

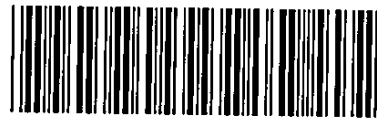
**Hotel Management International (Holdings)
Limited**

**Directors' report and financial
statements**

Registered number 4324021

31 March 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2012

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 £3.8 million decrease in turnover, the profit before taxation only decreased by £0.8 million. The group has separate financing for its UK and mainland European businesses and has a number of banking covenants. It has complied with all of its bank covenants. One of the key targets is the debt EBITDA ratio which was 3.7 (2011: 3.8). During the prior 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 2012 of £nil (2011: £nil), and a final dividend of £nil (2011: £nil).

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.

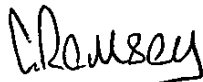
Disclosure of information to auditor

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

5 September 2012

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 year. 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 year ended 31 March 2012 set out on pages 6 to 25. 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 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 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 2012 and of the group's profit for the year 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 year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's 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

Mark Prince, (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

7 September 2012

Consolidated profit and loss account

for the year ended 31 March 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	35,916	39,725
Cost of sales		(4,098)	(4,807)
Gross profit		31,818	34,918
Administrative expenses		(25,265)	(27,658)
Operating profit	2	6,553	7,260
Interest receivable and similar income	3	-	1
Interest payable and similar charges	4	(1,443)	(1,373)
Profit on asset disposal		-	3
Profit on ordinary activities before taxation	2,5	5,110	5,891
Tax on profit on ordinary activities	8	(1,015)	(852)
Profit on ordinary activities after taxation	19,20	4,095	5,039

The results stated above are all derived from continuing operations

Consolidated statement of total recognised gains and losses

for the year ended 31 March 2012

	2012 £000	2011 £000
Profit for the financial year	4,095	5,039
Currency translation differences on foreign currency net investments	(2,474)	(801)
Total recognised gains and losses relating to the financial year	1,621	4,238

Note of consolidated historical cost profits and losses

for the year ended 31 March 2012

	2012 £000	2011 £000
Reported profit on ordinary activities before taxation	5,110	5,891
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	39	40
Historical cost profit on ordinary activities before taxation	5,149	5,931
Historical cost profit for the year retained after taxation and dividends	4,134	5,079

Consolidated balance sheet

at 31 March 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	10	77,719	82,840
Intangible assets	11	-	-
		<u>77,719</u>	<u>82,840</u>
Current assets			
Stocks	13	280	342
Debtors	14	7,507	6,954
Cash at bank and in hand		7,228	7,197
		<u>15,015</u>	<u>14,493</u>
Creditors: amounts falling due within one year	15	<u>(6,914)</u>	<u>(8,733)</u>
Net current assets		<u>8,101</u>	<u>5,760</u>
Total assets less current liabilities		<u>85,820</u>	<u>88,600</u>
Creditors: amounts falling due after more than one year	16	<u>(33,059)</u>	<u>(37,460)</u>
Net assets	2	<u>52,761</u>	<u>51,140</u>
Capital and reserves			
Called up share capital	18	146	146
Merger reserve	19	(232)	(232)
Revaluation reserve	19	975	1,014
Profit and loss account	19	51,872	50,212
Shareholders' funds	20	<u>52,761</u>	<u>51,140</u>

These financial statements were approved by the board of directors on 5 September 2012 and were signed on its behalf by



PN Salussolia
Director

Company balance sheet

At 31 March 2012

	Note	2012	2011
		£000	£000
Fixed assets			
Investments	12	52,123	50,504
Creditors amounts falling due within one year	15	-	-
Net current asset		-	-
Net assets		52,123	50,504
Capital and reserves			
Called up share capital	18	146	146
Revaluation reserve	19	50,066	48,447
Profit and loss account	19	1,911	1,911
Shareholders' funds	20	52,123	50,504

These financial statements were approved by the board of directors on 5 September 2012 and were signed on its behalf by



PN Salussolia
 Director

Consolidated cash flow statement
for the year ended 31 March 2012

	Note	2012	2011
		£000	£000
Net cash inflow from operating activities	21	7,590	9,077
Returns on investments and servicing of finance			
Interest paid		(1,443)	(1,373)
Interest received		-	1
Net cash outflow from returns on investments and servicing of finance		(1,443)	(1,372)
Taxation		(589)	(1,110)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,823)	(3,250)
Disposal of fixed assets		-	300
Net cash outflow for capital expenditure and financial investment		(1,823)	(2,950)
Net cash inflow before financing		3,735	3,645
Financing			
Repayment of loans		(2,920)	(3,689)
New bank loans		67	673
Other loans		(562)	787
Net cash outflow for financing		(3,415)	(2,229)
Increase in cash in the year	22 23	320	1,416

