

LRG HOTELS GROUP (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2008

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LRG HOTELS GROUP (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

S Van Oosterom
R Prince

Company secretary

Paul Hastings Administrative Services Limited

Registered office

10 Bishops Square
8th Floor
London
E1 6EG

Auditors

Deloitte LLP
Chartered Accountants
London

LRG HOTELS GROUP (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company is a wholly owned subsidiary of LRG Holdings Limited. The company's principal activity is the operation of hotels in the UK.

The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The balance sheet shows that the company's financial position at the year end is, in both net asset and cash terms, materially consistent with the prior period.

The company is managed as part of a wider group of companies on a central basis under a management agreement with InterContinental Hotels Group (Management Services) Limited.

KEY PERFORMANCE INDICATORS

Turnover for the year decreased by 5.4% (year ended 31 December 2007 – increased by 4.1%) due to difficult trading conditions, particularly in the last quarter.

Operating profit increased by 41.4% (year ended 31 December 2007 – 10.6%) due to management actions to control direct costs.

The business of the company is also reviewed on a central basis and, therefore, further key performance indicators are not appropriate for an understanding of the development, performance and position of the company's business.

FUTURE DEVELOPMENTS

The directors plan to continue with the company's core business for the foreseeable future.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 December 2008 was £4,423,000 (year ended 31 December 2007 – profit of £1,554,000) after releasing £2.0m of accrued management charges as the directors do not believe these amounts will become payable in future periods.

The results for the year are stated after a write-back of impairment on investments in subsidiaries, calculated by comparing the underlying net assets of the subsidiaries with the carrying value of the investments.

The directors do not propose a dividend for the year (year ended 31 December 2007 - nil).

PRINCIPAL RISKS AND UNCERTAINTIES

Price risk

The company is exposed to the inherent risks of economic and financial market developments, including recession, inflation, availability of affordable credit and currency fluctuations that could lower revenues and reduce income. A recession reduces leisure and business travel and adversely affects room rates and/or occupancy levels and other income-generating activities, resulting in deterioration of results of operations and potentially reducing the value of properties in affected economies. Through a continual business review process and monitoring of the business environment, together with the terms of, and the services standard required of InterContinental Hotels Group (Management Services) Limited under the management agreement, the directors of the company and the wider group seek to mitigate these potential risks.

LRG HOTELS GROUP (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

Liquidity and Cash flow risk

The company is financed by way of shares and intercompany loans. The company manages liquidity risk by maintaining a balance between the continuity of funding and flexibility through use of loans from the company's holding company, LRG Holdings Limited, and its subsidiaries. LRG Holdings Limited has agreed to provide sufficient liquidity as necessary to allow the company to meet its obligations for at least the next twelve months.

Credit risk

The company's principal financial assets are trade and other receivables. The credit risk on trade and other receivables is limited by the company's exposure being spread over a large number of counterparties and customers and by the support of the holding company. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

EMPLOYEES

The operations of the group are managed on a central basis under a management agreement with InterContinental Hotels Group (Management Services) Limited. The company relies on the terms of the management agreement, as regards employees, in that InterContinental Hotels Group (Management Services) Limited shall take all steps to enable LRG Acquisitions Limited (a subsidiary of the company) to comply with any obligations it may have. As such, the employment policies in place embody the principles of equal opportunity. This includes suitable procedures to support the policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. The value of employee involvement in effective communications is recognised, as is the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, there is a framework in place for consultation and information.

DIRECTORS

The directors who served the company during the year and subsequent to the year end, except as noted, were as follows:

M Newman	(Resigned 19 June 2008)
J McCarthy	(Appointed 19 June 2008; resigned 26 February 2009)
R Prince	
S Van Oosterom	(Appointed 27 February 2009)

ELECTIVE RESOLUTIONS

The company has passed Elective Resolutions to dispense with the laying of the financial statements before the company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to sections 252, 386 and 366A of the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

The Statement of Directors' Responsibilities shown on page 5 forms an integral part of the Directors' Report.

LRG HOTELS GROUP (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

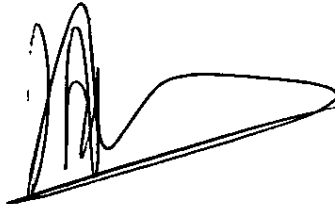
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP.

