

Registration number: 0719804

# LRG Hotels Group (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2014

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# **LRG Hotels Group (UK) Limited**

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## **LRG Hotels Group (UK) Limited**

### **Company Information**

<b>Directors</b>	P Ekas R Prince
<b>Company secretary</b>	HaysMacintyre Company Secretaries Limited
<b>Registered office</b>	26 Red Lion Square London WC1R 4AG
<b>Auditor</b>	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom

## **LRG Hotels Group (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2014**

The directors present their strategic report for the year ended 31 December 2014.

#### **Principal activity**

The principal activity of the company is the ownership and operation of hotels in the UK.

#### **Review of the business**

The company was managed, as part of the LRG Group of companies, on a central basis under a management agreement with InterContinental Hotels Group (Management Services) Limited at the year end and this management function was transferred early in 2015 to Redefine BDL Hotels Limited with use of IHG's brands retained under a franchise agreement.

The company's results for the year reflect an improving economy with increases in both total turnover and like-for-like turnover. The directors believe the company is well placed to benefit from any continued improvement in the underlying economy and demand for hotels in the UK.

During the year the company sold one of its hotels and the related profit on sale is disclosed in the Profit and Loss Account.

The balance sheet shows the company's net asset position at the year end.

Since the year end the company has disposed of a further hotel and, as part of the same transaction the share capital of two of its subsidiaries. The LRG Group, of which the company is a member, is currently marketing its remaining hotels which may result in the disposal of the Group or most of the Group's subsidiaries and operations within the next twelve months.

#### **Key performance indicators**

Turnover for the year increased by 7.12% (2013: increased by 4.6%) reflecting management's emphasis on increasing average rate levels of occupancy and total room revenue.

Operating profit before impairments increased by 38.5% (2013: decrease of 0.1%) and management's actions to control direct costs were ongoing throughout the year.

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.

#### **Results and dividends**

The profit after taxation for the year ended 31 December 2014 was £17,758,000 (2013: £9,033,000).

The results for the year are stated after reversal of impairment of fixed assets and investments in subsidiaries, calculated by comparing the net book value of fixed assets with their net realisable value and 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 (2013: £nil).

## LRG Hotels Group (UK) Limited

### Strategic Report for the Year Ended 31 December 2014 (continued)

#### Principal risks and uncertainties

##### *Demand 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 under the management agreement, the directors of the company and the wider group seek to mitigate these potential risks.

##### *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. The directors' assessment of the company's ability to adopt the going concern basis of accounting is set out further in note 1 on page 11.

##### *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. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Approved by the Board on 22/6/15 and signed on its behalf by:

  
.....  
R Prince  
Director

## **LRG Hotels Group (UK) Limited**

### **Directors' Report for the Year Ended 31 December 2014**

The directors present their annual report and the financial statements for the year ended 31 December 2014.

#### **Directors**

The directors who served throughout the year were as follows:

P Ekas

R Prince

#### **Going concern**

The directors' assessment of the company's ability to adopt the going concern basis of accounting is set out further in note 1 on page 11.

#### **Future developments**

Since the year end the company has disposed of a further hotel and, as part of the same transaction the share capital of two of its subsidiaries. The LRG Group, of which the company is a member, is currently marketing its remaining hotels which may result in the disposal of the Group or most of the Group's subsidiaries and operations within the next twelve months.

#### **Employees**

The operations of the group were managed on a central basis under a management agreement. The company relies on the terms of the management agreement, as regards employees, in that the management company shall take all steps to enable 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.

## LRG Hotels Group (UK) Limited

### Directors' Report for the Year Ended 31 December 2014 (continued)

#### Auditor

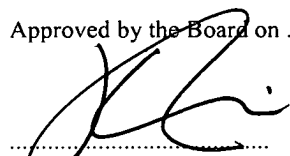
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 22/6/15 and signed on its behalf by:



R Prince  
Director

## **LRG Hotels Group (UK) Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the annual 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.



## **LRG Hotels Group (UK) Limited**

### **Independent Auditor's Report**

We have audited the financial statements of LRG Hotels Group (UK) Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **LRG Hotels Group (UK) Limited**

### **Independent Auditor's Report (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.



Timothy Steel ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor

London  
United Kingdom

Date: 24/6/15

## LRG Hotels Group (UK) Limited

### Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Turnover	2		
Continuing operations		42,846	39,322
Discontinued operations		1,422	2,004
Costs and overheads	3	<u>(38,131)</u>	<u>(36,895)</u>
<b>Operating profit before impairments</b>	4		
Continuing operations		6,119	4,375
Discontinued operations		18	56
Reversals of impairments on fixed assets	9	2,266	1,865
Amounts written back to investments	10	<u>8,653</u>	<u>4,982</u>
<b>Operating profit after impairments</b>		<b>17,056</b>	<b>11,278</b>
Profit on sale of tangible fixed assets		2,744	-
Other interest receivable and similar income	6	231	245
Interest payable and similar charges	7	<u>(1,883)</u>	<u>(1,869)</u>
<b>Profit on ordinary activities before taxation</b>		<b>18,148</b>	<b>9,654</b>
Tax charge on profit on ordinary activities	8	<u>(390)</u>	<u>(621)</u>
<b>Profit for the financial year</b>	17	<b><u>17,758</u></b>	<b><u>9,033</u></b>

The company has no recognised gains or losses for the year other than the results above, therefore no Statement of Recognised Gains and Losses has been included.

