

Registration number 414351

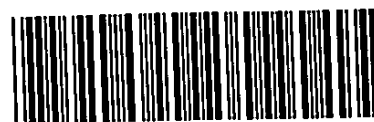
# Norfolk Capital Group Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2010

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

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**Norfolk Capital Group Limited**  
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**Norfolk Capital Group Limited**  
**Company Information**

<b>Directors</b>	M Rosenberg E J Rieck W2001 Britannia LLC W2001 Two CV
<b>Company secretary</b>	S A Coughlan
<b>Registered office</b>	Queens Court 9-17 Eastern Road Romford Essex RM1 3NG
<b>Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

**Norfolk Capital Group Limited**  
**Directors' Report for the Year Ended 31 December 2010**

The directors present their report and the financial statements for the year ended 31 December 2010

**Directors of the company**

The directors who held office during the year were as follows

M Rosenberg

E J Rieck

W2001 Britannia LLC (appointed 15 June 2010)

W2001 Two CV (appointed 15 June 2010)

H L Mulahasanı (Resigned 15 June 2010)

V Menard (Resigned 15 June 2010)

**Principal activity**

The principal activity of the company is an investment holding company

There have been no significant changes to the company's activities or those of its subsidiaries

**Business review**

***Fair review of the business***

The company's retained loss for the year ended 31 December 2009 amounted to a loss of £4.2 million (2009 £1.1 million)

The directors do not recommend the payment of a dividend on the ordinary shares of the company (2009 £ nil)

The year end balance sheet position is set out in the balance sheet on page 9. The company's net assets as at 31 December 2010 decreased from £20.1 million to £15.9 million reflecting the retained loss for the year of £4.2 million arising from the revaluation adjustment of the company's subsidiaries, which have been revalued to their net asset value in accordance with the company's accounting policy (note 1). This amount has been debited to the company's profit & loss account (note 3).

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**Norfolk Capital Group Limited**  
**Directors' Report for the Year Ended 31 December 2010**

*..... continued*

***Principal risks and uncertainties***

The company is a subsidiary within the QMH Limited Group and as such the principal risks and uncertainties are the same as those facing the Group -

The management of the Group's business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to be as follows

**- Covenant compliance**

Management actively monitors the group's debt facilities for compliance and prepares rolling quarterly profit and interest forecasts and sensitivity analyses, which enable them to identify concerns relating to covenant compliance early and to take remedial action where necessary

The European senior loan and the Group mezzanine loan facilities each contain a financial covenant, which requires the calculation of a debt service cover ratio (DSCR) on a quarterly basis

Additionally, the mezzanine loan facility contains a financial covenant, which requires the calculation of a Debt-to-Ebitda ratio on a quarterly basis

The UK senior loan of £100.1 million at year end was repaid on 23 February 2011 on the same date the Group entered into a new senior loan agreement of £94.3 million which is secured by fixed charges over 14 of the Group's UK properties

The UK senior loan facility contains four financial covenant calculations required on a quarterly basis. These are a cashflow cover ratio, a loan to value ratio, a senior interest cover ratio and a senior leverage ratio

Management believe that the company will continue to be able to comply with all covenants for the next 12 months

**Financial instruments**

***Other risks***

The company is subject to certain financial risks as a result of being guarantor to loans held by the company's direct and indirect parent companies. Details of how these companies manage specific risks are set out in the financial statements of those companies. Details of how to obtain copies of these financial statements are set out in note 10

**Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

**Norfolk Capital Group Limited**  
**Directors' Report for the Year Ended 31 December 2010**

*..... continued*

**Reappointment of auditors**

PricewaterhouseCoopers LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006

Approved by the Board on 23 June 2011 and signed on its behalf by

  
S A Coughlan  
Company secretary

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## **Norfolk Capital Group Limited**

### **Statement of Directors' Responsibilities**

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 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 apply them consistently,
- make judgements and accounting 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, and
- 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.