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 year ended 31 March 2012. 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% to 15% per annum
Motor vehicles	-	25% per annum
Computer equipment	-	33.33% per annum

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 year 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 year 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

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	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Turnover						
Sales to third parties	2,017	5,906	33,899	33,819	35,916	39,725
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit before tax						
Segmental profit	1,901	1,609	4,652	5,651	6,553	7,260
Net interest					(1,443)	(1,372)
Profit on asset disposal					-	3
					<u> </u>	<u> </u>
					5,110	5,891
					<u> </u>	<u> </u>
Net assets						
Segmental net assets	7,397	7,131	45,364	44,009	52,761	51,140
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes *(continued)*

3 Interest receivable and similar income

	2012 £000	2011 £000
Bank interest	-	1
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2012 £000	2011 £000
On bank loans, overdrafts and hedging instruments	1,443	1,373
	<u> </u>	<u> </u>

5 Profit on ordinary activities before taxation

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	2,777	3,009
Impairment	34	135
Hire of other assets - operating leases	782	891
Foreign currency (gains) / losses	(3)	53
Profit on asset disposal	-	(3)
	<u> </u>	<u> </u>

Auditor's remuneration

	2012 £000	2011 £000
Audit of these financial statements	-	-
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	22	52
Audit of financial statements of subsidiaries pursuant to legislation	83	101
	<u> </u>	<u> </u>

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	
	2012	2011
Management	13	13
Administration	33	33
Sales	34	34
Operational staff	351	347
	431	427

The aggregate payroll costs of these persons were as follows

	2012	2011
	£000	£000
Wages and salaries	9,920	10,454
Social security costs	1,428	1,488
Other pension costs	564	574
	11,912	12,516

7 Directors

	2012	2011
	£000	£000
<i>Emoluments</i>		
Remuneration for management services	507	510
Other pension costs	133	131
	640	641

Emoluments of the highest paid director were

	2012	2011
	£000	£000
Remuneration for management services	507	510
Other pension costs	133	131
	640	641

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

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on income for the year	412	617
Adjustments with respect to previous periods	-	67
<i>Foreign tax</i>		
Current tax on income for the year	101	276
Adjustments with respect to previous periods	38	(39)
Total current tax	551	921
Deferred tax (see note 17)	464	(69)
	1,015	852
	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	5,110	5,891
Current tax at 26 % (2011 28%)	1,329	1,649
<i>Effects of</i>		
Non taxable income	(355)	(375)
Difference between capital allowances for period and depreciation	10	36
Adjustments to tax charge in respect of previous periods	38	28
Other timing differences	-	1
Overseas tax rate differences	(27)	(81)
Use of tax losses	(444)	(337)
Total current tax charge	551	921

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.

Notes (continued)

9 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 £nil (2011 £125,000)

10 Tangible fixed assets

Group	Freehold and long leasehold Property	Leasehold property	Furniture, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At 1 April 2011	71,956	2,194	53,345	27	127,522
Additions	-	-	1,823	-	1,823
Currency translation	(3,500)	-	(2,523)	-	(6,023)
At 31 March 2012	68,456	2,194	52,645	27	123,322
<i>Accumulated depreciation</i>					
At 1 April 2011	5,806	8	38,864	4	44,682
Charge for the year	536	-	2,234	7	2,777
Impairment	-	-	34	-	34
Currency translation	-	-	(1,890)	-	(1,890)
At 31 March 2012	6,342	8	39,242	11	45,603
<i>Net book value</i>					
At 31 March 2012	62,114	2,186	13,403	16	77,719
At 31 March 2011	66,150	2,186	14,481	23	82,840

Notes (continued)

12 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 Holding Company
Carlton Hotels Nederland BV	Netherlands	Ordinary	*100%	
Oostdunhaghe 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

13 Stocks

Group	2012 £000	2011 £000
Goods held for resale	280	342

14 Debtors

Group	2012 £000	2011 £000
Trade debtors	1,522	1,822
Other debtors	141	138
Prepayments and accrued income	1,151	1,022
Amounts owed by related parties	4,633	3,448
Deferred tax asset (note 17)	60	524
	7,507	6,954

Notes (continued)

15 Creditors: amounts falling due within one year

Group	2012	2011
	£000	£000
Bank loans and overdrafts	1,848	2,505
Trade creditors	1,184	1,697
Amounts owed to related party undertakings	-	297
Corporation tax	479	510
Other taxes and social security costs	279	268
Other creditors	103	71
Accruals and deferred income	2,796	2,935
Loan from shareholder	225	450
	<u>6,914</u>	<u>8,733</u>

16 Creditors: amounts falling due after more than one year

Group	2012	2011
	£000	£000
Bank loans	33,059	37,123
Loan from shareholder	-	337
	<u>33,059</u>	<u>37,460</u>
<i>Analysis of bank loans</i>		
Fixed interest loans	16,474	20,929
Variable interest loans	18,433	18,699
	<u>34,907</u>	<u>39,628</u>

