation charged to the group financial statements in the year in respect of such assets amounted to £15,154 (2011 - £15,154).

Capital commitments

	2012 £	2011 £
Contracted but not provided for in the group financial statements	-	39,467

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

14. TANGIBLE FIXED ASSETS *(continued)*

Company	Investment property £
COST OR VALUATION	
At 1 January 2012	3,190,504
Disposals	(170,477)
Transfer to stock	(2,351,349)
At 31 December 2012	<u>668,678</u>
DEPRECIATION	
At 1 January 2012 and 31 December 2012	—
NET BOOK VALUE	
At 31 December 2012	<u>668,678</u>
At 31 December 2011	<u>3,190,504</u>

Revaluation of Fixed Assets (Group and Company)

Investment properties are valued by the director on an open market value for existing use basis, having regard to any recent professional valuations and marketing material provided by external agents in respect of the sale of properties. The director is of the opinion that the market valuations of the investment properties are not materially different from that shown in the accounts.

The historical cost of investment properties at 31 December 2012 was £121,897,790 (2011: restated £125,075,512) for the group and £668,678 (2011: £3,190,504) for the company.

The historical cost of land and buildings at 31 December 2012 was £17,005,394 (2011: £17,005,394) for the group and £nil (2011: £nil) for the company.

15. INVESTMENTS

Group	£
NET BOOK VALUE	
At 31 December 2012 and 31 December 2011	—

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

15. INVESTMENTS

Company	Group Companies
	£
COST	
At 1 January 2012 and 31 December 2012	<u>177,500</u>
NET BOOK VALUE	
At 31 December 2012 and 31 December 2011	<u>177,500</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

15. INVESTMENTS *(continued)*

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
The investment in group undertakings comprises:				
Herbel Restaurants Limited	Northern Ireland	Ordinary shares	100%	Fast food retailers & property investment
L Herbert & Son Limited	Northern Ireland	Ordinary shares	100%	Dormant
Treetops Securities Limited	Northern Ireland	Ordinary shares	100%	Property investment
Herbel Properties Limited	Northern Ireland	Ordinary shares	100%	Dormant
Herbel Restaurants (Ireland) Limited	Republic of Ireland	Ordinary shares	100%	Fast food retailers & property investment
Loreburne Centre Limited	Northern Ireland	Ordinary shares	100%	Property investment
Herbel (Northern) Limited	Scotland	Ordinary shares	100%	Fast food retailers
Herbel (Western) Limited	Scotland	Ordinary shares	100%	Fast food retailers & property investment
Green Lanes Centre Limited	Scotland	Ordinary shares	100%	Property investment
Green Lanes (GP) Jersey Limited	Jersey	Ordinary shares	100%	Dormant
Green Lanes Partnership	Jersey	Partnership	100%	Property investment
Lemon (Quay) One Limited	Scotland	Ordinary shares	100%	Property investment
Lemon (Quay) Two Limited	Scotland	Ordinary shares	100%	Dormant
Flagship Centre Limited	Scotland	Ordinary shares	100%	Property investment
Lesley Retail Limited	Scotland	Ordinary shares	100%	Property investment
Lesley Balmoral Limited	Northern Ireland	Ordinary shares	100%	Property investment
Craven Court Centre Limited	Scotland	Ordinary shares	100%	Property investment
Haudagain Retail Limited	Scotland	Ordinary shares	100%	Property investment
Hillocks (Armagh) Limited	Northern Ireland	Ordinary shares	100%	Property investment

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

15. INVESTMENTS *(continued)*

The group's shareholding in Herbel Properties Limited comprises 998 ordinary shares of £1 each, the remaining two shares in Herbel Properties Limited are held in trust for Herbel Restaurants Limited. Following the acquisition of these shares in 1983, the subsidiary's activities were merged with the activities of the parent undertaking, so that the subsidiary's continuing function is as nominee for the parent undertaking in the holding of certain properties and in arrangements concerning certain secured loans.

Investment in Joint Venture Company - Artemis Developments Limited

Herbel Restaurants Limited holds 1 ordinary £1 share representing a 50% joint venture interest in the issued share capital of Artemis Developments Limited. Artemis Developments Limited is a company incorporated in Northern Ireland which is involved in property trading and development.

