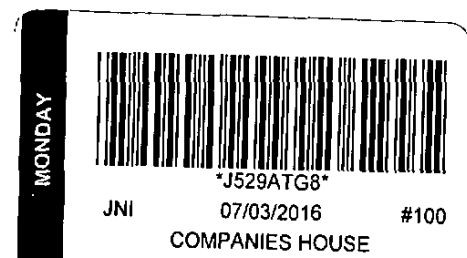


HERBEL LIMITED
GROUP FINANCIAL STATEMENTS
31 MARCH 2015



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

HERBEL LIMITED
GROUP FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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HERBEL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The director	Mr M A Herbert
Company secretary	Mr M A Herbert
Registered office	Aisling House 50 Stranmillis Embankment Belfast BT9 5FL
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

STRATEGIC REPORT

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period 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, Scotland and South West England.

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

	2015 £	2013 £
KFC Trading	48,681,036	43,875,962
Rental	5,872,050	5,530,750
Property trading	2,484,153	–
	<u>57,037,239</u>	<u>49,406,712</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 £125.3 million (2013: £133.5 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.

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

The group's result for the period is an operating profit of £2.06 million (2013: £368k operating loss) and a loss on ordinary activities before tax of £2.57 million (2013: £5.96 million). At the period end net assets of the group were £23 million (2013: £33 million).

Overall the director is satisfied with the group's results for the period. 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.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

HERBEL LIMITED

STRATEGIC REPORT *(continued)*

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

managing and mitigating these risks as well as exploring new opportunities for the business.

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include liquidity risk and interest rate risk.

Given the size of the group, the director has not delegated the responsibility of monitoring financial risk management to a sub committee. The policies are set and reviewed by the director, and are implemented by the group's finance team. The main risks are summarised below:

Foreign exchange risk

While the greater part of the group's revenues and expenses are denominated in sterling, the group is exposed to some foreign exchange risk in the normal course of business. While the group has not used financial instruments to hedge foreign exchange exposure, this position is under constant review.

Liquidity risk

The group actively maintains a mixture of long-term and short-term finance to ensure sufficient liquidity available for operations and any planned expansions.

Interest rate risk

The group finances its operations through a combination of bank overdrafts, bank loans and loans from related parties, and has a policy of maintaining debt at competitive rates to ensure a reasonable degree of certainty over future interest cash flows. The director will revisit the appropriateness of this policy should the group's operations change in size or nature.

Signed by order of the director



Mr M A Herbert
Company Secretary

Approved by the director on 3 March 2016

HERBEL LIMITED

DIRECTOR'S REPORT

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

The director presents his report and the group financial statements of the group for the period from 1 January 2014 to 31 March 2015.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £2,647,474. Particulars of dividends paid are detailed in note 12 to the group financial statements.

DIRECTOR

The director who served the company during the period was as follows:

Mr M A Herbert

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, 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 period. 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 period.

In preparing these 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.

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.

HERBEL LIMITED

DIRECTOR'S REPORT *(continued)*

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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.

AUDITOR

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

The director at the date of the approval of this report confirms that:

- 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 as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Registered office:
Aisling House
50 Stranmillis Embankment
Belfast
BT9 5FL

Signed by order of the director



Mr M A Herbert
Company Secretary

Approved by the director on 3 March 2016

HERBEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HERBEL LIMITED

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

We have audited the group and parent company group financial statements of Herbel Limited for the period from 1 January 2014 to 31 March 2015 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Company Company Balance Sheet, Group Cash Flow Statement 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 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 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 director; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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)*

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

BASIS FOR QUALIFIED OPINION ON FINANCIAL STATEMENTS

With respect to land and buildings having a carrying amount of £4.76 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 £125.3 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 £7.06 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 March 2015 and of the group's 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Director's Report for the financial period 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)*

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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 directors' remuneration specified by law are not made.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not modified in relation to going concern, we have considered the adequacy of the disclosures made in note 1 to the financial statements in relation to the renewal of bank facilities. The financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of the group's bankers, and the ability of the group to deal with the market and commercial uncertainties outside of its control. The financial statements do not include any adjustments which would result if this continued support was not secured. In view of the uncertainty on the validity of the going concern basis, we consider that it should be brought to your attention.