## **Independent Auditor's Report to the Members of Norfolk Capital Group Limited**

We have audited the financial statements of Norfolk Capital Group Limited for the year ended 31 December 2010, which comprise the Profit and Loss account, the Balance Sheet and the related notes. 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), 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.

This report, including the opinions, has been prepared for and only for the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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.

### **Opinion on the 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 2010 and of its loss 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.



**Independent Auditor's Report to the Members of  
Norfolk Capital Group 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, 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



John Ellis (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

1 Embankment Place  
London  
WC2N 6RH

24 ~~23~~ June 2011

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**Norfolk Capital Group Limited**  
**Profit and Loss Account for the Year Ended 31 December 2010**

	Note	2010 £ 000	2009 £ 000
Administrative expenses		<u>(1)</u>	<u>(1)</u>
Operating loss		(1)	(1)
Amounts written off investments		<u>(4,205)</u>	<u>(1,092)</u>
Loss on ordinary activities before taxation		<u>(4,206)</u>	<u>(1,093)</u>
Loss for the financial year	6	<u><u>(4,206)</u></u>	<u><u>(1,093)</u></u>

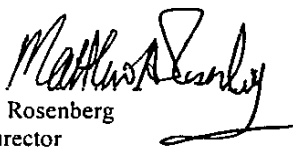
Turnover and operating profit derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above and, therefore, no separate statement of total recognised gains and losses has been prepared. There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

**Norfolk Capital Group Limited**  
**(Registration number: 414351)**  
**Balance Sheet at 31 December 2010**

	Note	2010 £ 000	2009 £ 000
<b>Fixed assets</b>			
Investments	3	9,115	13,321
<b>Current assets</b>			
Debtors	4	<u>6,779</u>	<u>6,779</u>
Net assets		<u>15,894</u>	<u>20,100</u>
<b>Capital and reserves</b>			
Called up share capital	5	20,690	20,690
Profit and loss account	6	<u>(4,796)</u>	<u>(590)</u>
Total shareholders' funds	7	<u>15,894</u>	<u>20,100</u>

Approved by the Board on 23 June 2011 and signed on its behalf by

  
M Rosenberg  
Director

**Norfolk Capital Group Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2010**

**1 Accounting policies**

**Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with the Companies Act 2006. The financial statements have been drawn up to comply with applicable Accounting Standards in the United Kingdom. The directors have reviewed the company's accounting policies and estimation techniques and consider that the accounting policies selected for use in the preparation of the financial statements are the most appropriate for the company's circumstances and are consistent with the principles of Financial Reporting Standard 18 "Accounting Policies".

**Exemption from preparing a cash flow statement**

The company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of QMH Limited and the cashflows of the company are included in the consolidated cashflow statement of that company. Consequently, the company is exempt under the provisions of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" from publishing a cashflow statement.

**Going concern**

In the light of the information currently available to them, the Directors consider it appropriate to prepare the accounts of the company on a going concern basis.

**Fixed asset investments**

Fixed asset investments are stated at their underlying net asset value, which the directors consider to be an appropriate carrying value, subject to reviews for impairment in accordance with Financial Reporting Standard 11.

**2 Directors' remuneration**

The directors' remuneration for the year was as follows:

The fees for Mr Rieck and Mr Rosenberg were paid by QMH Limited, no recharge was made to the company.

Ms Mulahasani, Ms Menard, W2001 Britannia LLC and W2001 Two CV received no remuneration for their services as directors of the company or any of the company's fellow subsidiaries.