16. STOCKS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trading property & work in progress	6,225,465	4,881,550	3,446,350	2,081,550
Goods for resale	472,668	543,384	—	—
	<u>6,698,133</u>	<u>5,424,934</u>	<u>3,446,350</u>	<u>2,081,550</u>

17. DEBTORS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	324,523	215,377	—	—
Amounts owed by related parties	16,633,839	13,882,079	596,060	424,653
Other debtors	262,581	215,074	—	45,782
Directors current accounts	22,588	194,907	—	—
Prepayments and accrued income	808,519	1,169,985	4,531	5,401
	<u>18,052,050</u>	<u>15,677,422</u>	<u>600,591</u>	<u>475,836</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts owed by related parties	9,492,148	9,048,368	596,060	403,237
Prepayments and accrued income	124,745	291,015	—	—
	<u>9,616,893</u>	<u>9,339,383</u>	<u>596,060</u>	<u>403,237</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

18. CREDITORS: Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other loans	871,200	1,323,847	871,200	1,161,600
Bank loans	105,798,937	110,505,816	—	—
Trade creditors	4,405,959	6,141,459	—	—
Amounts owed to group undertakings	—	—	5,984,371	4,835,243
Amounts owed to related parties	16,430,781	16,240,533	—	—
Hire purchase agreements	80,740	80,741	—	—
Other creditors including taxation and social security:				
Corporation tax	367,111	168,019	—	—
Other taxation and social security	1,327,478	1,747,422	—	—
Other creditors	431,085	449,699	16,799	2,825
Accruals and deferred income	11,170,322	7,756,861	46,492	45,802
	140,883,613	144,414,397	6,918,862	6,045,470

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans	105,798,937	110,505,816	—	—
Hire purchase agreements	80,740	80,741	—	—
	105,879,677	110,586,557	—	—

19. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts owed to related parties	8,190,832	8,141,814	408,084	415,000
Hire purchase agreements	107,655	188,395	—	—
Other creditors including:				
Other loans	2,010,255	2,010,255	—	—
Accruals and deferred income	4,510	14,700	—	—
	10,313,252	10,355,164	408,084	415,000

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

19. CREDITORS: Amounts falling due after more than one year *(continued)*

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Hire purchase agreements	<u>107,655</u>	<u>188,396</u>	<u>-</u>	<u>-</u>

Secured bank loans and overdrafts are secured by way of fixed charges on the group's property assets, by floating charges on the group's assets and undertakings, and inter-company guarantees between group companies and related party companies.

The group's hire purchase liabilities are secured on the assets acquired.

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other loans	<u>1,670,255</u>	<u>1,670,255</u>	<u>-</u>	<u>-</u>

Other loans falling due for repayment after more than 5 years are repayable in 2018 and are subject to fixed interest rates.

20. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts payable within 1 year	80,740	80,741	-	-
Amounts payable between 1 and 2 years	80,741	80,741	-	-
Amounts payable between 3 and 5 years	26,914	107,654	-	-
	<u>188,395</u>	<u>269,136</u>	<u>-</u>	<u>-</u>

21. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Provision brought forward	1,101,904	1,647,384	-	-
Decrease in provision	(25,534)	(545,480)	-	-
Provision carried forward	<u>1,076,370</u>	<u>1,101,904</u>	<u>-</u>	<u>-</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

21. DEFERRED TAXATION *(continued)*

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2012		2011	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	599,390	-	609,721	-
UK investment property capital allowances	470,011	-	485,846	-
Roll over relief	-	655,648	-	655,648
Other timing differences	6,969	2,869,410	6,337	6,630,227
	<u>1,076,370</u>	<u>3,525,058</u>	<u>1,101,904</u>	<u>7,285,875</u>

Capital allowances are claimed on eligible plant and machinery within investment property. The deferred tax provision for such capital allowances is expected to be released on sale of the relevant investment property.

Deferred tax is calculated at a rate of 24%. In accordance with Financial Reporting Standard No 19, Deferred Tax, no provision has been made for deferred taxation on gains recognised in revaluing properties to their market value.

At the balance sheet date there exists deferred tax assets of £550,000 (2011: £600,000) and £9,977 (2011: £nil) at the corporation tax rate of 24%. The deferred tax assets arise in respect of unutilised capital losses and excess taxation allowance over depreciation on fixed assets respectively, and in accordance with Financial Reporting Standard No 19, Deferred Tax, are not recognised in the financial statements.

22. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2012		2011	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	48,851	238,537	81,466
Within 2 to 5 years	28,000	76,072	28,000	130,963
After more than 5 years	2,590,218	-	2,881,020	-
	<u>2,618,218</u>	<u>124,923</u>	<u>3,147,557</u>	<u>212,429</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

23. CONTINGENCIES

Herbel Restaurants Limited has provided various guarantees in respect of its subsidiary companies' bank borrowings.

Certain bank borrowings of Lebreh Limited, a related party, are secured by certain properties of Herbel Restaurants Limited. Herbel Restaurants Limited has also provided guarantees in relation to certain bank borrowings of Lebreh Limited.

Herbel Restaurants Limited has provided an annual rent guarantee of £475k to the purchaser who acquired one of the group's investment properties in a prior year. This agreement is due to expire at the earliest of September 2016 or the date at which the income has been equal/greater than the guaranteed amount for three successive periods.

24. TRANSACTIONS WITH THE DIRECTOR

The amount due from the director at 31 December 2012 was £22,588 (2011: £194,907).

The total amount advanced during the year was £136,718 and the total amount repaid during the year was £309,037. There is no interest charged on the Director's loan.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

25. RELATED PARTY TRANSACTIONS

Control

Mrs L E Herbert is the sole shareholder of Herbel Limited and as such is considered to be the ultimate controlling party of the group and the company.

Transactions

Lebreh Limited

The director, Mr M A Herbert, is also a director of Lebreh Limited, a company incorporated in Northern Ireland. Mrs L E Herbert is the shareholder of Lebreh Limited and resigned as director on 1 April 2013. Lebreh Limited has two wholly owned subsidiary undertakings, Lesley Estates Limited and Herbel Estates (Ireland) Limited.

(a) Amounts due

At the year end included within debtors due within one year is a balance of £nil (2011: £21,416) owing from Lebreh Limited to Herbel Limited. This balance has arisen as a result of cash transfers between companies and the payment of expenses by and on behalf of Lebreh Limited.

At the year end included within creditors due within more than one year is a balance of £408,084 (2011: £415,000) owing from Herbel Limited to Lebreh Limited. This has arisen as a result of advances from Lebreh Limited to Herbel Limited. Interest is charged on an arm's length basis.

At 31 December 2012 Herbel Restaurants Limited owed Lebreh Limited £14,560,046 (2011: £14,397,968). This balance has arisen as a result of cash transfers between companies and the payment of expenses by and on behalf of Lebreh Limited.

Included within debtors is a balance of £2,123 (2011: £2,123) owing from Lesley Estates Limited to Herbel Restaurants Limited.

Included within creditors due within one year is a balance of £1,362,464 (2011: £1,250,800) payable to Lebreh Limited from Herbel Restaurants (Ireland) Limited. This balance has arisen as a result of cash transfers between companies and the payment of expenses by and on behalf of Herbel Restaurants (Ireland) Limited. Interest is charged on an arm's length basis.

At 31 December 2012 £500,570 (2011: £482,102) was due to Lebreh Limited from Treetops Securities Limited. This balance has arisen as a result of interest payments on the unsecured loan, cash transfers between the companies and the payment of expenses by and on behalf of Lebreh Limited.

Included within creditors, amounts due greater than one year is £5,982,718 (2011: £5,949,044) and £1,774,901 (2011: £1,752,642) due to Lebreh Limited from Lemon Quay (One) Limited and Flagship Centre Limited respectively. Interest totalling £33,674 (2011: £50,104) and £22,259 (2011: £33,120) respectively was charged on an arm's length basis on these loans during the year.

(b) Other loans

Included within other loans falling due after more than one year is an amount of

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

25. RELATED PARTY TRANSACTIONS *(continued)*

£1,760,015 (2011: £1,760,015) advanced to Herbel Restaurants Limited. The loans are repayable between January 2010 and March 2018 and are subject to interest at commercial rates determined when the loans were granted. The interest payable on these loans in the year amounted to £145,123 (2011: £145,098).

Included within creditors falling due after more than one year is an unsecured loan balance of £250,240 (2011: £250,240) which was advanced by Lebreh Limited to Treetops Securities Limited. This loan is due for repayment on 31 March 2018 and is subject to a fixed rate of 7.38% interest per annum. The interest payable on this loan during the year amounted to £18,468 (2011: £18,468).

