**Hotel Management International (Holdings) Limited**

# Directors' report and financial statements

Registered number 4324021

31 March 2011

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# Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

## Principal activities

The principal activities of the group continued to be the operation of hotels and the provision of consultancy and management services to the hotel and leisure industry

## Business Review

The group has experienced another very successful year in very challenging circumstances Despite there being a £1 5 million decrease in turnover, the profit before taxation increased by £1 million During the year, the group disposed of Carlton Hotels UK Limited to a related party company This company which holds the lease for the Carlton George Hotel is still managed by the group The directors were very pleased with the group results and believe that the group is well positioned, both operationally and financially, to meet the future

The group's main objectives over the last few years have been to maintain room rates, improve the quality of services and standards, maintain the quality of the product and to focus on efficiencies and innovation These have been achieved and remain the key objectives going forward

The group manages a variety of financial risks including interest rate, liquidity and credit risk Fluctuation in interest rates affect the group's reported results It is the group's goal to mitigate the effects of interest rate movements on profit, equity and cash flow Whenever possible the group tries to establish this by creating natural hedges and by matching assets and liabilities When natural hedges are not available the group seeks to use financial instruments For this purpose, hedging ranges have been identified and strict policies and governance are in place covering the program, including authorisation procedures

Approximately 50% of the total interest portfolio was fixed by long term hedging instruments Assuming all other factors remain the same, a 1% change in interest rates would increase the interest costs by £211,000

The group receives income in foreign currency It has hedged approximately 50% of this risk by buying forward for a one to two year period

The results of the group are shown on page 6 of the financial statements

## Dividends

The directors paid an interim dividend for the year ended 31 March 2011 of £nil *(2010 £125,000),* and a final dividend of £nil *(2010 £1,500,000)*

## Financial instruments

To reduce the risk to the company from interest rate fluctuation, interest rate swap arrangements are entered into See note 17

## Directors

The directors who held office at the beginning and end of the financial year were as follows

PN Salussolia
GJ Ramsay, FCA
C Salussolia

# Directors' report *(continued)*

**Disabled persons**

The group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities Consideration is given to appropriate training and career development prospects for those who are or become disabled

**Employee involvement**

Regular meetings are held between senior management and employees to discuss the performance of the group, and to encourage employees' further development Information is also passed to employees via regular newsletters

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

**GJ Ramsay, FCA**
*Secretary*

364 High Street
Harlington
Heathrow
Hayes
UB3 5LF

1 September 2011

## Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)
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 group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgments and 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 financial statements,

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions



KPMG LLP

15 Canada Square
London
E14 5GL
United Kingdom

# Independent auditor's report to the members of Hotel Management International (Holdings) Limited

We have audited the financial statements of Hotel Management International (Holdings) Limited for the period ended 31 March 2011 set out on pages 6 to 26 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

**Opinion on financial statements**
In our opinion the financial statements

• give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the period then ended,

• have been properly prepared in accordance with UK 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 period for which the financial statements are prepared is consistent with the financial statements

## Independent auditors' report to the members of Hotel Management International (Holdings) Limited *(continued)*

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

- the parent company 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

M Coughtrey
**Senior Statutory Auditor**
**for and on behalf of KPMG LLP, Statutory Auditors**
Chartered Accountants
15 Canada Square
London
E14 5GL

6th September 2011

# Consolidated profit and loss account

*for the year ended 31 March 2011*

| | Note | 2011 £000 | 2010 £000 |
|---|---|---|---|
| **Turnover** | 2 | **39,725** | 41,228 |
| Cost of sales | | **(4,807)** | (6,007) |
| **Gross profit** | | **34,918** | 35,221 |
| Administrative expenses | | **(27,658)** | (28,853) |
| **Operating profit** | | **7,260** | 6,368 |
| Interest receivable and similar income | 3 | **1** | - |
| Interest payable and similar charges | 4 | **(1,373)** | (1,445) |
| Profit on asset disposal | | **3** | - |
| **Profit on ordinary activities before taxation** | 2 5 | **5,891** | 4,923 |
| Tax on profit on ordinary activities | 8 | **(852)** | (435) |
| **Profit on ordinary activities after taxation** | 21,22 | **5,039** | 4,488 |