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

3 March 2016

HERBEL LIMITED

GROUP PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

		Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
	Note		
GROUP TURNOVER (including share of joint venture)	2	57,149,773	49,867,252
Less: share of joint venture turnover		<u>(112,534)</u>	<u>(460,540)</u>
Group Turnover		57,037,239	49,406,712
Cost of sales		<u>30,112,783</u>	<u>28,261,745</u>
GROSS PROFIT		26,924,456	21,144,967
Administrative expenses		25,464,016	21,869,729
Other operating income	3	<u>(595,625)</u>	<u>(356,333)</u>
OPERATING PROFIT/(LOSS)	4	2,056,065	(368,429)
Attributable to:			
Operating profit before exceptional items		970,917	1,817,148
Exceptional items	4	<u>1,085,148</u>	<u>(2,185,577)</u>
		2,056,065	(368,429)
Share of joint venture operating loss		<u>(736,933)</u>	<u>(1,368,209)</u>
TOTAL OPERATING PROFIT/LOSS: GROUP AND SHARE OF JOINT VENTURES		1,319,132	(1,736,638)
Loss on disposal of fixed assets	7	<u>(195,826)</u>	<u>(8,017)</u>
		1,123,306	(1,744,655)
Interest receivable		325,362	420,050
Interest payable and similar charges	9	<u>(3,750,773)</u>	<u>(4,336,752)</u>
Share of interest payable, joint venture		<u>(264,028)</u>	<u>(299,490)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,566,133)	(5,960,847)
Tax on loss on ordinary activities	10	81,341	22,900
LOSS FOR THE FINANCIAL PERIOD	11	<u>(2,647,474)</u>	<u>(5,983,747)</u>

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

The notes on pages 17 to 44 form part of these group financial statements.

HERBEL LIMITED

GROUP PROFIT AND LOSS ACCOUNT *(continued)*

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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 17 to 44 form part of these group financial statements.

HERBEL LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Loss for the financial period excluding share of (loss) of joint venture	(1,646,513)	(4,316,048)
Share of joint venture loss for the period	(1,000,961)	(1,667,699)
Loss attributable to shareholders of the parent company	(2,647,474)	(5,983,747)
Unrealised loss on revaluation of certain fixed assets	(2,192,367)	(243,558)
Group revaluation surpluses	(4,839,841)	(6,227,305)
Total gains and losses recognised since the last annual report	<u>(4,839,841)</u>	<u>(6,227,305)</u>

The notes on pages 17 to 44 form part of these group financial statements.

HERBEL LIMITED
GROUP BALANCE SHEET
31 MARCH 2015

	Note	31 Mar 15 £	31 Dec 13 £
FIXED ASSETS			
Intangible assets	13	1,537,664	1,851,846
Tangible assets	14	136,924,273	159,302,189
Investments	15	(10,793,288)	(9,792,328)
		<u>127,668,649</u>	<u>151,361,707</u>
CURRENT ASSETS			
Stocks	16	7,268,197	4,028,347
Debtors	17	40,508,165	28,640,024
Cash at bank and in hand		1,653,343	5,486,480
		<u>49,429,705</u>	<u>38,154,851</u>
CREDITORS: Amounts falling due within one year	18	<u>142,818,524</u>	<u>145,003,775</u>
NET CURRENT LIABILITIES		<u>(93,388,819)</u>	<u>(106,848,924)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,279,830</u>	<u>44,512,783</u>
CREDITORS: Amounts falling due after more than one year	19	10,154,744	10,356,357
PROVISIONS FOR LIABILITIES			
Deferred taxation	21	774,709	1,012,475
		<u>23,350,377</u>	<u>33,143,951</u>
CAPITAL AND RESERVES			
Called up equity share capital	26	177,500	177,500
Revaluation reserve	27	2,570,051	3,906,071
Other reserves	28	25,480,447	28,439,854
Profit and loss account	29	(4,877,621)	620,526
SHAREHOLDERS' FUNDS	30	<u>23,350,377</u>	<u>33,143,951</u>

These accounts were approved and signed by the director and authorised for issue on 3 March 2016.

MR M A HERBERT
Director



The notes on pages 18 to 45 form part of these group financial statements.