**Norfolk Capital Group Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2010**

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**3 Investments held as fixed assets**

	2010 £ 000	2009 £ 000
Shares in group undertakings and participating interests	<u>9,115</u>	<u>13,321</u>
Shares in group undertakings and participating interests		
	<b>Subsidiary undertakings £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>		
At 1 January 2010	13,321	13,321
Revaluation	<u>(4,206)</u>	<u>(4,206)</u>
At 31 December 2010	<u>9,115</u>	<u>9,115</u>
<b>Net book value</b>		
At 31 December 2010	<u>9,115</u>	<u>9,115</u>

The historical cost of the company's fixed asset investments is £15,080,000 (2009 £15,080,000)

Throughout the year the company owned the whole of the issued share capital of the following companies, which are registered and operating in England and Wales

Nature of undertaking	Nature of business
Norfolk Capital Hotels Limited	Hotelier
Norfolk Capital Hotels (Southern) Limited	Dormant

Consolidated financial statements for Norfolk Capital Group Limited and its subsidiaries have not been prepared because the company is a wholly owned subsidiary of QMH Limited

**4 Debtors**

	2010 £ 000	2009 £ 000
Amounts owed by group undertakings	<u>6,779</u>	<u>6,779</u>
	<u>6,779</u>	<u>6,779</u>

Included within amounts owed by group undertakings are loans to QMH UK Limited of £225,000 (2009 £225,000) These loans are repayable on demand, on giving 30 days notice, however the company has confirmed that it has no current intention of calling for repayment

# Norfolk Capital Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2010

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### 5 Share capital

#### Allotted, called up and fully paid shares

	2010		2009	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £0.05 each	<u>413,802</u>	<u>20,690</u>	<u>413,802</u>	<u>20,690</u>

### 6 Reserves

	Profit and loss account £ 000	Total £ 000
At 1 January 2010	(590)	(590)
Loss for the year	<u>(4,206)</u>	<u>(4,206)</u>
At 31 December 2010	<u>(4,796)</u>	<u>(4,796)</u>

### 7 Reconciliation of movement in shareholders' funds

	2010 £ 000	2009 £ 000
Loss attributable to the members of the company	<u>(4,206)</u>	<u>(1,093)</u>
Net reduction to shareholders' funds	<u>(4,206)</u>	<u>(1,093)</u>
Shareholders' funds at 1 January	<u>20,100</u>	<u>21,193</u>
Shareholders' funds at 31 December	<u>15,894</u>	<u>20,100</u>

### 8 Contingent liabilities

On 22 February 2007 the company entered into a guarantee providing a fixed charge over its assets, together with certain other subsidiary undertakings, to secure a senior loan held by QMH Finance Number 1 Limited. Following 14 hotel disposals by fellow subsidiary undertakings, the outstanding balance on this loan at 31 December 2010 was £100.1 million (2009: £104.6 million).

On 24 November 2004 the company entered into a guarantee providing fixed and floating charges over its assets, together with certain other subsidiary undertakings, to secure a mezzanine loan held by QMH Limited, which at 31 December 2010 amounted to £158.8 million (2009: £152.2 million).

## **Norfolk Capital Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2010**

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#### **9 Related party transactions**

The company is a wholly owned subsidiary of QMH Limited. Consequently it has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

#### **10 Ultimate parent company**

The company is a subsidiary of QMH Finance Number 1 Limited, which in turn is a subsidiary of QMH Limited, which indirectly owns the entire share capital of the company and is incorporated in England and Wales. Copies of QMH Limited's consolidated financial statements are available from its registered office at 9-17 Eastern Road, Romford, Essex, RM1 3NG. The directors consider the company's ultimate holding company to be W2001 Britannia LLC who is the majority shareholder and is a limited liability company formed under the laws of the State of Delaware on 29 April 2004.

W2001 Britannia LLC is wholly owned and controlled by four separate Delaware limited partnerships: Whitehall Street Global Real Estate Limited Partnership 2001, Whitehall Street International Real Estate Limited Partnership 2001, Whitehall Street Global Employee Fund 2001, L P and Whitehall Street International Employee Fund 2001 (Delaware), L P each formed in 2001. The sole general partner of each Whitehall 2001 Partnership is a Delaware limited liability company, and each said partner is wholly owned by Goldman Sachs. The limited partners of each Whitehall Partnership include (as applicable) Goldman Sachs, institutional investors, employees of Goldman Sachs and its affiliates and private clients of Goldman Sachs and its affiliates.