The results stated above are all derived from continuing operations

## Consolidated statement of total recognised gains and losses

*for the year ended 31 March 2011*

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Profit for the financial year | 5,039 | 4,488 |
| Currency translation differences on foreign currency net investments | (801) | (1,548) |
| **Total recognised gains and losses relating to the financial year** | 4,238 | 2,940 |

## Note of consolidated historical cost profits and losses

*for the year ended 31 March 2011*

| | 2011 £000 | 2010 £000 |
|---|---|---|
| **Reported profit on ordinary activities before taxation** | 5,891 | 4,923 |
| Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 40 | 40 |
| **Historical cost profit on ordinary activities before taxation** | 5,931 | 4,963 |
| **Historical cost profit for the year retained after taxation and dividends** | 5,079 | 2,903 |

## Consolidated balance sheet

*at 31 March 2011*

| | Note | £000 | 2011 £000 | £000 | 2010 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | | **82,840** | | 84,488 |
| Intangible assets | 12 | | - | | - |
| | | | **82,840** | | 84,488 |
| **Current assets** | | | | | |
| Stocks | 14 | **342** | | 431 | |
| Debtors | 15 | **6,954** | | 3,081 | |
| Cash at bank and in hand | | **7,197** | | 5,876 | |
| | | **14,493** | | 9,388 | |
| **Creditors:** amounts falling due within one year | 16 | **(8,733)** | | (10,086) | |
| **Net current assets/(liabilities)** | | | **5,760** | | (698) |
| **Total assets less current liabilities** | | | **88,600** | | 83,790 |
| **Creditors** amounts falling due after more than one year | | | **(37,460)** | | (40,214) |
| **Provisions for liabilities and charges** | 18 | | - | | (124) |
| **Net assets** | 2 | | **51,140** | | 43,452 |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | **146** | | 146 |
| Merger reserve | 21 | | **(232)** | | (232) |
| Revaluation reserve | 21 | | **1,014** | | 1,054 |
| Profit and loss account | 21 | | **50,212** | | 42,484 |
| **Shareholders' funds** | 22 | | **51,140** | | 43,452 |

These financial statements were approved by the board of directors on 1 September 2011 and were signed on its behalf by

**PN Salussolia**
*Director*

## Company balance sheet

*At 31 March 2011*

| | Note | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Investments | 13 | | 50,504 | | 42,247 |
| **Creditors** amounts falling due within one year | 16 | - | | (125) | |
| **Net current asset/(liability)** | | | - | | (125) |
| **Net assets** | | | 50,504 | | 42,122 |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | 146 | | 146 |
| Revaluation reserve | 21 | | 48,447 | | 40,190 |
| Profit and loss account | 21 | | 1,911 | | 1,786 |
| **Shareholders' funds** | 22 | | 50,504 | | 42,122 |

These financial statements were approved by the board of directors on 1 September 2011 and were signed on its behalf by

**PN Salussolia**
*Director*

# Consolidated cash flow statement

*for the year ended 31 March 2011*

| | Note | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Net cash inflow from operating activities** | 23 | | **9,077** | | 9,942 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest paid | | **(1,373)** | | (1,445) | |
| Interest received | | **1** | | - | |
| **Net cash outflow from returns on investments and servicing of finance** | | | **(1,372)** | | (1,445) |
| **Taxation** | | | **(1,110)** | | (737) |
| **Capital expenditure and financial investment** | | | | | |
| Purchase of tangible fixed assets | | **(3,250)** | | (3,162) | |
| Disposal of fixed assets | | **300** | | - | |
| **Net cash outflow for capital expenditure and financial investment** | | | **(2,950)** | | (3,162) |
| **Equity dividends paid** | | | **-** | | (1,625) |
| **Net cash inflow before financing** | | | **3,645** | | 2,973 |
| **Financing** | | | | | |
| Repayment of loans | | **(3,689)** | | (3,190) | |
| New bank loans | | **673** | | - | |
| Other loans | | **787** | | - | |
| **Net cash outflow for financing** | | | **(2,229)** | | (3,190) |
| **Increase/(decrease) in cash in the year** | 24,25 | | **1,416** | | (217) |