HERBEL LIMITED
COMPANY BALANCE SHEET
31 MARCH 2015

	Note	31 Mar 15 £	£	31 Dec 13 £
FIXED ASSETS				
Tangible assets	14		–	425,120
Investments	15		<u>177,604</u>	<u>177,500</u>
			<u>177,604</u>	<u>602,620</u>
CURRENT ASSETS				
Stocks	16		–	1,560,000
Debtors	17	20,961,354		11,947,217
Cash at bank		<u>26,428</u>		<u>3,310,808</u>
		<u>20,987,782</u>		<u>16,818,025</u>
CREDITORS: Amounts falling due within one year	18	<u>19,657,913</u>		<u>16,253,199</u>
NET CURRENT ASSETS			<u>1,329,869</u>	<u>564,826</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,507,473</u>	<u>1,167,446</u>
CREDITORS: Amounts falling due after more than one year	19		<u>420,534</u>	<u>420,534</u>
			<u>1,086,939</u>	<u>746,912</u>
CAPITAL AND RESERVES				
Called up equity share capital	26		<u>177,500</u>	<u>177,500</u>
Profit and loss account	29		<u>909,439</u>	<u>569,412</u>
SHAREHOLDERS' FUNDS			<u>1,086,939</u>	<u>746,912</u>

These accounts were approved and signed by the director and authorised for issue on 3 March 2016.

MR M A HERBERT
Director



Company Registration Number: NI605214

The notes on pages 18 to 45 form part of these group financial statements.

HERBEL LIMITED

GROUP CASH FLOW STATEMENT

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

	Note	Period from 1 Jan 14 to 31 Mar 15 £	£	Year to 31 Dec 13 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	31		2,148,286	10,013,945
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		325,362		420,050
Interest paid		(3,673,448)		(4,311,158)
Interest element of hire purchase		(77,325)		(25,594)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(3,425,411)	(3,916,702)
TAXATION			(293,907)	(336,519)
CAPITAL EXPENDITURE				
Payments to acquire intangible fixed assets		(27,399)		(23,099)
Payments to acquire tangible fixed assets		(1,412,802)		(546,495)
Receipts from sale of fixed assets		6,233,173		3,773,433
NET CASH INFLOW FROM CAPITAL EXPENDITURE			4,792,972	3,203,839
EQUITY DIVIDENDS PAID			(303,000)	(264,000)
CASH INFLOW BEFORE FINANCING			2,918,940	8,700,563
FINANCING				
Repayment of other loans		(363,000)		(290,400)
Repayment of bank loans		—		(976,884)
Repayment of long-term amounts owed to group undertakings		6,006,022		—
Repayment of long-term amounts due to related parties		12,503,378		(8,977,290)
Capital element of hire purchase		108,279		98,505
Repayment of director's long-term loans		—		44,615
NET CASH OUTFLOW FROM FINANCING			(6,752,077)	(10,101,454)
DECREASE IN CASH	31		(3,833,137)	(1,427,425)

The notes on pages 17 to 44 form part of these group financial statements.

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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
PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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.

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

1. ACCOUNTING POLICIES *(continued)*

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.

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 advanced 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.

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

2. TURNOVER

(a) Class of business

Turnover

	2015 £	2013 £
Retail sales	48,681,036	43,875,962
Gross rental income	5,872,050	5,530,750
Total	<u>54,553,086</u>	<u>49,406,712</u>

(b) Geographical Markets

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

3. OTHER OPERATING INCOME

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Management charges receivable	595,625	288,000
Other operating income	—	68,333
	<u>595,625</u>	<u>356,333</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Amortisation of intangible assets	258,784	262,872
Depreciation of owned fixed assets	1,756,713	2,335,736
Depreciation of assets held under hire purchase agreements	24,876	19,900
Loss on disposal of fixed assets	4,464,289	1,570,930
Operating lease costs:		
- Plant and equipment	539	209
- Other	1,963,643	2,277,327
Net profit on foreign currency translation	(21,838)	(125,094)
Auditor's remuneration - audit of the group financial statements	44,888	63,019
Auditor's remuneration - other fees	3,500	3,500
Exceptional item – Revenue & Customs enquiry settlement	–	1,942,019
Exceptional item – Write off of loan due to group companies	(1,922,419)	–
Exceptional item – Impairment of goodwill	42,271	–
Impairment of investment properties	795,000	243,558
	31 Mar 15	31 Dec 13
	£	£
Auditor's remuneration - audit of the group financial statements	<u>44,888</u>	<u>63,019</u>
Auditor's remuneration - other fees:		
- Taxation services	<u>3,500</u>	<u>3,500</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

