

Report of the Directors and
Financial Statements for the Year Ended 31 December 2011
for
Dunston Hall Hotel Limited



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28/09/2012
COMPANIES HOUSE

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for the Year Ended 31 December 2011

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Dunston Hall Hotel Limited

Company Information
for the Year Ended 31 December 2011

DIRECTORS:

A M Coppel CBE
D G Caldecott

SECRETARY:

S Kaushal

REGISTERED OFFICE:

17 Portland Place
London
W1B 1PU

REGISTERED NUMBER:

02208921 (England and Wales)

AUDITORS:

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Report of the Directors
for the Year Ended 31 December 2011

The directors present their report with the financial statements of the Company for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The Company leases the Dunston Hall Hotel to a fellow subsidiary undertaking

REVIEW OF BUSINESS

A comprehensive review of the strategic affairs of the group into which the Company is consolidated, including key performance indicators and key risks and uncertainties, is contained in the report and financial statements of De Vere Group Limited, the ultimate parent company at the year end

The profit for the year after taxation was £448,000 (2010 loss after taxation of £104,000 as restated, see note 7 to the financial statements) This result includes a charge for the impairment of fixed assets of £557,000 (2010 £585,000)

DIVIDENDS

The directors do not recommend the payment of a dividend (2010 £nil)

DIRECTORS

The directors who served during the period were as follows

A M Coppel CBE	(appointed 16 September 2011)
D G Caldecott	(appointed 16 September 2011)
R G Balfour-Lynn	(resigned 16 September 2011)
J Singh	(resigned 16 September 2011)

SIGNIFICANT EVENTS

In September 2012, the De Vere Group and Bank of Scotland plc extended the term of the Group's senior borrowing facilities to June 2015. The directors are satisfied that the Group will be able to meet the requirements of the revised loan agreement, thereby assuring the Company's ability to continue as a going concern

Further details of the De Vere Group's borrowings are available in the financial statements of De Vere Group Limited, the ultimate parent undertaking at the year end

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Report of the Directors (continued)
for the Year Ended 31 December 2011

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418(2) of the Companies Act 2006 each of the above directors (excluding those who have resigned during the financial year)

- is not aware of any relevant audit information of which the Company's auditors are unaware, and
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish the Company's auditors are aware of that information

AUDITORS

Ernst & Young LLP have expressed their willingness to continue as auditors in accordance with Section 487(2) of the Companies Act 2006

ON BEHALF OF THE BOARD



A M Coppel CBE - Director

Date 28 September 2012

Report of the Independent Auditors to the Members of
Dunston Hall Hotel Limited

We have audited the financial statements of Dunston Hall Hotel Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report of the directors and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Barry Flynn (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date 28/1/2012

Profit and Loss Account
for the Year Ended 31 December 2011

		2011	2010 as restated
	Notes	£'000	£'000
TURNOVER	2	1,470	119
Cost of sales		<u>(76)</u>	<u>(7)</u>
GROSS PROFIT		1,394	112
Exceptional administrative items	5	<u>(557)</u>	<u>(585)</u>
OPERATING PROFIT/(LOSS) and PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	837	(473)
Tax on profit/(loss) on ordinary activities	6	<u>(389)</u>	<u>369</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>448</u>	<u>(104)</u>

CONTINUING OPERATIONS

All of the Company's activities were acquired during the prior year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year

NOTE OF HISTORICAL COST PROFITS AND LOSSES

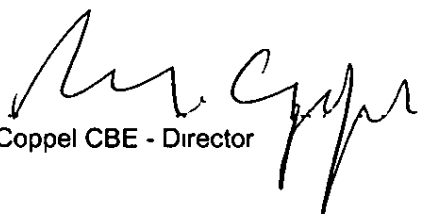
The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material

Dunston Hall Hotel Limited (Registered number 02208921)

Balance Sheet
31 December 2011

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible assets	8	18,375	19,008
Investments	9	<u>-</u>	<u>-</u>
		<u>18,375</u>	<u>19,008</u>
CURRENT ASSETS			
Debtors	10	1,958	488
CREDITORS			
Amounts falling due within one year	11	<u>(16,989)</u>	<u>(16,600)</u>
NET CURRENT LIABILITIES		<u>(15,031)</u>	<u>(16,112)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,344</u>	<u>2,896</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Share premium	13	42	42
Profit and loss account	13	<u>3,302</u>	<u>2,854</u>
SHAREHOLDERS' FUNDS	16	<u>3,344</u>	<u>2,896</u>