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

Group	2012	2011
	£000	£000
In 1 year or less or on demand		
- bank	1,848	2,505
Between 1 - 2 years - bank loans	1,479	35,249
Between 2 - 5 years - bank loans	5,737	926
After 5 years - bank loans	25,843	948
	<u>34,907</u>	<u>39,628</u>

The loans which fall due after 5 years are repayable at quarterly instalments of £460,606 with bullet payments between 5 to 6 years, at margins from 1.9% to 1.75%

Notes (continued)

16 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 £77,719,000 (2011 £82,840,000). Various interest rate swaps have been put in place on these loans, the fair value of the liability was £273,631 at 31 March 2012 (2011 £432,009). This liability has not been recognised in the profit for the year.

17 Deferred tax

	Deferred tax £000	
At the beginning of the year		524
Charge to profit and loss in the year (note 8)		(464)
At end of year		60
The elements of deferred taxation are as follows		
	2012 £000	2011 £000
Timing differences	1	-
Difference between accumulated depreciation and amortisation of capital allowances	59	45
Tax losses	-	479
	60	524

18 Called up share capital

	2012 £000	2011 £000
<i>Authorised</i>		
10,000,000 ordinary shares of £0.10 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
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

The ordinary A and B shares rank *pari passu*.

Notes (continued)

19 Reserves

	Merger reserve	Revaluation Reserve	Profit and loss account
	£000	£000	£000
Group			
At 1 April 2011	(232)	1,014	50,212
Profit for the year	-	-	4,095
Depreciation – reserves transfer	-	(39)	39
Currency translation movements	-	-	(2,474)
At 31 March 2012	(232)	975	51,872

	Revaluation reserve	Profit and loss account
	£000	£000
Company		
At 1 April 2011	48,447	1,911
Profit for the year	-	-
Revaluation of investment	1,619	-
At 31 March 2012	50,066	1,911

20 Reconciliation of movement in shareholders' funds

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Profit for the year	4,095	5,039	-	125
	4,095	5,039	-	125
Other recognised gains and losses (net)	(2,474)	(801)	1,619	8,257
Disposal of subsidiary	-	3,450	-	-
Net addition to shareholders' funds	1,621	7,688	1,619	8,382
Opening shareholders' funds	51,140	43,452	50,504	42,122
Closing shareholders' funds	52,761	51,140	52,123	50,504

Notes (continued)

21 Net cash inflow from operating activities

	2012	2011
	£000	£000
Operating profit	6,553	7,260
Depreciation	2,777	3,009
Impairment	34	135
Decrease in stocks	46	83
Increase in debtors	(1,158)	(338)
Decrease in creditors	(662)	(948)
Decrease in provisions	-	(124)
	<u>7,590</u>	<u>9,077</u>

22 Analysis of changes in net debt

	At 1 April 2011	Cash flows	Non cash movement	Currency Revaluation	At 31 March 2012
	£000	£000	£000	£000	£000
Cash in hand, at bank	7,197	320	-	(289)	7,228
Debt due within one year	(2,505)	2,920	(2,384)	121	(1,848)
Debt due after one year	(37,123)	(67)	2,384	1,747	(33,059)
Other loan	(787)	562	-	-	(225)
Total	<u>(33,218)</u>	<u>3,735</u>	<u>-</u>	<u>1,579</u>	<u>(27,904)</u>

23 Reconciliation of net cash flow to movement in net debt

	2012	2011
	£000	£000
Increase in cash in the year	320	1,416
Cash outflow from repayment of borrowing	3,415	2,229
Currency translation	1,579	615
Movement in net debt in the year	<u>5,314</u>	<u>4,260</u>
Net debt at the start of the year	<u>(33,218)</u>	<u>(37,478)</u>
Net debt at the end of the year	<u><u>(27,904)</u></u>	<u><u>(33,218)</u></u>

Notes (continued)

24 Other financial commitments

At 31 March 2012 the group was committed to making the following annual payments under non-cancellable operating leases

	Land and buildings	
	2012	2011
	£000	£000
<i>Operating leases which expire</i>		
After 5 years	778	911

25 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 £8,483,000 (2011 £4,765,000)

26 Related party transactions

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

Management fees receivable	2012	2011
	£000	£000
Carlton Hotels UK Limited	119	111
	<u>119</u>	<u>111</u>

During the prior 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

	2012	2011
	£000	£000
Amounts due from / (owed to) related undertakings		
The Foundation Group of Companies Limited	1,503	(297)
Glendola Leisure (Holdings) Limited	255	-
Carlton Hotels UK Limited	2,883	3,448
	<u>4,641</u>	<u>3,151</u>

The above companies are related due to common ultimate controlling parties

27 Ultimate controlling party

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