Signed on behalf of the directors

Director

Approved on 18/5/09

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

LRG HOTELS GROUP (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2008

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). The financial statements are required by law to 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 11 to 14, and then apply them consistently;
- state whether applicable accounting standards have been followed;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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 AUDITORS' REPORT TO THE MEMBERS OF LRG HOTELS GROUP (UK) LIMITED

YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements of LRG Hotels Group (UK) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LRG HOTELS GROUP (UK) LIMITED** *(continued)*

YEAR ENDED 31 DECEMBER 2008

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

Date 18/5/9

LRG HOTELS GROUP (UK) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	Notes	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
TURNOVER	2	43,181	45,638
Costs and overheads, less other income	3	(33,350)	(38,687)
OPERATING PROFIT		9,831	6,951
Interest receivable	5	1,096	1,032
Interest payable and similar charges	6	(5,700)	(5,868)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,227	2,115
Tax on profit on ordinary activities	7	(804)	(561)
RETAINED PROFIT FOR THE FINANCIAL YEAR		4,423	1,554

All of the activities of the company are classed as continuing.

There are no recognised gains or losses other than the results for the year as set out above.

Accordingly no statement of total recognised gains and losses is presented.

The notes on pages 11 to 21 form part of these financial statements.

LRG HOTELS GROUP (UK) LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

YEAR ENDED 31 DECEMBER 2008

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Reported profit on ordinary activities before taxation	5,227	2,115
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	54	54
Historical cost profit on ordinary activities before taxation	<u>5,281</u>	<u>2,169</u>
Historical cost retained profit after taxation and dividends	<u>4,477</u>	<u>1,608</u>

The notes on pages 11 to 21 form part of these financial statements.

LRG HOTELS GROUP (UK) LIMITED

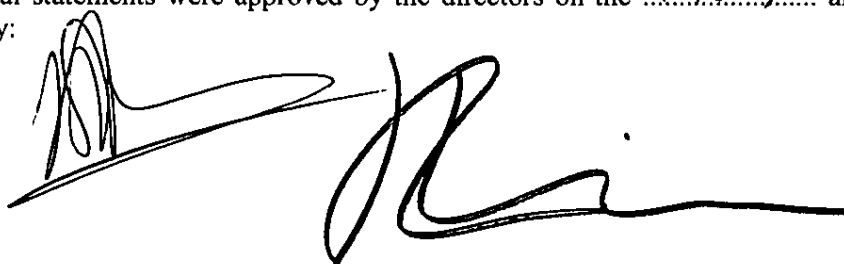
BALANCE SHEET

31 DECEMBER 2008

	Notes	£000	2008 £000	2007 £000
FIXED ASSETS				
Tangible fixed assets	8		28,635	29,642
Investments	9		50,854	48,707
			<u>79,489</u>	<u>78,349</u>
CURRENT ASSETS				
Stocks	10	152		146
Debtors	11	61,990		53,441
Cash at bank and in hand		82		36
		<u>62,224</u>		<u>53,623</u>
CREDITORS: Amounts falling due within one year	12	(120,702)		(115,110)
NET CURRENT LIABILITIES			(58,478)	(61,487)
TOTAL ASSETS LESS CURRENT LIABILITIES			21,011	16,862
PROVISIONS FOR LIABILITIES				
Deferred taxation	14		(1,625)	(1,899)
NET ASSETS			<u>19,386</u>	<u>14,963</u>
CAPITAL AND RESERVES				
Share capital	17		—	—
Revaluation reserve	18		(3,107)	(3,161)
Profit and loss account	18		22,493	18,124
SHAREHOLDERS' FUNDS	18		<u>19,386</u>	<u>14,963</u>

These financial statements were approved by the directors on the 18/5/09 and are signed on their behalf by:

Director



The notes on pages 11 to 21 form part of these financial statements.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

They have been drawn up to comply with applicable United Kingdom accounting standards, which have been applied consistently throughout the current and prior period.

Going concern

The company is a part of the LRG Holdings Limited group and the group's business activities, together with the factors likely to affect its future development, performance and position are set out in the financial statements of LRG Holdings Limited.

The group meets its day to day working capital requirements from normal trading activities through its 61 hotels. The group is financed through medium-term external loans to finance the purchase of the hotel portfolio in May 2005 with initial maturity dates varying between 5 and 12 years. The directors believe that the group is adequately placed to manage its business risks successfully despite the current uncertain economic outlook.