The financial statements were approved by the Board of Directors on **28** September 2012 and were signed on its behalf by


A M Coppel CBE - Director

Notes to the Financial Statements
for the Year Ended 31 December 2011

1 ACCOUNTING POLICIES

Basis of preparation and change in accounting policy

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

In preparing the financial statements for the current year, the directors have changed its policy regarding the treatment of loan waivers received from subsidiary undertakings and now treat such items as capital contributions. Previously, loan waivers were treated as though the parties were unconnected and were recognised as gains in the profit and loss account. The impact of this change can be seen in Note 7 to the financial statements

Group financial statements

The Company has taken advantage of the exemption from preparing group financial statements contained in Section 400 of the Companies Act 2006, on the basis that it is a wholly owned subsidiary of De Vere Group Limited, a company registered in England and Wales. The financial statements therefore only present the results and state of affairs of the Company and not the group

Cash flow statement

As a wholly owned subsidiary of De Vere Group Limited as at 31 December 2011, the Company is exempt from the requirement to present a cash flow statement under Financial Reporting Standard ("FRS") 1, as a consolidated cash flow statement is included in that company's financial statements, which are publicly available

Turnover

Rental income

Property rental income is recognised in the profit and loss account on a straight line basis

Tangible fixed assets and depreciation

Freehold land and buildings are carried at valuation. The basis of current valuation is an annual valuation at each balance sheet date on an existing use basis by a suitably qualified external valuer

Depreciation on other tangible fixed assets is provided to write off the cost or valuation less any estimated residual values over their estimated useful lives and is calculated by the straight line method at the following rates

Freehold buildings	2% per annum
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The carrying values of tangible fixed assets are reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable

Assets under construction are not depreciated until they are ready for use. When an asset is fully depreciated and no longer in use both the gross amount and the aggregate depreciation are eliminated from the financial statements

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

1 ACCOUNTING POLICIES - continued

Deferred taxation – continued

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Investments

Investments are accounted for at the lower of cost or recoverable amount. Impairment reviews of the recoverable amount of investments are carried out annually at the balance sheet date and whenever events occur that may be an indicator of impairment.

Going concern

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's financial statements have therefore been prepared on a going concern basis.

The Company's ultimate parent, De Vere Group Limited, has agreed to provide continuing support to enable the Company to meet its liabilities as they fall due.

As described in note 15, the Company was party to and provided guarantees in respect of De Vere Limited and De Vere Midco Limited borrowing facilities. The extent of these guarantees is limited to the assets of the Company.

Related party transactions

As a wholly owned subsidiary of De Vere Group Limited as at 31 December 2011, the Company has taken advantage of the exemption available under FRS 8 not to disclose details of transactions with other group companies.

2 TURNOVER

Turnover, which is stated net of value added tax, is attributable to that of property ownership and rental and arises solely in the United Kingdom.

3 STAFF COSTS

There were no staff costs for the year ended 31 December 2011 nor for the year ended 31 December 2010.

4 DIRECTORS' EMOLUMENTS

The emoluments of A M Coppel CBE and D G Caldecott are paid by De Vere Limited, a fellow subsidiary undertaking that made no recharge to the Company for their services. The total emoluments of A M Coppel CBE and D G Caldecott are included in the aggregate of directors' emoluments disclosed in the financial statements of De Vere Group Limited, the ultimate parent company.

During the years ended 31 December 2011 and 31 December 2010 R G Balfour-Lynn and J Singh were also partners of AHGM LLP (a related undertaking) and were remunerated by that undertaking in their capacity as partners rather than by the Company or any of its fellow subsidiaries. Further details can be found in the financial statements of De Vere Group Limited.

5 OPERATING PROFIT/(LOSS)

The operating profit (2010 - operating loss) is stated after charging

	2011	2010
	£'000	£'000
Depreciation - owned assets	76	7
Fixed assets impairment charge - exceptional administrative item	557	585

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

5 OPERATING PROFIT/(LOSS) - continued

The auditors' fee of £1,300 (2010 £1,200) for the year was settled by a related company, De Vere Central Services Limited (2010 fees were settled by De Vere Village Trading No 1 Limited)

6 TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows

	2011 £'000	2010 £'000
Current tax		
UK corporation tax	<u>389</u>	<u>(369)</u>
Tax on profit/(loss) on ordinary activities	<u>389</u>	<u>(369)</u>

UK corporation tax has been charged at 26.5% (2010 28%)