5. PARTICULARS OF EMPLOYEES

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

	Period from 1 Jan 14 to 31 Mar 15	Year to 31 Dec 13
	No	No
Administrative staff	26	26
Sales staff	912	958
	<u>938</u>	<u>984</u>

The aggregate payroll costs of the above were:

	Period from 1 Jan 14 to 31 Mar 15	Year to 31 Dec 13
	£	£
Wages and salaries	11,386,683	10,624,854
Social security costs	798,126	767,599
Other pension costs	22,502	—
	<u>12,207,311</u>	<u>11,392,453</u>

6. DIRECTOR'S REMUNERATION

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

	Period from 1 Jan 14 to 31 Mar 15	Year to 31 Dec 13
	£	£
Remuneration receivable	<u>60,046</u>	<u>51,143</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

6. DIRECTOR'S REMUNERATION *(continued)*

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

	Period from 1 Jan 14 to 31 Mar 15 No	Year to 31 Dec 13 No
Money purchase schemes	<u>1</u>	<u>1</u>

No contributions were made during the year.

7. LOSS ON DISPOSAL OF FIXED ASSETS

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Loss on disposal of fixed assets	<u>(195,826)</u>	<u>(8,017)</u>

During the year the group disposed of investment properties resulting in the above loss.

8. EXCEPTIONAL ITEMS

	2015 £	2013 £
Recognised in arriving at operating profit:		
Exceptional direct costs	<u>515,500</u>	<u>3,046,439</u>

Cost of sales includes the exceptional write down of the group's property development sites held as trading stock by £515,500 (2013: £3,046,439). The write down was to reflect the decline in the property market having regard to future intentions and projections of the group.

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Interest payable on bank borrowing	3,308,919	3,926,162
Finance charges	77,325	25,594
Other similar charges payable	364,529	384,996
	<u>3,750,773</u>	<u>4,336,752</u>

10. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Current tax:		
UK Taxation		
In respect of the period:		
UK Corporation tax based on the results for the period at 21% (2013 - 23%)	243,539	95,279
(Over)/under provision in prior year	-	1,140
	<u>243,539</u>	<u>96,419</u>
Double taxation relief	(146,291)	(95,279)
	<u>97,248</u>	<u>1,140</u>
Foreign tax		
Current tax on income for the period	146,291	95,279
Total current tax	<u>243,539</u>	<u>96,419</u>
Deferred tax:		
Origination and reversal of timing differences	(162,198)	(73,519)
Tax on loss on ordinary activities	<u>81,341</u>	<u>22,900</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 21% (2013 - 23%).

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Loss on ordinary activities before taxation	<u>(2,566,133)</u>	<u>(5,960,847)</u>
Loss on ordinary activities by rate of tax	(534,009)	(1,370,995)
Expenses not deductible for tax purposes	(649,864)	537,380
Capital allowances for period in excess of depreciation	609,803	541,567
Utilisation of tax losses	(132,581)	-
Tax chargeable at higher rates	710,207	940
Adjustments to tax charge in respect of previous periods	-	1,140
Consolidation adjustments	210,202	385,837
Unutilised tax losses	<u>29,781</u>	<u>550</u>
Total current tax (note 10(a))	<u>243,539</u>	<u>96,419</u>

11. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the group financial statements of the parent company was £643,027 (2013 - £635,687).

12. DIVIDENDS

Equity dividends

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Paid during the year		
Equity dividends on ordinary shares	<u>303,000</u>	<u>264,000</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

13. INTANGIBLE ASSETS

Group	Goodwill £	Franchise licences £	Total £
COST			
At 1 January 2014	3,091,676	942,758	4,034,434
Additions	12,202	15,197	27,399
Disposals	–	(328,928)	(328,928)
Impairment	(42,271)	–	(42,271)
Exchange difference	–	(48,002)	(48,002)
At 31 March 2015	3,061,607	581,025	3,642,632
AMORTISATION			
At 1 January 2014	1,581,449	601,139	2,182,588
Charge for the period	152,683	106,101	258,784
On disposals	–	(298,654)	(298,654)
Exchange difference	–	(37,750)	(37,750)
At 31 March 2015	1,734,132	370,836	2,104,968
NET BOOK VALUE			
At 31 March 2015	1,327,475	210,189	1,537,664
At 31 December 2013	1,510,227	341,619	1,851,846