# LRG Hotels Group (UK) Limited

## Balance Sheet as at 31 December 2014

	Note	2014 £ 000	2013 £ 000
<b>Fixed assets</b>			
Tangible assets	9	20,279	21,092
Investments	10	62,945	54,292
		<u>83,224</u>	<u>75,384</u>
<b>Current assets</b>			
Stocks	11	125	125
Debtors: amounts falling due within one year	12	118,157	116,788
Cash at bank and in hand		16	36
		<u>118,298</u>	<u>116,949</u>
Creditors: amounts falling due within one year	13	(155,090)	(163,628)
<b>Net current liabilities</b>		<u>(36,792)</u>	<u>(46,679)</u>
<b>Total assets less current liabilities</b>		<b>46,432</b>	<b>28,705</b>
Provisions for liabilities	14	(315)	(346)
<b>Net assets</b>		<u><b>46,117</b></u>	<u><b>28,359</b></u>
<b>Capital and reserves</b>			
Called-up share capital	16	-	-
Profit and loss account	17	46,117	28,359
<b>Shareholder's funds</b>	18	<u><b>46,117</b></u>	<u><b>28,359</b></u>

The financial statements of LRG Hotels Group (UK) Limited, (registration number: 0719804) were approved by the Board of Directors on 22/1/15 and signed on its behalf by:

  
P Ekas  
Director

  
R Prince  
Director

## **LRG Hotels Group (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention.

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 part of the LRG Holdings Limited group (the “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 portfolio of hotels. The existing debt facility is secured until 2018, with 100% of the Group’s debt being either at a fixed rate, swapped into a fixed rate or capped. The Group’s financial forecasts, taking account of the existing loan terms and current trading performance, show that the Group will be able to operate within the level of its current and future facilities and remain in compliance with the terms of its loan agreements.

Since the year end, the Group has agreed to sell 18 hotels and is currently marketing its remaining hotels which may result in the disposal of the Group or most of the Group’s subsidiaries and operations within the next twelve months.

The company has net current liabilities as a result of intercompany loans which are payable on demand and accordingly is dependent on continuing support being made available by its parent undertaking to enable it to continue operating and to meet its liabilities as they fall due. The company has received a letter from its parent company confirming that it will provide continuing support, for at least 12 months or to the date of disposal should a sale of the company go ahead

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for at least the next twelve months or to the date of disposal should a sale of the company take place. In the event a disposal of the company does take place, although there is inherent uncertainty around a purchaser’s future actions, given the underlying profitability of the Group and the value of its assets, the directors believe that there are no material uncertainties that may cast significant doubt over the ability of the Group and the company to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

##### **Cash flow statement**

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group and its ultimate parent publishes consolidated financial statements.

##### **Consolidation**

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

## **LRG Hotels Group (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)**

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

##### **Tangible fixed assets**

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

##### **Impairment of fixed assets**

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 an income-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 income-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or income-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 income-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 income-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:

<b>Asset class</b>	<b>Depreciation rate</b>
Freehold buildings	periods up to 50 years
Leasehold buildings	over the shorter of 50 years and their remaining lease periods
Non core assets (including building surface finishes and services)	periods up to 25 years
Plant and machinery	between 5 and 15 years
Furniture and equipment	between 3 and 20 years

##### **Fixed asset 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 for the Year Ended 31 December 2014 (continued)**

#### **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.

##### **Provisions**

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

##### **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 21.49% (2013: 23.25%) of the losses surrendered.

##### **Deferred tax**

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.

##### **Operating leases**

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

##### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as 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. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

##### **Turnover**

The revenue is primarily derived from the hotel operations, including the rental of rooms and food and beverage sales, from a network of owned and leased hotels operating under the InterContinental Hotel Group's brand names. Revenue is recognised when rooms are occupied and food and beverage is sold.

Generally, 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.

## LRG Hotels Group (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 1 Accounting policies (continued)

##### 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 in the profit and loss account net of value added tax, represents amounts invoiced to third parties and is wholly attributable to the business of operating hotels in the UK.