The company is dependent on continuing finance being made available by its parent undertaking to enable it to continue operating and to meet its liabilities as they fall due. The company is in receipt of a letter from its parent company confirming that it will provide continuing support and the directors have made enquiries to form a reasonable expectation that the parent company has adequate resources to continue in operational existence and provide support for the foreseeable future, in spite of the challenging economic backdrop and the resultant uncertain trading conditions. For this reason they continue to adopt the going concern basis in preparing the accounts.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts. These accounts give information about the company as an individual undertaking and not about its group.

Statement of cash flows

The directors have taken advantage of the exemption in FRS 1 "Cash Flow Statements" (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and group accounts in which the company is included, are publicly available.

Tangible fixed assets

Fixed assets are stated at cost less depreciation net of any provision for impairment.

When implementing FRS 15 "Tangible Fixed Assets" in the year to 30 September 2000, the company did not adopt a policy of revaluing properties. The transitional rules of FRS 15 were applied so that the carrying values of properties include an element resulting from previous valuations.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

Revaluation

Surpluses or deficits arising from previous professional valuations of properties, realised on the disposal of an asset, are transferred from the revaluation reserve to the profit and loss account reserve.

Impairment

At each balance sheet date, the company reviews carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The impairment review is completed on a cash-generating unit basis.

Recoverable amount is the higher of fair value less the costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a market assessment of the time value of money.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognised as income immediately.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful economic life as follows:

Freehold buildings	-	periods up to 50 years
Leasehold Buildings	-	over the shorter of 50 years and their remaining lease periods
Non core assets	-	up to 25 years (including building surface finishes and services)
Plant and machinery	-	between 3 and 10 years
Furniture and equipment	-	between 3 and 20 years

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

Trade debtors

Trade debtors are recognised and carried at original amount earned less an allowance for any doubtful accounts. An allowance for doubtful accounts is made when collection of the full amount is no longer probable.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of both the surrendering and recipient companies, being paid at a rate of 28.5% of the losses surrendered.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Revenue recognition

Revenue represents sales (excluding VAT and similar taxes) of goods and services, net of discounts provided in the normal course of business and is recognised when services have been rendered.

The revenue is primarily derived from the hotel operations, including the rental of rooms and food and beverage sales. Revenue is recognised when rooms are occupied and food and beverage is sold.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

Operating leases

Rents payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company makes contributions to the personal pension schemes of individual employees. Contributions are charged to the profit and loss account as they become payable.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Such estimates include the future cash flows and discount rates used in an impairment review of assets and investments. Actual results could differ from those estimates.

2. TURNOVER

Turnover which is stated net of value added tax and similar sales taxes, and net of discounts represents amounts invoiced to third parties.

Turnover is wholly attributable to the principal activity of the company, the business of operating hotels across the United Kingdom.

3. COSTS AND OVERHEADS, LESS OTHER INCOME

	Year to 31 Dec 08	Year to 31 Dec 07
	£000	£000
Raw materials and consumables	15,307	15,264
Staff costs (see note 4)	12,297	13,194
Depreciation on tangible fixed assets	2,257	2,271
Hire of plant and machinery	241	233
Exceptional release of management fee accrual	(2,005)	-
Other external charges	2,238	2,356
Operating lease rentals	5,164	5,360
Amounts written back to investments (see note 9)	(2,147)	-
(Profit)/loss on foreign exchange differences	(2)	9
	<u>33,350</u>	<u>38,687</u>

Auditors' remuneration of £10,500 (year ended 31 December 2007 - £10,500) has been borne by a fellow group undertaking in both the current and prior period.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

4. PARTICULARS OF EMPLOYEES

The aggregate staff costs during the year amounted to:

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Wages and salaries	11,410	12,211
Social security costs	783	856
Other pension costs	104	127
	<u>12,297</u>	<u>13,194</u>

The average number of full time equivalent staff (excluding directors) employed by the company during the financial year amounted to:

	Year to 31 Dec 08 No	Year to 31 Dec 07 No
Salaried	108	126
Hourly paid	573	494
	<u>681</u>	<u>620</u>

Directors' emoluments for the current and prior period were nil.

