

Report of the Directors and  
Financial Statements for the Year Ended 31 December 2012  
for  
Dunston Hall Hotel Limited

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for the Year Ended 31 December 2012

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Dunston Hall Hotel Limited

Company Information  
for the Year Ended 31 December 2012

**DIRECTORS**

A M Coppel CBE  
D G Caldecott

**SECRETARY**

S Kaushal

**REGISTERED OFFICE**

33 Cavendish Square  
London  
W1B 0PW

**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 2012

The directors present their report with the financial statements of the Company for the year ended 31 December 2012

**PRINCIPAL ACTIVITY**

The Company own the Dunston Hall Hotel that it leases 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 £776,000 (2011 £448,000) This result includes a charge for the impairment of fixed assets of £476,000 (2011 £557,000)

**DIVIDENDS**

The directors do not recommend the payment of a dividend (2011 £nil)

**DIRECTORS**

The directors who served during the period were as follows

|                |                          |
|----------------|--------------------------|
| A M Coppel CBE |                          |
| D G Caldecott  | (resigned 28 June 2013)  |
| C Elliot       | (appointed 30 June 2013) |

**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

**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 handwritten signature in black ink, appearing to read 'A M Coppel', written over the printed name.

A M Coppel CBE - Director

Date 16<sup>th</sup> September 2013

## Independent Auditors Report to the Members of De Vere Dunston Hall Hotel Limited

We have audited the financial statements of De Vere Dunston Hall Hotel Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement 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 2012 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 Directors' Report 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 23 September 2013

Profit and Loss Account  
for the Year Ended 31 December 2012

|                                                                                   | Notes | 2012<br>£'000     | 2011<br>£'000     |
|-----------------------------------------------------------------------------------|-------|-------------------|-------------------|
| <b>TURNOVER</b>                                                                   | 2     | 1,543             | 1,470             |
| Cost of sales                                                                     |       | <u>(74)</u>       | <u>(76)</u>       |
| <b>GROSS PROFIT</b>                                                               |       | 1,469             | 1,394             |
| Exceptional administrative items                                                  |       | <u>(476)</u>      | <u>(557)</u>      |
| <b>OPERATING PROFIT and<br/>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> | 5     | 993               | 837               |
| Tax on profit on ordinary activities                                              | 6     | <u>(217)</u>      | <u>(389)</u>      |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                                              |       | <u><u>776</u></u> | <u><u>448</u></u> |

**CONTINUING OPERATIONS**

None of the Company's activities were acquired or discontinued during the current or previous year

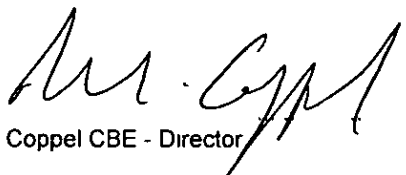
**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

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

Balance Sheet  
31 December 2012

|                                              | Notes | 2012<br>£'000   | 2011<br>£'000   |
|----------------------------------------------|-------|-----------------|-----------------|
| <b>FIXED ASSETS</b>                          |       |                 |                 |
| Tangible assets                              | 7     | 17,825          | 18,375          |
| Investments                                  | 8     | -               | -               |
|                                              |       | <u>17,825</u>   | <u>18,375</u>   |
| <b>CURRENT ASSETS</b>                        |       |                 |                 |
| Debtors                                      | 9     | 3,501           | 1,958           |
| <b>CREDITORS</b>                             |       |                 |                 |
| Amounts falling due within one year          | 10    | (17,206)        | (16,989)        |
| <b>NET CURRENT LIABILITIES</b>               |       | <u>(13,705)</u> | <u>(15,031)</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <u>4,120</u>    | <u>3,344</u>    |
| <b>CAPITAL AND RESERVES</b>                  |       |                 |                 |
| Called up share capital                      | 11    | -               | -               |
| Share premium                                | 12    | 42              | 42              |
| Profit and loss account                      | 12    | <u>4,078</u>    | <u>3,302</u>    |
| <b>SHAREHOLDERS' FUNDS</b>                   | 15    | <u>4,120</u>    | <u>3,344</u>    |

The financial statements were approved by the Board of Directors on *16 September 2013* and were signed on its behalf by



A M Coppel CBE - Director

Notes to the Financial Statements  
for the Year Ended 31 December 2012

**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

**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 2012, 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**

The Company's property lease for the Dunston Hall hotel provides for five yearly rent reviews. Additional inflation based increases may also be applied annually between rent reviews. Turnover is based on the annual rent receivable

**Tangible fixed assets and depreciation**

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

Depreciation on 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 |
|--------------------|--------------|

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

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

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2012

**1 ACCOUNTING POLICIES - continued**

**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 14, 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 2012, 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 2012 nor for the year ended 31 December 2011.

**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.

**5 OPERATING PROFIT**

The operating profit is stated after charging

|                                                                  | 2012<br>£'000 | 2011<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| Depreciation - owned assets                                      | 73            | 76            |
| Fixed assets impairment charge - exceptional administrative item | <u>476</u>    | <u>557</u>    |

The auditors' fee of £1,100 (2011 £1,300) for the year was settled by a related company, De Vere Central Services Limited.