#### 3 Cost of sales and operating expenses

	2014 £ 000	2013 £ 000
<b>Costs and overheads</b>		
Continuing operations	36,727	34,947
Discontinued operations	1,404	1,948
	<u>38,131</u>	<u>36,895</u>

#### 4 Costs and overheads

Operating profit before impairments is stated after charging:

	2014 £ 000	2013 £ 000
Raw materials and consumables	16,088	15,958
Staff costs	12,746	12,701
Hire of plant and machinery	229	222
Other external charges	857	822
Operating lease rentals land and building	6,882	5,810
Depreciation of tangible fixed assets	1,329	1,382
	<u>38,131</u>	<u>36,895</u>

Auditor's remuneration of £10,500 (2013: £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 for the Year Ended 31 December 2014 (continued)

#### 5 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2014 No.	2013 No.
Administration and support	411	427

The aggregate payroll costs were as follows:

	2014 £ 000	2013 £ 000
Wages and salaries	11,943	11,930
Social security costs	692	673
Other pension schemes	111	98
	<u>12,746</u>	<u>12,701</u>

Directors' emoluments in the current and prior period were £nil.

The above numbers are averages for the year and calculated on a full-time equivalent basis.

#### 6 Other interest receivable and similar income

	2014 £ 000	2013 £ 000
Interest receivable from fellow group undertakings	<u>231</u>	<u>245</u>

#### 7 Interest payable and similar charges

	2014 £ 000	2013 £ 000
Interest on loans from group undertakings	<u>1,883</u>	<u>1,869</u>

## LRG Hotels Group (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 8 Taxation

##### Tax on profit on ordinary activities

	2014 £ 000	2013 £ 000
<b>Current tax</b>		
UK corporation tax on profits of the year	1,006	790
Adjustment in respect of previous years	(585)	3
Total current tax	421	793
<b>Deferred tax</b>		
Origination and reversal of timing differences	(40)	(111)
Adjustment in respect of previous years	7	(10)
Effect of changes in tax rates	2	(51)
Total deferred tax	(31)	(172)
<b>Total tax charge on profit on ordinary activities</b>	<b>390</b>	<b>621</b>

##### Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2013: lower than the standard rate of corporation tax in the UK) of 21.49% (2013: 23.25%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
Profit on ordinary activities before tax	18,148	9,654
Corporation tax at standard rate	3,900	2,245
<b>Effects of:</b>		
Expenses not deductible for tax purposes	41	27
Income not taxable for tax purposes	(2,976)	(1,593)
Capital allowances for year in excess of depreciation	40	111
Adjustments to tax charge in respect of previous years	(584)	3
<b>Total current tax</b>	<b>421</b>	<b>793</b>

## LRG Hotels Group (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 9 Tangible fixed assets

	Freehold land and buildings £ 000	Long leasehold land and buildings £ 000	Short leasehold land and buildings £ 000	Plant and machinery £ 000	Fixtures and fittings £ 000	Total £ 000
<b>Cost</b>						
At 1 January 2014	3,015	17,161	2,699	15,849	14,430	53,154
Additions	-	-	-	407	591	998
Disposals	(3,015)	-	-	(1,516)	(1,833)	(6,364)
At 31 December 2014	-	17,161	2,699	14,740	13,188	47,788
<b>Depreciation</b>						
At 1 January 2014	1,171	6,439	1,973	11,791	10,688	32,062
Charge for the year	14	80	153	503	579	1,329
Eliminated on disposals	(1,185)	-	-	(1,084)	(1,347)	(3,616)
Impairment reversal	(2,266)	-	-	-	-	(2,266)
At 31 December 2014	(2,266)	6,519	2,126	11,210	9,920	27,509
<b>Net book value</b>						
At 31 December 2014	<u>2,266</u>	<u>10,642</u>	<u>573</u>	<u>3,530</u>	<u>3,268</u>	<u>20,279</u>
At 31 December 2013	<u>1,844</u>	<u>10,722</u>	<u>726</u>	<u>4,058</u>	<u>3,742</u>	<u>21,092</u>

Properties are included above at cost or valuation less depreciation. In accordance with the transitional rules of FRS15 the carrying values of properties at 30 September 1999 have been treated as cost. The revalued amounts became fully depreciated or impaired in prior years, hence there is no revaluation reserve. The cost or valuation of tangible fixed assets at the end of the year includes £nil (2013: £nil) of interest capitalised.

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.

Fixed assets were reviewed for impairment in accordance with the company's accounting policy. As a result there was a reversal of prior year impairments of £2,266,000 (2013: reversal of £1,865,000). The recoverable amount was based on the achieved or estimated hotel net realisable values. Net realisable value for the hotel being marketed was determined by the directors based on indicative pricing from the ongoing sales process.

