

EDWARDIAN INTERNATIONAL HOTELS LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

Company Registration No. 02808125



EDWARDIAN INTERNATIONAL HOTELS LIMITED

FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

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EDWARDIAN INTERNATIONAL HOTELS LTD

DIRECTORS' REPORT - 2012

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2012

Principal activities

The principal activity of the company is the provision of hotel accommodation, conference facilities and meals. The company owns and operates three hotels directly and four other hotels through its wholly owned subsidiaries.

Business review

The company's turnover for the year was £37 million (2011 £47 million). The decrease was primarily due to transfer of a hotel to a group company in late October 2011. Like for like, the turnover of the three remaining hotels reduced slightly by £266,000.

Corporate business in London has continued to strengthen, but suffered some reduction leading up to the Olympics. Conference business has been slower but has recovered to some degree. Leisure business has been helped by the relative weakness of sterling. Heathrow has continued to be a difficult market in 2012. The Radisson Edwardian Heathrow has struggled with its competitors, including some new competitors. The company's earnings before interest, tax and depreciation (EBITDA), excluding the discontinued operations and before exceptional item, has declined by £3.6 million to £3.8 million, partly due to additional provision for back rent due for renewal from 2009 but recently agreed in principle and partly due to increase in administrative costs. The company has had a policy of hedging against interest variation both on contracted borrowing and on anticipated borrowing beyond contract maturities. Interest rates have been low and are anticipated to be low for a longer period of the future than was the case before 2011. Continued repayment of loans has left further excess of hedging. There is an exceptional item of £2.7 million further provision for onerous swap contracts as at 31 December 2012 (2011 £10.3 million). The company incurred a pre-tax loss of £4.4 million (2011 £6.5 million).

Outlook for the future

The outlook for the UK economy in 2013 is affected by economic uncertainty. Instability and austerity within the Eurozone has had and is expected to continue to have negative impact on leisure and to a lesser degree on business travel into London from the Eurozone. These pressures will continue and may intensify in 2013. The leisure business in London continues to be quite strong. Demand connected to financial services, which is an important source of business for the company, has recovered, and conference business is recovering to a degree but Heathrow market may continue to be difficult in 2013. The company's continuing investments in refurbishing and improving its hotels will help its competitive position going forward. We are confident such investment and the naturally diverse and varied demand for hotel services in central London will ensure that we continue to prosper.

We are grateful to our management and staff who have continued to work very hard to access new sources of demand and to control costs as well as to deliver fine service to our customers.

The financial statements of the company's parent company, Edwardian Group Ltd, contain a more detailed note on outlook for the future of the whole group.

Principal risks

The Companies Act 2006 requires that the directors' report contains a description of the principal risks and uncertainties facing the company. Like most businesses, the company is subject to a variety of risks which could have a negative impact on its performance and financial condition, including the reputational damage that might arise from inadvertent breach of one or more provisions of the substantial volume of new and revised legislation and regulations that continue to flow. The Board is responsible for the company's system of internal control and risk management, and for reviewing its effectiveness.

EDWARDIAN INTERNATIONAL HOTELS LTD

DIRECTORS' REPORT – 2012 (CONT'D)

Principal risks *(continued)*

In discharging and delegating that responsibility, the Board has regard to the balance of risk, cost and opportunity

This section describes some of the risks that could materially affect the company's business. The risks below are not the only ones that the company faces. Some risks are not yet known to it and some that it does not currently believe to be material could later turn out to be material. All such risks could materially affect its business, revenue, operating profit, earnings, net assets and liquidity and/or capital resources

The company's hotels are in London and at Heathrow so that profitability is dependant on the strength of the London hotel market. The company is therefore particularly exposed to the effects of further terrorist incidents in London or other events such as closure of airports by volcanic ash which could materially impact it if the effect were prolonged. The company has insurance against terrorism damage directly at each of its hotels but it is not possible to insure against indirect effects. Fortunately demand for hotel services and particularly room occupancy comes from many sources of business and many countries. The London hotel market has recovered swiftly from previous terrorist events. The concentration on London has been a source of strength for the company's profitability. Demand from major groups and substantial investors for well-located and well-presented hotels, because of the long-term importance and resilience of London as a business and leisure destination, has supported the increase of values of the hotels and is likely to continue to do so, but values have been and are bound to be affected to a degree by current performance