**6 TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

|                                      | 2012<br>£'000 | 2011<br>£'000 |
|--------------------------------------|---------------|---------------|
| Current tax                          |               |               |
| UK corporation tax                   | <u>217</u>    | <u>389</u>    |
| Tax on profit on ordinary activities | <u>217</u>    | <u>389</u>    |

UK corporation tax has been charged at 24.50% (2011 - 26.50%)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2012

**6 TAXATION - continued**

**Factors affecting the tax charge**

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

|                                                                                                                            | 2012<br>£'000 | 2011<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Profit on ordinary activities before tax                                                                                   | <u>993</u>    | <u>837</u>    |
| Profit on ordinary activities<br>multiplied by the standard rate of corporation tax<br>in the UK of 24.50% (2011 - 26.50%) | 243           | 222           |
| Effects of<br>Total depreciation in excess of/below capital allowances                                                     | 135           | 167           |
| Transfer pricing adjustments not reflected in financial statements                                                         | <u>(161)</u>  | <u>-</u>      |
| Current tax charge                                                                                                         | <u>217</u>    | <u>389</u>    |

**7 TANGIBLE FIXED ASSETS**

|                          | Freehold<br>land and<br>buildings<br>£'000 |
|--------------------------|--------------------------------------------|
| <b>COST OR VALUATION</b> |                                            |
| At 1 January 2012        | 18,458                                     |
| Revaluations             | <u>(477)</u>                               |
| At 31 December 2012      | <u>17,981</u>                              |
| <b>DEPRECIATION</b>      |                                            |
| At 1 January 2012        | 83                                         |
| Charge for year          | <u>73</u>                                  |
| At 31 December 2012      | <u>156</u>                                 |
| <b>NET BOOK VALUE</b>    |                                            |
| At 31 December 2012      | <u>17,825</u>                              |
| At 31 December 2011      | <u>18,375</u>                              |

Cost or valuation at 31 December 2012 is represented by

|                              | Freehold<br>land and<br>buildings<br>£'000 |
|------------------------------|--------------------------------------------|
| Cumulative valuation in 2012 | (1,619)                                    |
| Cost                         | <u>19,600</u>                              |
|                              | <u>17,981</u>                              |

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2012

**7 TANGIBLE FIXED ASSETS - continued**

The valuation of £1,619,000 above shows the net movements in relation to the valuations for 2011 and 2012

The Company's freehold land and buildings were valued at 31 December 2012 on an existing use basis using internal valuations based on valuations performed by independent qualified 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 £476,000 (2011 £557,000) has been recognised during the year and charged to the profit and loss account.

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

**8 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 (2011 £100)

**9 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | 2012<br>£'000 | 2011<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | <u>3,501</u>  | <u>1,958</u>  |

Amounts owed by group undertakings are unsecured and receivable on demand.

**10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | 2012<br>£'000 | 2011<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | <u>17,206</u> | <u>16,989</u> |

Amounts owed to group undertakings are unsecured and payable on demand.

**11 CALLED UP SHARE CAPITAL**

| Allotted, issued and fully paid<br>Number | Class             | Nominal<br>value | 2012<br>£  | 2011<br>£  |
|-------------------------------------------|-------------------|------------------|------------|------------|
| 100                                       | Ordinary shares   | £1               | 100        | 100        |
| 400                                       | Preference shares | £1               | <u>400</u> | <u>400</u> |
|                                           |                   |                  | <u>500</u> | <u>500</u> |

**12 RESERVES**

|                     | Profit<br>and loss<br>account<br>£'000 | Share<br>premium<br>£'000 | Totals<br>£'000 |
|---------------------|----------------------------------------|---------------------------|-----------------|
| At 1 January 2012   | 3,302                                  | 42                        | 3,344           |
| Profit for the year | <u>776</u>                             | <u>-</u>                  | <u>776</u>      |
| At 31 December 2012 | <u>4,078</u>                           | <u>42</u>                 | <u>4,120</u>    |

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2012

**13 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

**14 CONTINGENT LIABILITIES**

Under the terms of a loan facility agreement between Bank of Scotland plc and two of the Company's fellow subsidiary undertaking, De Vere Limited and De Vere Midco Limited, a charge exists over all of the Company's assets Total borrowings under the loan facility agreement at 31 December 2012 amounted to £1,079,649,000 (2011 £1,110,593,000)

**15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                            | 2012         | 2011         |
|--------------------------------------------|--------------|--------------|
|                                            | £'000        | £'000        |
| Profit for the financial year              | <u>776</u>   | <u>448</u>   |
| <b>Net addition to shareholders' funds</b> | 776          | 448          |
| Opening shareholders' funds                | <u>3,344</u> | <u>2,896</u> |
| <b>Closing shareholders' funds</b>         | <u>4,120</u> | <u>3,344</u> |