## LRG Hotels Group (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 10 Investments held as fixed assets

	2014 £ 000	2013 £ 000
Shares in group undertakings and participating interests	62,945	54,292
<b>Shares in group undertakings</b>		
		<b>Subsidiary undertakings £ 000</b>
<b>Cost</b>		
At 1 January 2014		65,077
At 31 December 2014		65,077
<b>Provision for impairment</b>		
At 1 January 2014		10,785
Impairment reversal		(8,653)
At 31 December 2014		2,132
<b>Net book value</b>		
At 31 December 2014		62,945
At 31 December 2013		54,292

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 reversal of prior year impairments of £8,653,000 (2013: £4,982,000) has been credited to the profit and loss account.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	Principal activity	Proportion of ordinary shares held
Centre Hotels (Cranston) Limited	Non-trading	100%
LRG IG Limited	Non-trading	100%
LRG Holdings No. 2 Limited	Non-trading	100%
HI (Maidenhead) Limited	Property holding	100%
HI (Edinburgh North) Limited	Property holding	100%
CP (Leeds) Limited	Property holding	100%
HI (Brent Cross) Limited	Property holding	100%
HI (Strathclyde) Limited	Property holding	100%
LRG (UK) Limited	Non-trading	100%

The above companies are wholly owned subsidiaries 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 Limited, which is a subsidiary of Centre Hotels (Cranston) Limited.

## LRG Hotels Group (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 11 Stocks

	2014	2013
	£ 000	£ 000
Stocks	125	125

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

#### 12 Debtors: amounts falling due within one year

	2014	2013
	£ 000	£ 000
Trade debtors	1,565	1,354
Amounts owed by fellow group undertakings	115,279	113,901
Other debtors	34	262
Prepayments and accrued income	1,279	1,271
	118,157	116,788

There are no specific repayment terms on amounts owed by fellow group undertakings and interest is charged on specific balances at LIBOR +1% (2013: LIBOR +1%).

#### 13 Creditors: amounts falling due within one year

	2014	2013
	£ 000	£ 000
Trade creditors	430	620
Loan payable to fellow group undertakings	74,552	74,552
Amounts owed to fellow group undertakings	74,790	83,963
Corporation tax	473	577
Other taxes and social security	629	586
Other creditors	1,656	1,461
Accruals and deferred income	2,560	1,869
	155,090	163,628

The loan payable to fellow group undertakings was issued on 24 May 2005 and is repayable on demand. Interest is payable on the loan at a rate per annum equal to LIBOR +2% (2013: LIBOR + 2%).

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

## LRG Hotels Group (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 14 Provisions for liabilities

	<b>Deferred tax</b>
	<b>£ 000</b>
At 1 January 2014	346
Deferred tax charge in profit and loss account for the year	(38)
Adjustment in respect of prior years	7
At 31 December 2014	<u>315</u>

#### Analysis of deferred tax

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Accelerated capital allowances	<u>(315)</u>	<u>(346)</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 (2013: £nil). It is not anticipated that any tax will be payable in the foreseeable future.

#### 15 Commitments under lease agreements

As at 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Land and buildings</b>		
Within one year	2,950	2,950
Over five years	<u>3,932</u>	<u>2,860</u>
	<u>6,882</u>	<u>5,810</u>

# LRG Hotels Group (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

### 16 Called-up share capital

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

	No.	2014 £	No.	2013 £
Ordinary shares of £1 each	100	100	100	100

### 17 Reserves

	Profit and loss account £ 000
At 1 January 2014	28,359
Profit for the year	17,758
<b>At 31 December 2014</b>	<b>46,117</b>

### 18 Reconciliation of movement in shareholder's funds

	2014 £ 000	2013 £ 000
Profit attributable to the members of the company	17,758	9,033
Shareholder's funds at 1 January	28,359	19,326
<b>Shareholder's funds at 31 December</b>	<b>46,117</b>	<b>28,359</b>

### 19 Pension schemes

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 £111,000 (2013: £98,000).

Contributions amounting to £nil (2013: £nil) were outstanding at the year end.

### 20 Commitments

#### Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £205,000 (2013: £478,000).

## **LRG Hotels Group (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)**

#### **21 Related party transactions**

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group on the basis that the company is a wholly owned subsidiary and that the ultimate parent company's accounts are publically available.

#### **22 Ultimate parent undertaking and controlling party**

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

Consolidated financial statements of LRG Holdings Limited are available from:  
26 Red Lion Square, London WC1R 4AG.

#### **23 Subsequent events**

Since the year end the company has disposed of a further hotel and, as part of the same transaction the share capital of two of its subsidiaries. The LRG Group, of which the company is a member, is currently marketing its remaining hotels which may result in the disposal of the Group or most of the Group's subsidiaries and operations within the next twelve months.