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

14. TANGIBLE ASSETS

Group	Land & Buildings £	Short Leasehold Property £	Investment property £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
COST OR VALUATION						
At 1 Jan 2014	15,565,622	297,844	133,521,856	23,037,263	175,362	172,597,947
Additions	157,367	–	3,608,120	846,956	115,158	4,727,601
Disposals	(7,770,000)	–	(985,794)	(6,881,423)	(144,750)	(15,781,967)
Revaluation	(2,142,681)	–	100,000	–	–	(2,042,681)
Impairment	–	–	(795,000)	–	–	(795,000)
Transfer to stock	(149,686)	–	(1,000,000)	–	–	(1,149,686)
Exchange difference	(900,000)	(27,412)	(9,115,182)	(983,053)	–	(11,025,647)
At 31 Mar 2015	4,760,622	270,432	125,334,000	16,019,743	145,770	146,530,567
DEPRECIATION						
At 1 Jan 2014	–	288,937	–	12,876,287	130,534	13,295,758
Charge for the period	–	619	–	1,755,238	25,732	1,781,589
On disposals	–	–	–	(4,789,503)	(129,450)	(4,918,953)
Exchange difference	–	(26,339)	–	(525,761)	–	(552,100)
At 31 Mar 2015	–	263,217	–	9,316,261	26,816	9,606,294
NET BOOK VALUE						
At 31 Mar 2015	4,760,622	7,215	125,334,000	6,703,482	118,954	136,924,273
At 31 Dec 2013	15,565,622	8,907	133,521,856	10,160,976	44,828	159,302,189

Hire purchase agreements

Included within the net book value of £136,924,273 is £163,728 (2013 - £188,604) relating to assets held under hire purchase agreements. The depreciation charged to the group financial statements in the period in respect of such assets amounted to £24,876 (2013 - £19,900).

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

14. TANGIBLE ASSETS *(continued)*

Company	Investment property £
COST OR VALUATION	
At 1 January 2014	425,120
Disposals	<u>(425,120)</u>
At 31 March 2015	<u>-</u>
DEPRECIATION	
At 1 January 2014 and 31 March 2015	<u>-</u>
NET BOOK VALUE	
At 31 March 2015	<u>-</u>
At 31 December 2013	<u>425,120</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 March 2015 was £110,612,971 (2013: £118,983,425) for the group and £nil (2013: £668,678) for the company.

The historical cost of land and buildings at 31 March 2015 was £4,536,440 (2013: £13,563,940) for the group and £nil (2013: £nil) for the company.

15. INVESTMENTS

Group	£
NET BOOK VALUE	
At 31 March 2015 and 31 December 2013	<u>-</u>

HERBEL LIMITED
NOTES TO THE GROUP FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

Company	Group Companies
	£
COST	
At 1 January 2014	177,500
Additions	104
At 31 March 2015	<u>177,604</u>
NET BOOK VALUE	
At 31 March 2015	<u>177,604</u>
At 31 December 2013	<u>177,500</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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
HB Building Property Services Limited	Northern Ireland	Ordinary shares	100%	Property investment
Herbel First Limited	Northern Ireland	Ordinary shares	100%	Dormant

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

15. INVESTMENTS *(continued)*

Herbel Property Development Limited	Northern Ireland	Ordinary shares	100%	Dormant
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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	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Trading property & work in progress	7,056,131	3,650,000	–	1,560,000
Goods for resale	212,066	378,347	–	–
	<u>7,268,197</u>	<u>4,028,347</u>	<u>–</u>	<u>1,560,000</u>

17. DEBTORS

	Group		Company	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Trade debtors	472,880	429,304	–	–
Amounts owed by group undertakings	36,947,257	–	20,961,354	–
Amounts owed by related parties	390,008	25,713,171	–	11,931,040
Other debtors	2,098,581	1,885,604	–	15,422
Directors current accounts	434,647	–	–	–
Prepayments and accrued income	164,792	611,945	–	755
	<u>40,508,165</u>	<u>28,640,024</u>	<u>20,961,354</u>	<u>11,947,217</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