(c) Shop rentals payable

Lebreh Limited owns certain properties which are occupied by Herbel Restaurants Limited and are used as retail outlets. The rentals paid to Lebreh Limited during the year ended 31 December 2012 were £499,764 (2011: £560,051).

Herbel Estates (Ireland) Limited, a subsidiary company of Lebreh Limited, owns a property that is occupied by Herbel Restaurants (Ireland) Limited and used as a retail outlet. The rental paid in respect of this property during the year ended 31 December 2012 was €38,092 (2011: €38,092). At 31 December 2012 a balance of £106,201 (2011: £100,645) remained payable to Herbel Estates (Ireland) Limited. This balance has arisen due to rental transactions, payment of expenses and payments made by and on behalf of Herbel Restaurants (Ireland) Limited.

The director has obtained advice from chartered surveyors and valuers to ensure that the amounts payable regarding the rentals disclosed above reflect open market values.

(d) Management charge

During the year management charges of £30,000 (2011: £30,000) were payable by Lebreh Limited to Herbel Restaurants Limited.

(e) Security provided

Certain bank borrowings of Lebreh Limited are secured by properties owned by Herbel Restaurants Limited and Treetops Securities Limited.

(f) Inter-company guarantees

Lebreh Limited has provided guarantees in relation to certain borrowings of Herbel Restaurants Limited and Herbel Restaurants (Ireland) Limited.

Sarcon (No. 197) Limited

Mrs L E Herbert is a shareholder of Sarcon (No. 197) Limited, a company incorporated in Northern Ireland, and resigned as director of that company on 1 April 2013. Herbel Restaurants Limited paid for expenses on behalf of Sarcon (No. 197) Limited which were provided for in full at the year end. At 31 December 2012, a balance of £nil (2011: £499,951) was due from Sarcon (No. 197) Limited.

Herbel Pension Scheme

Mr M A Herbert, director of the company, and Mrs L E Herbert are trustees of the Herbel Pension Scheme.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

25. RELATED PARTY TRANSACTIONS *(continued)*

(a) Rentals payable

The Herbel Pension Scheme owns certain properties which are occupied by Herbel Restaurants Limited and are used as retail outlets. The rentals paid to the Herbel Pension Scheme during the year were £233,280 (2011: £284,854).

The Herbel Pension Scheme also owns the building which Herbel Restaurants Limited uses as its head office. The associated rentals paid in the year were £13,200 (2011: £12,600).

The director has obtained advice from chartered surveyors and valuers to ensure that the amounts payable regarding rentals reflect open market values.

(b) Amounts due

There were no amounts due by Herbel Restaurants Limited to the Herbel Pension Scheme at the year end.

At 31 December 2012 Treetops Securities Limited owed £4,073 (2011: £4,073) to the Herbel Pension Scheme.

Lesley Place Partnership

Mr M A Herbert and Mrs L E Herbert are also partners in Lesley Place Partnership.

At 31 December 2012 Lesley Place Partnership owed an amount of £147,938 (2011: £364,408) to Herbel Restaurants Limited.

Lesley Place Partnership owns a property which is occupied by Herbel Restaurants Limited and used as a retail outlet. The rental paid in respect of this property during the year was £59,827 (2011: £60,215).

The director has obtained advice from chartered surveyors and valuers to ensure that the amounts payable regarding rentals reflect open market values.

Donegall Place Investments Limited

The director, Mr M A Herbert, is also a director of Donegall Place Investments Limited, a company incorporated in Northern Ireland. Mrs L E Herbert resigned as a director of that company on 1 April 2013. Donegall Place Investments Limited is a joint venture between Lebreh Limited and a third party. Donegall Place Investments Limited has a 100% subsidiary undertaking, Bow Street Mall Limited, a company incorporated in Northern Ireland.

(a) Amounts due

At 31 December 2012 Herbel Restaurants Limited was owed £10,546 (2011: £12,771) from Donegall Place Investments Limited. At 31 December 2012 Herbel Restaurants Limited owed an amount of £3,628 (2011: £3,728) to Bow Street Mall Limited.