The company has substantial borrowings which require servicing of interest and capital repayments. It is reliant on having access to borrowing facilities to meet its expected capital requirements and to maintain an efficient balance sheet. The company's borrowing facilities are only available if the financial covenants in the facilities are complied with. If the company is not in compliance with the covenants, the lenders may demand the repayment of the funds advanced. The availability of funds for future financing is, in part, dependent on conditions and liquidity in the capital markets. We are grateful for the constructive supportive relationships we enjoy with our major long-term lender, the Royal Bank of Scotland and with the banks that joined its club in 2005

The company has taken steps to reduce the risk that might otherwise arise from increase of interest rates. These arrangements carry the risk that it would not benefit from the opportunity presented by a material reduction of interest rates, such as occurred in late 2008 and early 2009. This has restricted the reduction in interest charges that might otherwise have occurred. When such reduction of interest rates takes place, the increased credit exposure of the counterparties to the company reduces its financing opportunities. The economic environment has led to a significant fall in floating rates. This effect has intensified in 2012 including the effect of Quantitative Easing and seems likely to continue for some time

The company is reliant upon the reservation system of Carlson, the franchisor of the Radisson Blu brand and system. In common with other franchisees it is exposed to the risk of failures in that system as well as in its own associated IT systems. The company has only indirect influence over steps Carlson might take to mitigate such risks. While the group to which the company belongs has the benefit of long term agreements with Carlson which have been further strengthened in early 2012, it is exposed to the possibilities of interruption in the short term including inadequate disaster recovery arrangements, and/or to inadequate continued investment in this technology, leading to loss of competitive position in its distribution channels which are continually changing and important to revenues and to the control of the supply, presentation and price of its room inventory

EDWARDIAN INTERNATIONAL HOTELS LTD

DIRECTORS' REPORT – 2012 (CONT'D)

Principal risks *(continued)*

Events in 2008 and 2009 led the company to focus even more closely on reducing financial risks, but also to attend to the reputational risks which attach to a high profile company with customers who are entitled to demand a high level of service and consistent performance which depend on appropriate policies and the training and supervision of staff. Following much attention in 2008, continued and reinforced since, we are confident our policies and procedures are better able to handle such risks than they were at the start of 2008.

Fixed assets

There were no significant acquisitions in 2012.

We continue to make minor improvements to keep our hotels competitive. It is important to the enhancement of the Radisson Blu Edwardian brand and the development of the company's business that our hotels are improved and renovated and profit is generated to allow that process to continue.

The company's policy is to revalue its hotels every three years. This was last carried out as at 31 December 2011.

Dividends paid

No dividends were paid during the year (2011 £7.5 million).

Directors

The directors who served the company during the year were as follows:

Mr J Singh

Mr J R Morley

Employees

It is the company's policy to train and develop its staff in close relationship with various training organisations. The company recognises the need to ensure effective communication with employees. Senior management are regularly informed of company development in strategic, financial, commercial and personnel matters to enable them to inform and discuss these issues with employees as appropriate. The company believes in promoting from within the organisation on the basis of ability and merit.

Full and fair consideration is given to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for the appropriate training, career development and promotion of disabled persons.

EDWARDIAN INTERNATIONAL HOTELS LTD

DIRECTORS' REPORT – 2012 (CONT'D)

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing those financial statements, the directors are required to

- select suitable accounting policies, and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Disclosure of information to auditors

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

Auditors

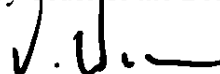
Pursuant to Section 487(2) of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP and SDC (2012) Ltd practising as Shah Dodhia & Co will therefore continue in office as joint auditors

Registered office:

140 Bath Road
Hayes
Middx
UB3 5AW

Date: 17 May 2013

By Order of the Board



V Wason
Secretary

EDWARDIAN INTERNATIONAL HOTELS LTD

REPORT OF THE INDEPENDENT JOINT AUDITORS' KPMG LLP AND SDC (2012) LTD PRACTISING AS SHAH DODHIA & CO TO THE MEMBERS OF EDWARDIAN INTERNATIONAL HOTELS LTD

We have audited the financial statements (the "financial statements") of Edwardian International Hotels Ltd for the year ended 31 December 2012 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2012 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 matters 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.