17. DEBTORS *(continued)*

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

	Group		Company	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Amounts owed by related parties	–	10,039,814	–	890,613
Other debtors	1,287,500	1,287,500	–	–
Prepayments and accrued income	–	14,060	–	–
	<u>1,287,500</u>	<u>11,341,374</u>	<u>–</u>	<u>890,613</u>

18. CREDITORS: Amounts falling due within one year

	Group		Company	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Other loans	217,800	580,800	–	580,800
Bank loans and overdrafts	98,666,868	105,438,461	217,800	–
Trade creditors	2,814,919	4,406,495	–	–
Amounts owed to group undertakings	16,964,247	–	19,362,362	15,591,388
Amounts owed to related parties	67,101	16,502,904	–	–
Hire purchase agreements	245,667	163,469	–	–
Director's loan account	–	22,027	–	–
Other creditors including taxation and social security:				
Corporation tax	227,377	104,120	43,311	–
Other taxation and social security	1,031,291	991,618	6,947	–
Other creditors	796,881	458,619	995	15,825
Accruals and deferred income	21,786,373	16,335,262	26,498	65,186
	<u>142,818,524</u>	<u>145,003,775</u>	<u>19,657,913</u>	<u>16,253,199</u>

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

	Group		Company	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Bank loans and overdrafts	48,626,972	105,438,461	–	–
Hire purchase agreements	245,667	163,469	–	–
	<u>48,872,639</u>	<u>105,601,930</u>	<u>–</u>	<u>–</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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

	Group		Company	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Amounts owed to group undertakings	6,009,528	–	–	–
Amounts owed to related parties	2,235,689	8,222,671	420,534	420,534
Hire purchase agreements	149,512	123,431	–	–
Other creditors including:				
Other loans	1,760,015	2,010,255	–	–
	<u>10,154,744</u>	<u>10,356,357</u>	<u>420,534</u>	<u>420,534</u>

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

	Group		Company	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Hire purchase agreements	<u>149,512</u>	<u>123,431</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	
	31 Mar 15	31 Dec 13	31 Mar 15	31 Dec 13
	£	£	£	£
Other loans	<u>–</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.

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

20. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	31 Mar 15 £	31 Dec 13 £	31 Mar 15 £	31 Dec 13 £
Amounts payable within 1 year	(245,667)	(163,469)	-	-
Amounts payable between 1 and 2 years	(149,512)	(109,643)	-	-
Amounts payable between 2 and 5 years	-	(13,788)	-	-
	<u>(395,179)</u>	<u>(286,900)</u>	<u>-</u>	<u>-</u>

21. DEFERRED TAXATION

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

	Group		Company	
	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Provision brought forward	1,012,475	1,076,370	-	-
Decrease in provision	(237,766)	(63,895)	-	-
Provision carried forward	<u>774,709</u>	<u>1,012,475</u>	<u>-</u>	<u>-</u>

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

Group	31 Mar 15		31 Dec 13	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	786,116	-	550,689	-
UK investment property capital allowances	-	-	455,124	-
Roll over relief	-	655,648	-	655,648
Other timing differences	(11,407)	3,162,787	6,662	3,052,956
	<u>774,709</u>	<u>3,818,435</u>	<u>1,012,475</u>	<u>3,708,604</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

21. DEFERRED TAXATION *(continued)*

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 21%. 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 £900,000 (2013: £900,000) and £40,000 (2013: £37,053) at the corporation tax rate of 21%. 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 March 2015 the group had annual commitments under non-cancellable operating leases as set out below.

Group	31 Mar 15		31 Dec 13	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	165,066	20,753	190,955	20,635
Within 2 to 5 years	233,500	21,336	192,835	43,042
After more than 5 years	1,580,564	-	1,676,467	-
	<u>1,979,130</u>	<u>42,089</u>	<u>2,060,257</u>	<u>63,677</u>

23. CONTINGENCIES

Herbel Restaurants Limited has provided various guarantees in respect of its subsidiary companies' bank borrowings. Herbel (Northern) Limited, Herbel (Western) Limited and Treetops Securities Limited have provided letters of guarantee as security for certain bank borrowings of Herbel Restaurants Limited.