Factors affecting the tax charge/(credit)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2011 £'000	2010 as restated £'000
Profit/(loss) on ordinary activities before tax	<u>837</u>	<u>(473)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	222	(132)
Effects of		
Total depreciation in excess of capital allowances	167	165
Transfer pricing adjustments not reflected in financial statements	<u>-</u>	<u>(402)</u>
Current tax charge/ (credit)	<u>389</u>	<u>(369)</u>

7 PRIOR YEAR ADJUSTMENT

As a result of the change in accounting policy described in note 1 -

- in the profit and loss account for the year ended 31 December 2010, gains related to intercompany loan waivers received have decreased by £3,000,000

As these gains have now been treated as capital commitments and credited to the profit and loss reserve, the net assets at 31 December 2010 are unaffected by this change in accounting policy

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000
COST OR VALUATION	
At 1 January 2011 (as restated)	19,015
Revaluation	<u>(557)</u>
At 31 December 2011	<u>18,458</u>
DEPRECIATION	
At 1 January 2011 (as restated)	7
Charge for year	<u>76</u>
At 31 December 2011	<u>83</u>
NET BOOK VALUE	
At 31 December 2011	<u>18,375</u>
At 31 December 2010	<u>19,008</u>

Cost or valuation at 31 December 2011 is represented by

	Freehold land and buildings £'000
Valuation deficit in 2011	(1,142)
Cost	<u>19,600</u>
	<u>18,458</u>

The Company's tangible fixed assets were valued at 31 December 2011 on an existing use basis using internal valuations based on valuations performed by independent qualified surveyors, DTZ Chartered Surveyors

In arriving at their valuations the directors used ten year cash flow forecasts based on the Company's latest management information and capitalised the net operating income in Year 11 at a yield based on advice from DTZ. This was then discounted using a market rate based on advice from DTZ.

As a result of the valuation an impairment of £557,000 (2010 £585,000) has been recognised during the year and charged to the profit and loss account.

The valuation of £1,142,000 above shows the net movements in relation to the valuations for 2010 and 2011.

There is no difference between the depreciation that would have been charged under the historical cost convention and the actual amounts charged.

In the 2010 financial statements, fixed asset revaluations were classified in depreciation. These have been reclassified in the opening balances for the current year. The impact of the reclassification is to reduce the opening cost and depreciation of freehold land and building by £585,000. The reclassification has no impact on the opening net book value of the fixed assets.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

9 FIXED ASSET INVESTMENTS

The company's investments at the balance sheet date in the share capital of companies include the following

Dunston Hall Hotel Trading Limited
 Nature of business Hotelier

Class of shares	% holding
Ordinary shares	100 00

The carrying value of the Company's investment in Dunston Hall Hotel Trading Limited is £100 (2010 £100)

10 DEBTORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts owed by group undertakings	<u>1,958</u>	<u>488</u>

Amounts owed by group undertakings are unsecured and receivable on demand

11 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts owed to group undertakings	<u>16,989</u>	<u>16,600</u>

Amounts owed to group undertakings are unsecured and payable on demand

12 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2011	2010
			£	£
100	Ordinary shares	£1	100	100
400	Preference shares	£1	<u>400</u>	<u>400</u>
			<u>500</u>	<u>500</u>

13 RESERVES

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2011	2,854	42	2,896
Profit for the year	<u>448</u>	<u>-</u>	<u>448</u>
At 31 December 2011	<u>3,302</u>	<u>42</u>	<u>3,344</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2011

14 ULTIMATE PARENT COMPANY

The immediate parent company of Dunston Hall Hotel Limited is De Vere Hotels Holdings Limited, a company registered in England and Wales

The ultimate parent company and controlling party of the Company is De Vere Group Limited, a company registered in England and Wales (company registered number 6798902) The financial statements of the Company form part of the consolidated financial statements of De Vere Group Limited which can be obtained from Companies House

15 CONTINGENT LIABILITIES

Pursuant to a loan facility agreement between Bank of Scotland plc, De Vere Limited ("DVL") and De Vere Midco Limited ("DVM"), both DVL and DVM being fellow subsidiaries of the De Vere Group Limited group of companies, there is a charge over all the Company's assets. The total borrowings under the loan facility agreement at 31 December 2011 amounted to £1,110,593,000 (2010 £1,083,869,000)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011	2010 as restated
	£'000	£'000
Profit/(Loss) for the financial year	448	(104)
Capital contributions	-	3,000
Net addition to shareholders' funds	448	2,896
Opening shareholders' funds	2,896	-
Closing shareholders' funds	<u>3,344</u>	<u>2,896</u>