At 31 December 2012 Flagship Centre Limited owed £48,475 (2011: £48,475) to Donegall Place Investments Limited for payments made on its behalf. This amount is included in accruals.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

25. RELATED PARTY TRANSACTIONS *(continued)*

At 31 December 2012 Craven Court Centre Limited owed £nil (2011: £1,216) to Bow Street Mall Limited.

(b) Rentals payable

Bow Street Mall Limited rents a retail outlet to Herbel Restaurants Limited. The rentals payable to Bow Street Mall Limited during the year were £37,901 (2011: £56,218).

The director has obtained advice from chartered surveyors and valuers to ensure that the amounts payable regarding rentals reflect open market values.

(c) Management charge

During the year management charges of £170,000 (2011: £55,666) were payable to Herbel Restaurants Limited by Donegall Place Investments Limited.

Artemis Developments Limited

Artemis Developments Limited is a 50% joint venture of Herbel Restaurants Limited in which the director Mr M A Herbert is also a director. Mrs L E Herbert resigned as a director of that company on 1 April 2013.

Herbel Restaurants Limited paid for expenses on behalf of Artemis Developments Limited which were provided for in full at the year end. At 31 December 2012, a balance of £nil (2011: £nil) was owed from Artemis Developments Limited.

Scotco (Eastern) Limited

Mrs L E Herbert is a director and sole shareholder of Scotco (Eastern) Limited, a company incorporated in Scotland. Mr M A Herbert resigned as director on 27 August 2012. Scotco (Eastern) Limited has a 100% subsidiary undertaking, Scotco Eastern Ireland Limited, a company incorporated in Republic of Ireland. In addition, Scotco (Eastern) Limited owns 100% of JRC Holdings Limited which has a 100% subsidiary, Scotco Restaurants Limited, a company incorporated in England & Wales.

(a) Amounts due

At the year end included within debtors due after more than one year is a balance of £596,060 (2011: £403,237) owing from Scotco (Eastern) Limited to Herbel Limited. This has arisen as a result of transactions between the companies. Interest is charged on an arms' length basis.

At 31 December 2012, included within debtors due within one year is a balance of £1,544,577 (2011: £511,087) owing from Scotco (Eastern) Limited to Herbel Restaurants Limited. Included within debtors due within more than one year is a balance of £8,896,088 (2011: £8,645,131) owing from Scotco (Eastern) Limited to Herbel Restaurants Limited. This balance has arisen as a result of advances made by Herbel Restaurants Limited to Scotco (Eastern) Limited, and interest is charged on an arm's length basis. Interest charged by Herbel Restaurants Limited during the year totalled £250,957 (2011: £240,000). During the year management charges of £nil (2011: £120,000) were payable to Scotco (Eastern) Limited by Herbel Restaurants Limited.

At 31 December 2012, included within debtors due within one year is £52,212 (2011: £10,871) and £2,678,506 (2011: £2,530,539) and £801,127 (2011: £880,544) due from

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

25. RELATED PARTY TRANSACTIONS *(continued)*

Scotco (Eastern) Limited to Herbel (Western) Limited, Herbel (Northern) Limited and Herbel Restaurants (Ireland) Limited respectively.

At 31 December 2012, included within debtors due within one year is a balance of £151,573 (2011: £nil) owing from Scotco Eastern Ireland Limited to Herbel Restaurants Limited. This balance has arisen as a result of cash transfers between the companies and the payment of expenses by and on behalf of Scotco Eastern Ireland Limited.

At the year end, included within debtors due within one year is a balance of £1,452,131 (2011: £nil) owing from Scotco Eastern Ireland Limited to Herbel Restaurants (Ireland) Limited. The balance has arisen due to general intercompany transactions and transfers.

At 31 December 2012, included within debtors due within one year is a balance of £298,733 (2011: £nil) owing from Scotco Restaurants Limited to Herbel (Northern) Limited. This balance has arisen due to general intercompany transactions.

(b) Rentals payable

Scotco (Eastern) Limited owns property that is occupied by Herbel (Northern) Limited. The rental paid to Scotco (Eastern) Limited during the year is £108,000 (2011: £108,000).

Beechdale Properties Limited

The director, Mr M A Herbert, is also a director of Beechdale Properties Limited, a company incorporated in Northern Ireland. Mrs L E Herbert resigned as a director of that company on 1 April 2013. At 31 December 2012 a balance of £2,225 (2011: £nil) was owed from Beechdale Properties Limited to Herbel Restaurants Limited.