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings and fixed asset investments

***Basis of consolidation***

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the period ended 31 March 2011 On 4 February 2002 Hotel Management International Limited and its subsidiaries were acquired as part of a group reorganisation as a result of which Hotel Management International (Holdings) Limited became the new parent company of Hotel Management International Limited The merger method of accounting was adopted for this transaction Except for this, the acquisition method of accounting has been adopted The results of subsidiary undertakings are consolidated from the date of acquisition or up to the date of disposal, under the acquisition method

Where necessary, the accounts of subsidiary undertakings are adjusted to conform with the group's accounting policies

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

***Going concern***

The directors have considered the factors that impact the group's future development, performance, cash flows and financial position along with the group's current liquidity in forming their opinion on the going concern basis The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

## Notes *(continued)*

1 **Accounting policies** *(continued)*

***Goodwill and negative goodwill***

Goodwill or negative goodwill representing the difference between the fair value of the consideration paid for the company acquired and the fair values of the separable net assets acquired is capitalised in the balance sheet and written off over the life of the assets

***Valuation of tangible fixed assets***

The group has applied the transitional provisions of Financial Reporting Standard 15, Tangible Fixed Assets The carrying amount of tangible fixed assets reflects previous valuations that have not been updated The date of the last revaluation was 28 March 1994

***Tangible fixed assets, depreciation and impairment***

Tangible fixed assets are stated at cost or valuation less depreciation and provision for impairment Impairment reviews are carried out on operating units comparing the carrying value to the higher of the net realisable value and the value in use based on discounted future cash flows Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

| | | |
|---|---|---|
| Freehold property | - | 0 675% - 1 25% |
| Leasehold property | - | over the period of the lease or 50 years whichever is smaller |
| Leasehold improvements | - | over the period of the lease or 10% of cost whichever is greater |
| Furniture, fixtures and fittings | - | 10%-15% |
| Motor vehicles | - | 25% |
| Computer equipment | - | 33 3% |

No depreciation is provided on freehold land
Assets in the course of construction are not depreciated until brought into use

***Valuation of investments***

Investments in subsidiary undertakings are included as fixed assets in the balance sheet of the holding company at net asset value at the balance sheet date being, in the directors' opinion, the most appropriate basis of valuation

***Stocks***

Stocks comprise goods held for resale and are valued at the lower of cost and net realisable value

## Notes *(continued)*

**1 Accounting policies** *(continued)*

***Development expenditure***

Pre-opening costs are written off in the period in which they are incurred The directors consider this policy to be more appropriate than deferring such expenditure

***Cash and liquid resources***

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

***Intra group guarantees***

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

***Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Income in relation to the surrender of losses for group relief is credited to the profit and loss account, only to the extent of future estimated profits of the surrendering group company

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at closing exchange rates Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Leases***

*Finance leases*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligations outstanding in each period

*Operating leases*

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

***Turnover***

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers Sales are recognised once recoverability is deemed reasonably certain

### 2 Segmental information

The group is principally engaged in the operation and management of hotels and the provision of management services ancillary thereto

Geographical segments – Group

| | UK | | Europe (excluding UK) | | Total | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| **Turnover** | | | | | | |
| Sales to third parties | 5,906 | 4,849 | 33,819 | 36,379 | 39,725 | 41,228 |
| **Profit before tax** | | | | | | |
| Segmental profit | 1,609 | 1,810 | 5,651 | 4,558 | 7,260 | 6,368 |
| Net interest | | | | | (1,372) | (1,445) |
| Profit on asset disposal | | | | | 3 | - |
| | | | | | 5,891 | 4,923 |
| **Net assets** | | | | | | |
| Segmental net assets | 7,131 | 6,065 | 44,009 | 37,387 | 51,140 | 43,452 |