EDWARDIAN INTERNATIONAL HOTELS LTD

REPORT OF THE INDEPENDENT JOINT AUDITORS' KPMG LLP AND SDC (2012) LTD PRACTISING AS SHAH DODHIA & CO TO THE MEMBERS OF EDWARDIAN INTERNATIONAL HOTELS LTD (CONT'D)

Matters on which we are required to report by exception

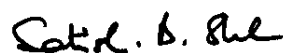
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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



Mark Summerfield
Senior Statutory Auditor
for and on behalf of
KPMG LLP, Statutory Auditor
15 Canada Square
London E14 5GL

Date: 17 May 2013



Satish Shah
Senior Statutory Auditor
for and on behalf of
SDC (2012) Ltd practising as
Shah Dodhia & Co, Statutory Auditor
173 Cleveland Street
London W1T 6QR

Date: 17 May 2013

EDWARDIAN INTERNATIONAL HOTELS LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
Turnover			
Continuing operations		37,386	37,652
Discontinued operations		-	9,420
TURNOVER	2	37,386	47,072
Cost of sales		(14,430)	(16,615)
GROSS PROFIT		22,956	30,457
Operating expenses	3	(22,541)	(23,477)
Other operating income		48	67
Continuing operations		463	4,103
Discontinued operations		-	2,944
OPERATING PROFIT EXCLUDING EXCEPTIONAL ITEM	4	463	7,047
Interest receivable and similar income	5	11,510	12,657
Interest payable and similar charges	6	(13,610)	(15,907)
Exceptional item- Provision for onerous swap contracts	7	(2,743)	(10,338)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,380)	(6,541)
Tax on loss on ordinary activities	11	559	1,887
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(3,821)	(4,654)
Dividends	12	-	(7,500)
RETAINED LOSS FOR THE YEAR		(3,821)	(12,154)

During 2012 other than the loss for the year the company had further recognised gains and losses as disclosed in the Statement of Total Recognised Gains and Losses on Page 8

The notes on pages 10 to 21 form part of these financial statements

EDWARDIAN INTERNATIONAL HOTELS LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £000	2011 £000
Loss for the financial year attributable to the shareholders	(3,821)	(4,654)
Dividends	-	(7,500)
Unrealised profit on revaluation of tangible assets	-	42,143
Unrealised profit on revaluation of investments	<u>5,779</u>	<u>271,599</u>
Total recognised gains and losses since the last financial statements	<u>1,958</u>	<u>301,588</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £'000	2011 £'000
Opening Shareholders' Funds	564,299	262,711
Loss for the financial year	(3,821)	(4,654)
Dividends	-	(7,500)
Other net recognised gains and losses	<u>5,779</u>	<u>313,742</u>
Closing Shareholders' Funds	<u>566,257</u>	<u>564,299</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(4,380)	(6,541)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>339</u>	<u>597</u>
Historical cost loss on ordinary activities before taxation	<u>(4,041)</u>	<u>(5,944)</u>
Historical cost loss retained for the year after taxation and dividends	<u>(3,482)</u>	<u>(11,557)</u>

The notes on pages 10 to 21 form part of these financial statements

EDWARDIAN INTERNATIONAL HOTELS LTD

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	13	157,679	157,400
Investments	14	428,285	422,506
		<u>585,964</u>	<u>579,906</u>
CURRENT ASSETS			
Stocks	15	257	242
Debtors (including £262,603,000 (2011 £271,255,000) due after more than one year)	16	272,061	282,613
Cash at bank and in hand		852	1,368
		<u>273,170</u>	<u>284,223</u>
CREDITORS: Amounts falling due within one year	17	(19,278)	(18,119)
NET CURRENT ASSETS		<u>253,892</u>	<u>266,104</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>839,856</u>	<u>846,010</u>
CREDITORS: Amounts falling due after more than one year	18	(257,858)	(268,477)
		<u>581,998</u>	<u>577,533</u>
PROVISION FOR LIABILITIES AND CHARGES	19	(15,741)	(13,234)
NET ASSETS		<u>566,257</u>	<u>564,299</u>
CAPITAL AND RESERVES			
Share Capital	20	-	-
Revaluation Reserve	21	511,725	506,285
Capital Redemption Reserve	21	22,537	22,537
Profit and Loss Account	21	31,995	35,477
SHAREHOLDERS' FUNDS		<u>566,257</u>	<u>564,299</u>