Herbel Limited has provided security for some of the borrowings of Scotco (Eastern) Limited, a related party.

Certain bank borrowings of Lebreh Limited, a related party, are secured by certain properties of Herbel Restaurants Limited and Treetops Securities Limited. Herbel Restaurants Limited and some of the other subsidiaries have also provided guarantees in relation to certain bank borrowings of Lebreh Limited, Herbel Estates (Ireland) Limited and Lesley Estates Limited.

There is a cross guarantee in relation to certain bank borrowings between Lemon Quay (One) Limited, Flagship Centre Limited, Lesley Retail Limited and Haudagain Retail Limited.

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24. TRANSACTIONS WITH THE DIRECTOR

The amount due from the director at 31 March 2015 was £434,647 (31 December 2013: £22,027 due to director from the company).

25. RELATED PARTY TRANSACTIONS

Control

During the period, Banner Dell Limited, a company incorporated in England, acquired the entire share capital of Herbel Limited from Mrs L E Herbert. Mrs L E Herbert is the shareholder of Banner Dell Limited and as such is considered to be the ultimate controlling party of the group and the company.

Transactions

The company has taken advantage of the exemption from disclosing related party transactions with group companies, under Financial Reporting Standard No 8, Related Party Disclosure.

Herbel Pension Scheme

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

(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 £164,023 (2012: £233,280).

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 £8,922 (2012: £13,200).

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 2013 Treetops Securities Limited owed £4,073 (2012: £4,073) to the Herbel Pension Scheme.

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25. RELATED PARTY TRANSACTIONS *(continued)*

Lesley Place Partnership

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

At 31 December 2013 Lesley Place Partnership was owed £904 (2012: £nil) from Herbel Restaurants Limited, and Lesley Place Partnership owed £nil (2012: £147,938) 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 £72,285 (2012: £59,827).

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. Donegall Place Investments Limited is a joint venture between Lebreh Limited and a third party. Donegall Place Investments Limited has 100% subsidiary undertakings, Bow Street Mall Limited and Sarcon (No.197) Limited, both companies incorporated in Northern Ireland.

(a) Amounts due

At 31 March 2015 Herbel Restaurants Limited was owed £25,661 (December 2013: £11,427) from Donegall Place Investments Limited. At 31 March 2015 Herbel Restaurants Limited owed an amount of £14,553 (December 2013: £3,628) to Bow Street Mall Limited. In addition, Herbel Restaurants Limited paid for expenses on behalf of Sarcon (No.197) Limited which were provided for in full at the period end.

At 31 March 2015 Flagship Centre Limited owed £48,475 (December 2013: £48,475) to

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25. RELATED PARTY TRANSACTIONS *(continued)*

Donegall Place Investments Limited for payments made on its behalf. This amount is included in accruals.

(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 period were £30,480 (December 2013: £37,901).

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 period management charges of £240,000 for the period ended 31 December 2014 and £45,147 for the period ended 31 March 2015 totalling £285,147 (2013: £240,000) 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.

Herbel Restaurants Limited paid for expenses on behalf of Artemis Developments Limited which were provided for in full at the year end. At 31 March 2015, a balance of £nil (December 2013: £nil) was owed from Artemis Developments Limited.

Beechdale Properties Limited

The director, Mr M A Herbert, is also a director of Beechdale Properties Limited, a company incorporated in Northern Ireland. At 31 March 2015 a balance of £2,225 (December 2013: £2,225) was owed from Beechdale Properties Limited to Herbel Restaurants Limited.

LP Promotions Limited

Mrs L E Herbert is a shareholder of LP Promotions Limited, a company incorporated in Northern Ireland. During the period management charges of £27,000 (2013: £18,000) were payable to Herbel Restaurants Limited by LP Promotions 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.