## Notes *(continued)*

### 3 Interest receivable and similar income

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Bank interest | 1 | - |

### 4 Interest payable and similar charges

| | 2011 £000 | 2010 £000 |
|---|---|---|
| On bank loans, overdrafts and hedging instruments | 1,373 | 1,445 |

### 5 Profit on ordinary activities before taxation

| | 2011 £000 | 2010 £000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated after charging/(crediting)*** | | |
| Depreciation and other amounts written off tangible fixed assets | | |
| Owned | 3,009 | 3,237 |
| Impairment | 135 | - |
| Amortisation of intangible fixed assets | - | (38) |
| Hire of other assets - operating leases | 891 | 1,416 |
| Foreign currency (gains) / losses | 53 | 66 |
| Profit on asset disposal | 3 | - |

*Auditor's remuneration*

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Audit of these financial statements | - | 9 |
| Amounts receivable by the auditors and their associates in respect of | | |
| Other services relating to taxation | 52 | 80 |
| Audit of financial statements of subsidiaries pursuant to legislation | 101 | 87 |

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the Company's financial statements, have been borne by The Foundation Group of Companies Limited, a company under common ownership Audit fee for these financial statements have been borne by its subsidiary company

## Notes *(continued)*

### 6 Staff numbers and costs

The average number of employees (including directors) during the year was

| | Number of employees | |
|---|---|---|
| | **2011** | 2010 |
| Management | **13** | 15 |
| Administration | **33** | 33 |
| Sales | **34** | 38 |
| Operational staff | **347** | 400 |
| | **427** | 486 |

The aggregate payroll costs of these persons were as follows

| | **£000** | £000 |
|---|---|---|
| Wages and salaries | **10,454** | 11,427 |
| Social security costs | **1,488** | 1,584 |
| Other pension costs | **574** | 630 |
| | **12,516** | 13,641 |

### 7 Directors

| | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| Emoluments | | |
| Remuneration for management services | **510** | 485 |
| Other pension costs | **131** | 104 |
| | **641** | 589 |

Emoluments of the highest paid director were

| | | |
|---|---|---|
| Remuneration for management services | **510** | 485 |
| Other pension costs | **131** | 104 |
| | **641** | 589 |

Only one of the directors was remunerated by the group The other directors were remunerated by The Foundation Group of Companies Limited, a related party due to common ultimate shareholders

## Notes *(continued)*

### 8 Taxation

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on income for the year | **617** | 378 |
| Adjustments with respect to previous periods | **67** | 13 |
| *Foreign tax* | | |
| Current tax on income for the year | **276** | 476 |
| Adjustments with respect to previous periods | **(39)** | - |
| Total current tax | **921** | 867 |
| Deferred tax | **(69)** | (432) |
| | **852** | 435 |

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit on ordinary activities before taxation | **5,891** | 4,923 |
| Current tax at 28 % *(2010 28%)* | **1,649** | 1,378 |
| *Effects of* | | |
| Non taxable income | **(375)** | (499) |
| Difference between capital allowances for period and depreciation | **36** | 8 |
| Adjustments to tax charge in respect of previous periods | **28** | 13 |
| Other timing differences | **1** | 11 |
| Overseas tax rate differences | **(81)** | (44) |
| Use of tax losses | **(337)** | - |
| Total current tax charge (see above) | **921** | 867 |

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above

### 9 Dividend

The aggregate amount of dividends comprises

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Interim dividends paid in respect of current year | - | 125 |
| Final dividend paid in respect of current year | - | 1,500 |
| | - | 1,625 |

The aggregate amount of dividends declared and recognised as liabilities as at the year end is £nil *(2010 £nil)*

## Notes *(continued)*

### 10 Profit of parent company

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements The parent company's profit after tax for the financial year was £125,000 *(2010 £3,377,000)*