Mr M A Herbert

Mr M A Herbert, a director of Herbel Limited, has provided guarantees as security for certain bank borrowings of the group.

26. SHARE CAPITAL

Allotted, called up and fully paid:

	2012		2011	
	No	£	No	£
177,500 Ordinary shares of £1 each	<u>177,500</u>	<u>177,500</u>	<u>177,500</u>	<u>177,500</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

27. REVALUATION RESERVE

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Balance brought forward	4,068,581	4,066,565	-	-
Revaluation of fixed assets	(147,949)	-	-	-
Transfers to/from other reserves	-	31,138	-	-
Foreign currency translation	(29,122)	(29,122)	-	-
Balance carried forward	<u>3,891,510</u>	<u>4,068,581</u>	<u>-</u>	<u>-</u>

28. OTHER RESERVES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Capital redemption reserve:				
Balance brought forward	<u>322,500</u>	<u>322,500</u>	<u>-</u>	<u>-</u>

There was no movement on the capital redemption reserve during the financial year.

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Investment property revaluation reserve:				
Balance brought forward	28,153,969	34,230,884	-	-
Transfer to other reserves	(300,023)	(31,138)	-	-
Foreign currency translation	(591,381)	(591,381)	-	-
Revaluation in year	(10,886)	(5,454,396)	-	-
	<u>27,251,679</u>	<u>28,153,969</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Consolidation reserve:				
Balance brought forward	<u>569,984</u>	<u>569,984</u>	<u>-</u>	<u>-</u>

There was no movement on the reserve during the financial year.

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

29. GROUP PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
Balance brought forward	10,263,942	15,621,709
Loss for the financial year	(3,108,515)	(5,223,854)
Equity dividends	(528,000)	–
Transfer from revaluation reserve	300,023	–
Foreign currency translation	(146,398)	(133,913)
Balance carried forward	<u>6,781,052</u>	<u>10,263,942</u>

30. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Loss for the financial year	(3,108,515)	(5,223,854)
Other net recognised gains and losses	(147,949)	–
Equity dividends	(528,000)	–
Amortisation of issue expenses on non-equity shares		
Foreign currency translation	(766,901)	(754,416)
Revaluation in year	(10,886)	(5,454,396)
Net reduction to shareholders' funds	(4,562,251)	(11,432,666)
Opening shareholders' funds	43,556,476	54,989,142
Closing shareholders' funds	<u>38,994,225</u>	<u>43,556,476</u>

31. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	2,118,941	331,329
Amortisation	445,755	457,805
Depreciation	2,506,109	2,724,083
Loss on disposal of fixed assets	294,127	11,170
Decrease/(increase) in stocks	2,179,186	(322,540)
Decrease in debtors	204,813	529,398
Increase in creditors	1,671,378	4,333,279
Impairment	3,119,282	5,072,679
Net cash inflow from operating activities	<u>12,539,591</u>	<u>13,137,203</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

31. NOTES TO THE CASH FLOW STATEMENT *(continued)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012	2011
	£	£
(Decrease)/increase in cash in the period	(69,947)	5,055,856
Net cash outflow from/(inflow) from other loans	452,647	(966,688)
Net cash outflow from bank loans	3,444,111	67,548
Cash outflow in respect of hire purchase	80,741	(269,136)
Change in net debt resulting from cash flows	3,907,552	3,887,580
Translation differences	1,262,768	1,280,673
Other differences	9	1
Movement in net debt in the period	5,170,329	5,168,254
Net debt at 1 January 2012	(107,125,211)	(112,293,465)
Net debt at 31 December 2012	(101,954,882)	(107,125,211)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2012 £	Cash flows £	Exchange difference £	At 31 Dec 2012 £
Net cash:				
Cash in hand and at bank	6,983,843	(36,291)	(33,647)	6,913,905
Debt:				
Debt due within 1 year	(111,829,663)	3,863,111	1,296,415	(106,670,137)
Debt due after 1 year	(2,010,255)	–	–	(2,010,255)
Hire purchase agreements	(269,136)	80,741	–	(188,395)
	(114,109,054)	3,943,852	1,296,415	(108,868,787)
Net debt	(107,125,211)	3,907,561	1,262,768	(101,954,882)