5. INTEREST RECEIVABLE

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Loan interest receivable from fellow group undertakings	<u>1,096</u>	<u>1,032</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Interest payable to fellow group undertakings	<u>5,700</u>	<u>5,868</u>

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Current tax:		
UK Corporation tax based on the results for the year at 28.5% (to 31 Dec 2007: 30%)		
Current year	1,071	477
Adjustment in respect of previous periods	7	146
Total current tax	<u>1,078</u>	<u>623</u>
Deferred tax:		
Origination and reversal of timing differences	(288)	(152)
Increase/decrease in tax rate	5	-
Adjustment in respect of previous periods	9	90
Total deferred tax	<u>(274)</u>	<u>(62)</u>
Tax on profit on ordinary activities	<u>804</u>	<u>561</u>

(b) Factors affecting current tax charge

The UK standard rate of corporation tax is 28.5%. The actual tax charge for the current and previous period varies from the standard rate for reasons set out in the following reconciliation:

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Profit on ordinary activities before taxation	<u>5,227</u>	<u>2,115</u>
	%	%
UK corporation tax standard rate	28.5	30.0
Permanent differences	(13.4)	4.3
Depreciation in excess of/(less than) capital allowances	5.5	0.3
Timing differences	-	(12.0)
Adjustment to tax charge in respect of prior period	0.1	6.9
Effective current tax rate on ordinary activities	<u>20.7</u>	<u>29.5</u>

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

8. TANGIBLE FIXED ASSETS

	Land and buildings: Freehold £000	Land and buildings: Long Leasehold £000	Land and buildings: Short Leasehold £000	Plant and machinery £000	Furniture and equipment £000	Total £000
COST OR VALUATION						
At 1 Jan 2008	3,015	17,161	2,699	13,089	11,561	47,525
Additions	—	—	—	521	729	1,250
At 31 Dec 2008	<u>3,015</u>	<u>17,161</u>	<u>2,699</u>	<u>13,610</u>	<u>12,290</u>	<u>48,775</u>
DEPRECIATION						
At 1 Jan 2008	176	3,438	1,056	7,201	6,012	17,883
Charge for the year	21	80	153	867	1,136	2,257
At 31 Dec 2008	<u>197</u>	<u>3,518</u>	<u>1,209</u>	<u>8,068</u>	<u>7,148</u>	<u>20,140</u>
NET BOOK VALUE						
At 31 Dec 2008	<u>2,818</u>	<u>13,643</u>	<u>1,490</u>	<u>5,542</u>	<u>5,142</u>	<u>28,635</u>
At 31 Dec 2007	<u>2,839</u>	<u>13,723</u>	<u>1,643</u>	<u>5,888</u>	<u>5,549</u>	<u>29,642</u>

Properties are included above at cost or valuation less depreciation. In accordance with the transitional rules of FRS15 the carrying value of properties at 30 September 1999 have been treated as cost.

The cost or valuation of tangible fixed assets at the end of the year includes £3,364,000 (2007: £3,364,000) of interest capitalised.

On the historical cost basis, freehold land and buildings, long leasehold land and buildings and short leasehold land and buildings would have been included as follows:

	Year to 31 Dec 08 £000	Year to 31 Dec 07 £000
Cost	26,407	26,407
Depreciation	(5,350)	(5,042)
Historical cost net book value	<u>21,057</u>	<u>21,365</u>

The company's assets are held as security in respect of bank loans taken by LRG Acquisition Limited, an intermediate parent undertaking. The amount of the loans secured is stated in the accounts of LRG Acquisition Limited.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

9. INVESTMENTS

	Shares in group undertakings £000
COST	
At 1 January 2008 and at 31 December 2008	<u>65,077</u>
AMOUNTS PROVIDED FOR IMPAIRMENT	
At 1 January 2008	16,370
Written back in the year	<u>(2,147)</u>
At 31 December 2008	<u>14,223</u>
NET BOOK VALUE	
At 31 December 2008	<u>50,854</u>
At 31 December 2007	<u>48,707</u>

Principal company investments

Following a review of the value of the company's investments at the year end which took into account the underlying net asset values of the subsidiary companies, a write-back from the accumulated provision for impairment of £2,147,000 has been credited to the Profit and Loss Account (2007 : Nil).

In the opinion of the directors, the value of the subsidiaries is at least equal to the amount shown above and the principal subsidiaries included therein are:

	<i>Principal activity</i>	<i>Proportion of ordinary shares held</i>
Centre Hotels (Cranston) Limited	Non-trading	100%
LRG IG Ltd	Non-trading	100%
LRG Holdings No2 Ltd	Non-trading	100%
HI (Maidenhead) Ltd	Property holding company	100%
HI (Edinburgh North) Ltd	Property holding company	100%
CP (Leeds) Ltd	Property holding company	100%
HI (Brent Cross) Ltd	Property holding company	100%
HI (Strathclyde) Ltd	Property holding company	100%
LRG (UK) Ltd	Non-trading	100%

The above companies are registered in England and Wales with the exception of Centre Hotels (Cranston) Limited, which is registered in Scotland.