### 11 Tangible fixed assets

| Group | Freehold and long leasehold Property | Leasehold property | Furniture, fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Cost or valuation*** | | | | | |
| At 1 April 2010 | 72,656 | 2,477 | 54,253 | 22 | 129,408 |
| Additions | 540 | - | 2,683 | 27 | 3,250 |
| Disposals | - | (283) | (2,735) | (22) | (3,040) |
| Currency translation | (1,240) | - | (856) | - | (2,096) |
| At 31 March 2011 | 71,956 | 2,194 | 53,345 | 27 | 127,522 |
| ***Accumulated depreciation*** | | | | | |
| At 1 April 2010 | 5,145 | 277 | 39,476 | 22 | 44,920 |
| Charge for the year | 661 | 3 | 2,341 | 4 | 3,009 |
| Disposals | - | (272) | (2,449) | (22) | (2,743) |
| Impairment | - | - | 135 | - | 135 |
| Currency translation | - | - | (639) | - | (639) |
| At 31 March 2011 | 5,806 | 8 | 38,864 | 4 | 44,682 |
| ***Net book value*** | | | | | |
| **At 31 March 2011** | **66,150** | **2,186** | **14,481** | **23** | **82,840** |
| At 31 March 2010 | 67,511 | 2 200 | 14,777 | - | 84,488 |

The above amounts are based on valuations prepared between 1989 and 1994 by Jones Lang Wootton, independent chartered surveyors, on an open market value for existing use basis with vacant possession All subsequent additions are recognised at cost

Historical cost of revalued freehold property (at current exchange rates) was £41,881,000 *(2010, £42,629,000)*

## Notes *(continued)*

### 12 Intangible fixed assets

| Group | Negative goodwill £000 |
|---|---|
| *Cost* | |
| At beginning and end of year | (2,369) |
| *Amortisation* | |
| At beginning and end of year | (2,369) |
| *Net book value* | |
| **At 31 March 2010 and 31 March 2011** | - |

### 13 Investments

| Company | Investment in subsidiary undertakings £000 |
|---|---|
| *Cost or valuation* | |
| At 1 April 2010 | 42,247 |
| Revaluation in the year | 8,257 |
| At 31 March 2011 | 50,504 |

| | **2011 £000** | 2010 £000 |
|---|---|---|
| *Comprising* | | |
| Cost | **233** | 233 |
| Valuation | **50,271** | 42,014 |
| | **50,504** | 42,247 |

## Notes *(continued)*

### 13 Investments (continued)

The principal trading companies in which the group has an interest are as follows

| Company | Country of incorporation | Class of share | Effective interest | Nature of business |
|---|---|---|---|---|
| Hotel Management International Limited | England | Ordinary | 100% | Hotel Management and Hoteliers |
| Carlton Hotels Nederland BV | Netherlands | Ordinary | *100% | Holding Company |
| Oostduinhaghe Hotel BV | Netherlands | Ordinary | +100% | Hoteliers |
| Spijkenisse Hotel BV | Netherlands | Ordinary | +100% | Hoteliers |
| Haarlem Hotel BV | Netherlands | Ordinary | +100% | Hoteliers |
| Hotel Exploitatie Mij Maarssenbroek BV | Netherlands | Ordinary | +100% | Hoteliers |
| Carlton Ambassador Hotel BV | Netherlands | Ordinary | +100% | Hoteliers |
| De Brug BV | Netherlands | Ordinary | +100% | Hoteliers |
| Hotel Exploitatie Mij Anfra BV | Netherlands | Ordinary | +100% | Hoteliers |
| Carlton Hotels Brussel BV | Netherlands | Ordinary | +100% | Hoteliers |

* The interest in these companies is held indirectly via the shareholding in Hotel Management International Limited

+ The interest in these companies is held indirectly via the shareholding in Carlton Hotels Nederland BV

### 14 Stocks

| Group | 2011 £000 | 2010 £000 |
|---|---|---|
| Goods held for resale | 342 | 431 |

### 15 Debtors

| Group | 2011 £000 | 2010 £000 |
|---|---|---|
| Trade debtors | 1,822 | 1,319 |
| Other debtors | 138 | 19 |
| Prepayments and accrued income | 1,022 | 1,288 |
| Amounts owed by related parties | 3,448 | - |
| Deferred tax asset (note 19) | 524 | 455 |
| | 6,954 | 3,081 |