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26. SHARE CAPITAL

Allotted, called up and fully paid:

	31 Mar 15		31 Dec 13	
	No	£	No	£
Ordinary shares of £1 each	<u>177,500</u>	<u>177,500</u>	<u>177,500</u>	<u>177,500</u>

27. REVALUATION RESERVE

	Group		Company	
	1 Jan 14 to 31 Mar 15	Year to 31 Dec 13	1 Jan 14 to 31 Mar 15	Year to 31 Dec 13
	£	£	£	£
Balance brought forward	3,906,071	3,891,510	—	—
Revaluation of fixed assets	(127,466)	—	—	—
Investments written off	(1,062,945)	—	—	—
Foreign currency translation	(145,609)	14,561	—	—
Balance carried forward	<u>2,570,051</u>	<u>3,906,071</u>	<u>—</u>	<u>—</u>

28. OTHER RESERVES

	Group		Company	
	1 Jan 14 to 31 Mar 15	Year to 31 Dec 13	1 Jan 14 to 31 Mar 15	Year to 31 Dec 13
	£	£	£	£
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 period.

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28. OTHER RESERVES *(continued)*

	Group		Company	
	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Investment property revaluation reserve:				
Balance brought forward	27,547,370	27,251,679	—	—
Transfer to other reserves	(2,500)	—	—	—
Foreign currency translation	(2,956,907)	295,691	—	—
	<u>24,587,963</u>	<u>27,547,370</u>	<u>—</u>	<u>—</u>

	Group		Company	
	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
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 period.

29. GROUP PROFIT AND LOSS ACCOUNT

	Period from	
	1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Balance brought forward	620,526	6,781,052
Loss for the financial period	(2,647,474)	(5,983,747)
Equity dividends	(303,000)	(264,000)
Foreign currency translation	(423,285)	87,221
Land & buildings revaluations charge during the period	<u>(2,124,388)</u>	<u>—</u>
Balance carried forward	<u>(4,877,621)</u>	<u>620,526</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

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30. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Mar 15 £	31 Dec 13 £
Loss for the financial period	(2,647,474)	(5,983,747)
Other net recognised gains and losses	(1,190,411)	–
Equity dividends	(303,000)	(264,000)
Land & Buildings Revaluations charge during the period	(2,124,388)	–
Foreign currency translation	(423,285)	87,221
Foreign currency translation	(148,109)	14,561
Foreign currency translation	(2,956,907)	295,691
Net reduction to shareholders' funds	(9,793,574)	(5,850,274)
Opening shareholders' funds	33,143,951	38,994,225
Closing shareholders' funds	<u>23,350,377</u>	<u>33,143,951</u>

31. NOTES TO THE CASH FLOW STATEMENT

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

	Period from 1 Jan 14 to 31 Mar 15 £	Year to 31 Dec 13 £
Operating profit/(loss)	2,056,065	(368,429)
Amortisation	258,784	262,872
Depreciation	1,781,589	2,355,636
Loss on disposal of fixed assets	4,464,289	1,570,930
(Increase)/decrease in stocks	(2,102,200)	2,671,296
Increase in debtors	(6,884,343)	(1,531,231)
Increase in creditors	1,779,102	4,809,313
Impairment	795,000	243,558
Net cash (outflow)/inflow from operating activities	<u>2,148,286</u>	<u>10,013,945</u>

HERBEL LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2015

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

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31 Mar 15	31 Dec 13
	£	£
Decrease in cash in the period	(3,833,137)	(1,427,425)
Net cash outflow from other loans	363,000	290,400
Net cash outflow from bank loans	—	976,884
Net cash (inflow) from long-term amounts owed to group undertakings	(6,006,022)	—
Cash outflow in respect of hire purchase	(108,279)	(98,505)
Change in net debt resulting from cash flows	(9,584,438)	(258,646)
Translation differences	6,143,411	(616,408)
Movement in net debt in the period	3,441,027	(875,054)
Net debt at 1 January 2014	(102,829,926)	(101,954,882)
Net debt at 31 March 2015	(99,388,909)	(102,829,936)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2014	Cash flows	At 31 Mar 2015
	£	£	£
Net cash:			
Cash in hand and at bank	5,486,480	(3,833,137)	1,653,343
Overdrafts	—	(2,390)	(2,390)
	5,486,480	(3,835,527)	1,650,953
Debt:			
Debt due within 1 year	(106,019,261)	7,134,593	(98,884,668)
Debt due after 1 year	(2,010,255)	250,240	(1,760,015)
Hire purchase agreements	(286,900)	(108,279)	(395,179)
	(108,316,416)	7,276,554	(101,039,862)
Net debt	(102,829,936)	3,441,027	(99,388,909)