All the above are direct subsidiaries, except LRG IG Ltd, which is a subsidiary of Centre Hotels (Cranston) Limited.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

10. STOCKS

	2008	2007
	£000	£000
Raw materials and consumables	<u>152</u>	<u>146</u>

The difference between the purchase price of stock and their replacement costs is not material.

11. DEBTORS

	2008	2007
	£000	£000
Trade debtors	1,134	1,139
Amounts owed by fellow group undertakings	59,317	50,328
Corporation tax repayable	-	398
Other debtors	271	248
Prepayments and accrued income	<u>1,268</u>	<u>1,328</u>
	<u>61,990</u>	<u>53,441</u>

There are no specific repayment terms on Amounts owed by fellow group undertakings and interest is charged on specific balances at LIBOR + 1%.

Corporation tax includes amounts related to group relief which will be settled with other companies within the group.

12. CREDITORS: Amounts falling due within one year

	2008	2007
	£000	£000
Loan payable to fellow group undertaking	74,552	74,552
Trade creditors	877	439
Amounts owed to fellow group undertakings	42,670	34,871
Other taxation and social security	311	593
Other creditors	140	108
Accruals and deferred income	<u>2,152</u>	<u>4,547</u>
	<u>120,702</u>	<u>115,110</u>

The loan payable to fellow group undertakings includes an amount of £74,552,000 (2007: £74,552,000), repayable on demand, which was issued on 24 May 2005. Interest is payable on the loan at a rate per annum equal to LIBOR plus 2%.

There are no specific repayment terms on Amounts owed to fellow group undertakings and no interest is charged.

13. PENSIONS

The company operates a defined contribution scheme, the assets of which are administered by trustees in a fund independent from those of the company. The pension charge for the year amounted to £104,000 (year ended 31 December 2007: £127,000). Contributions amounting to £nil (2007: £nil) were outstanding at the year end.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

14. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Year to 31 Dec 08	Year to 31 Dec 07
	£000	£000
At 1 January 2008	1,899	1,961
Prior period adjustment	-	90
Current year movement	(274)	(152)
Provision carried forward	<u>1,625</u>	<u>1,899</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2008	2007
	£000	£000
Fixed assets	1,629	1,903
Other	(4)	(4)
	<u>1,625</u>	<u>1,899</u>

No provision has been made for the deferred tax on the sale of properties at their net book value amounts as the company is not committed to their disposal, nor has any provision been made for deferred tax on sale of properties where gains have been rolled over into replacement assets. The total amount unprovided is estimated at £Nil (2007: £598,000). It is not anticipated that any tax will be payable in the foreseeable future.

15. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2008	2007
	£000	£000
Operating leases which expire:		
Within 1 year	2,950	3,250
After more than 5 years	2,181	2,147
	<u>5,131</u>	<u>5,397</u>

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available under FRS 8 "Related Party Transactions", and has not disclosed transactions with group companies and related parties on the basis that the group accounts in which the company is included, are publicly available.

LRG HOTELS GROUP (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

17. SHARE CAPITAL

Authorised share capital:

	2008 £000	2007 £000
100 Ordinary shares of £1 each	-	-

Allotted, called up and fully paid:

	2008 No	£000	2007 No	£000
Ordinary shares of £1 each	100	-	100	-

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital	Revaluation reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance brought forward at 1 January 2008	-	(3,161)	18,124	14,963
Retained profit for the year	-	-	4,423	4,423
Transfer	-	54	(54)	-
Balance carried forward at 31 December 2008	-	(3,107)	22,493	19,386

In the profit and loss account £12,803,000 (2007: £12,803,000) is not considered distributable as it relates to revaluation amounts on assets still held by the Group.

19. CAPITAL COMMITMENTS

	2008 £000	2007 £000
Committed but not provided	292	321

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is LRG Holdings Limited. The immediate parent undertaking is SC Hotels & Holidays Limited.

The smallest and largest group of companies for which consolidated financial statements are prepared is LRG Holdings Limited. Copies of the consolidated financial statements of both companies may be obtained from the registered office located at 10 Bishops Square, 8th Floor, London, E1 6EG.