## Notes *(continued)*

### 16 Creditors. amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **£000** | £000 | **£000** | £000 |
| Bank loans and overdrafts | **2,505** | 3,140 | **-** | - |
| Trade creditors | **1,697** | 1,895 | **-** | - |
| Amounts owed to related party undertakings | **297** | 688 | **-** | 125 |
| Corporation tax | **510** | 694 | **-** | - |
| Other taxes and social security costs | **268** | 395 | **-** | - |
| Other creditors | **71** | 182 | **-** | - |
| Accruals and deferred income | **2,935** | 3,092 | **-** | - |
| Loan from shareholder | **450** | - | **-** | - |
| | **8,733** | 10,086 | **-** | 125 |

### 17 Creditors: amounts falling due after more than one year

| **Group** | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| Bank loans | **37,123** | 40,214 |
| Loan from shareholder | **337** | - |
| | **37,460** | 40,214 |
| *Analysis of bank loans* | | |
| Fixed interest loans | **20,929** | 21,611 |
| Variable interest loans | **18,699** | 21,743 |
| | **39,628** | 43,354 |

Total secured borrowing, all repayable by instalments apart from the bank overdrafts

| **Group** | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| In 1 year or less or on demand | | |
| - bank | **2,505** | 3,140 |
| Between 1 - 2 years – bank loans | **35,249** | 3,140 |
| Between 2 - 5 years - bank loans | **926** | 9,420 |
| After 5 years - bank loans | **948** | 27,654 |
| | **39,628** | 43,354 |

Loan which falls greater than 5 years is repayable over 15 years at quarterly instalments of £208,500 with a bullet payment after 10 years, at a margin of 2 25%

## Notes *(continued)*

### 17 Creditors: amounts falling due after more than one year *(continued)*

Each loan is secured by fixed and floating charge over the freehold and leasehold properties and other assets of the individual trading subsidiaries, which have a net book value of £82,840,000 *(2010 £84,488,000)* Various interest rate swaps have been put in place on these loans, the fair value of the liability was £432,009 at 31 March 2011 (*2010 £924,820*) This liability has not been recognised in the profit for the period

### 18 Provisions for liabilities and charges

| Group | Onerous contract £000 |
|---|---|
| At beginning of year | 124 |
| Released to the profit and loss account | (124) |
| At end of year | - |

### 19 Deferred tax

| | Deferred tax £000 |
|---|---|
| At the beginning of the period | 455 |
| Credit to profit and loss in the year | 69 |
| At end of period | 524 |

The elements of deferred taxation are as follows

| | 2011 £000 | 2010 £000 |
|---|---|---|
| Timing differences | - | 2 |
| Difference between accumulated depreciation and amortisation of capital allowances | 45 | 17 |
| Tax losses | 479 | 436 |
| | 524 | 455 |

## 20 Called up share capital

| | 2011 £000 | 2010 £000 |
|---|---|---|
| *Authorised* | | |
| 10,000,000 ordinary shares of £0 10 each | **1,000** | 1,000 |
| *Allotted, called up and fully paid* | | |
| 1,222,956 ordinary A shares of £0 10 each | **123** | 123 |
| 232,944 ordinary B shares of £0 10 each | **23** | 23 |
| | **146** | 146 |

## 21 Reserves

| | Merger reserve £000 | Revaluation reserve £000 | Profit and loss account £000 |
|---|---|---|---|
| **Group** | | | |
| At 1 April 2010 | (232) | 1,054 | 42,484 |
| Profit for the year | - | - | 5,039 |
| Depreciation – reserves transfer | - | (40) | 40 |
| Currency translation movements | - | - | (801) |
| Disposal of subsidiary | - | - | 3,450 |
| **At 31 March 2011** | **(232)** | **1,014** | **50,212** |

| | Revaluation reserve £000 | Profit and loss account £000 |
|---|---|---|
| **Company** | | |
| At 1 April 2010 | 40 190 | 1,786 |
| Profit for the year | - | 125 |
| Revaluation of investment | 8,257 | - |
| **At 31 March 2011** | **48,447** | **1,911** |

