



ACCOUNTANTS AND STATUTORY AUDITORS

East House · 109 South Worple Way · London · SW14 8TN

Tel: +44 (0)20 8878 8383 · Fax: +44 (0)20 8392 2451 · Email: info@whitehartassociates.com

www.whitehartassociates.com

Mr Gavin McCloskey
Pension Practitioner.com
33/35 Daws Lane
London NW7 4SD

3 July 2012

Our ref: NAS/WHA/B18/CO

By post & email: gavinm@pensionpractitioner.com

Dear Gavin

Re: The Tierney Family Trust Loan – Boutique Leisure Ltd

Further to your recent note with query to me, kindly note the comments below in relation to the rationale behind the security of the original loan to Boutique Leisure Ltd. The business, property and fixtures and fittings purchased by the Limited Company at the beginning of 2009 more than covered the actual loan amount loaned by the Pension Scheme. The business purchased, The Naked Turtle, was already an up and running fully kitted out property as a bar and restaurant. On the initial purchase by the Company of the business, they paid £15,000 for the goodwill, £50,506 for the lease and the leasehold improvements that were done to smarten the leasehold property and £71,917 in plant machine and fixtures and fittings. Also as part of the purchase, they had to pay a rent deposit of £27,750. This brings the assets that were bought as part of the business to a total of £165,173.

The degeneration in the balance sheet was due to the trading losses sustained in the first six months of trading to 31 December 2009 which were in excess of £100,000. This was a problem in that the recession really started to bite the retail industry at that stage, and it took a while to stabilise the losses in the Company which were generated quite quickly from the beginning.

It is all very well and good to try and value a business historically, but this cannot be done on the basis of after the event, but would need to be taken into consideration at the time when the loans were made, which were at the commencement of the business, rather than after the trading losses had been made. The only reason that the cashflow deteriorated not long after purchase, was due to the terrible trading conditions that they faced at the first six month period.

The client Company has been advised by resale agents for bars and restaurants that a valuation can be reached on the gross profits on the activities of the Company due to the high standard of property developments that were done at the time and the location of the business.



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Should you have any queries with regards to the above, please do not hesitate to contact me.

Yours sincerely,



Nikki Spoor FCCA ACA – Partner
White Hart Associates LLP



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