## Notes *(continued)*

### 22 Reconciliation of movement in shareholders' funds

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **£000** | £000 | **£000** | £000 |
| **Profit for the year** | **5,039** | 4,488 | **125** | 3,377 |
| Dividends | **-** | (1,625) | **-** | (1,625) |
| | **5,039** | 2,863 | **125** | 1,752 |
| Other recognised gains and losses (net) | **(801)** | (1,548) | **8,257** | 506 |
| Disposal of subsidiary | **3,450** | - | **-** | - |
| **Net addition to shareholders' funds** | **7,688** | 1,315 | **8,382** | 2,258 |
| Opening shareholders' funds | **43,452** | 42,137 | **42,122** | 39,864 |
| **Closing shareholders' funds** | **51,140** | 43,452 | **50,504** | 42,122 |

### 23 Net cash inflow from operating activities

| | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| Operating profit | **7,260** | 6,368 |
| Depreciation | **3,009** | 3,237 |
| Impairment | **135** | - |
| Amortisation | **-** | (38) |
| Decrease/(increase) in stocks | **83** | (17) |
| (Increase)/decrease in debtors | **(338)** | 903 |
| Decrease in creditors | **(948)** | (496) |
| Decrease in provisions | **(124)** | (15) |
| | **9,077** | 9,942 |

## Notes *(continued)*

### 24 Analysis of changes in net debt

| | At 1 April 2010 | Cash flows | Non cash movement | Currency Revaluation | **At 31 March 2011** |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | **£000** |
| Cash in hand, at bank | 5,876 | 1,416 | - | (95) | **7,197** |
| Debt due within one year | (3,140) | 3,689 | (3,097) | 43 | **(2,505)** |
| Debt due after one year | (40,214) | (673) | 3,097 | 667 | **(37,123)** |
| Other loan | - | (787) | - | - | **(787)** |
| **Total** | (37,478) | 3,645 | - | 615 | **(33,218)** |

### 25 Reconciliation of net cash flow to movement in net debt

| | **2011** | 2010 |
|---|---|---|
| | **£000** | £000 |
| **Increase/(decrease) in cash in the year** | **1,416** | (217) |
| Cash inflow from repayment of borrowing | **2,229** | 3,190 |
| Currency translation | **615** | 1,389 |
| **Movement in net debt in the year** | **4,260** | 4,362 |
| **Net debt at the start of the year** | **(37,478)** | (41,840) |
| **Net debt at the end of the year** | **(33,218)** | (37,478) |

### 26 Other financial commitments

At 31 March 2011 the group was committed to making the following annual payments under non-cancellable operating leases

| | **Land and buildings** | |
|---|---|---|
| | **2011** | 2010 |
| *Operating leases which expire* | **£000** | £000 |
| After 5 years | **911** | 1,454 |

### 27 Contingent liability

The company and group are party to the bank overdrafts and bank loans of related companies At the balance sheet date these totalled £4,764,837 *(2010 £141,452)*

## Notes *(continued)*

### 28 Related party transactions

The company's trading transactions during the period with these related parties were as follows

| **Management fees receivable** | **2011 £000** | 2010 £000 |
|---|---|---|
| Carlton Hotels UK Limited | **111** | 119 |
| | **111** | 119 |

During the year, the group disposed of Carlton Hotels UK Limited to Glendola Leisure (Holdings) Limited

The group's aggregate balances with related parties were as follows

| | **2011 £000** | 2010 £000 |
|---|---|---|
| Amounts due from / (owed to) related undertakings | | |
| The Foundation Group of Companies Limited | **(297)** | (686) |
| Glendola Leisure (Holdings) Limited | **-** | (2) |
| Carlton Hotels UK Limited | **3,448** | - |
| | **3,151** | (688) |

The above companies are related due to common ultimate controlling parties In the prior year Carlton Hotels UK Limited was a fully owned subsidiary

### 29 Ultimate controlling party

The ultimate controlling party is PN Salussolia, being the major shareholder