These financial statements were approved by the directors on 17 May 2013 and are signed on their behalf by


Jasvinder Singh (Chairman)

Company Registration No 02808125

The notes on pages 10 to 21 form part of these financial statements

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of the company's hotels and fixed asset investments

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard (FRS) No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Group financial statements

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 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements

Leasing commitments

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Fixed assets and depreciation

All hotels are revalued periodically and are carried forward at valuation, together with additions thereafter at cost, less depreciation, until their next revaluation date when they are again stated at valuation. Impairment reviews are carried out as and when considered necessary

The hotels are separated into components which have significantly different useful economic lives and these are depreciated to their residual values over their useful economic lives

Land included in the freehold and long leasehold (over 50 years) hotels is not depreciated. The value allocated to land for leasehold properties with unexpired term of 50 years or less is written off on a straight line basis over the remaining term of the leases. All other tangible fixed assets are depreciated on a straight line basis to their residual values over their estimated useful lives as follows

Freehold Buildings	50 years
Leasehold Buildings	Lesser of 50 years and unexpired term of lease
Non-core Building (Integral Plant and Surface Finishes)	10 - 30 years
Plant and Machinery	3 - 20 years
Fixtures, Fittings and Equipment	3 - 10 years
Computer Equipment	3 years
Motor Vehicles	5 years

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - 2012 (CONT'D)

1. PRINCIPAL ACCOUNTING POLICIES – *continued*

Stocks

Stocks consist of raw materials and consumables and are valued at the lower of cost and net realisable value

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Revenue recognition

Revenue principally comprises income from the ownership and operation of hotels which is recognised as turnover at the point at which accommodation and related services are provided

Foreign currencies

Foreign currency transactions are recorded at the average exchange rate for the year. Balances at the year end are translated at the relevant year end rates and exchange gains or losses arising are taken to the profit and loss account

Interest rate swaps

Premiums paid on interest rate swaps which are entered into to manage the interest rate risk are matched to the company's borrowings and are amortised over their effective term

A provision for onerous contracts is made in respect of swaps which are expected to be in excess of the anticipated bank borrowings at their future settlement dates and where the future LIBOR rates at which they are contracted are in excess of the future LIBOR rates available at the balance sheet date

2. TURNOVER

Turnover represents amounts receivable in respect of the provision of hotel accommodation, conference facilities and meals during the year, excluding value added tax. All of the company's hotels are situated in the United Kingdom

3. NET OPERATING EXPENSES

	2012	2011
	£'000	£'000
Distribution costs	3,233	3,605
Administrative expenses	19,308	19,872
	<u>22,541</u>	<u>23,477</u>

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - 2012 (CONT'D)

4. OPERATING PROFIT

Operating profit is stated after charging

	2012	2011
	£'000	£'000
Depreciation	3,336	4,241
Auditor's Remuneration		92
Audit Services	67	-
Other services Taxation	12	-
Operating lease rentals	<u>899</u>	<u>914</u>

5. INTEREST RECEIVABLE

	2012	2011
	£'000	£'000
Bank interest receivable	-	39
Interest receivable from group undertakings	<u>11,510</u>	<u>12,618</u>
	<u>11,510</u>	<u>12,657</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£'000	£'000
Interest payable on bank borrowing	<u>13,610</u>	<u>15,907</u>
	<u>13,310</u>	<u>15,907</u>

7. EXCEPTIONAL ITEM

	2012	2011
	£'000	£'000
Provision for onerous swap contracts	<u>2,743</u>	<u>10,338</u>

The company had entered into various contracts for interest differences on separate notional amounts ('swaps') as disclosed in Note 19. For some future years the aggregate amount of such swaps is in excess of the committed loan facilities of the company and some swaps extend beyond the period of committed facilities. The economic environment has led to a further fall in the expected future floating rates implied by market transactions. As a result the excess swaps have become more onerous and a further provision of £2,743,000 (2011: £10,338,000) has been made based on the discounted values as at the year end of the expected differences on the excess amounts.

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS - 2012 (CONT'D)

8. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2012	2011
	No.	No
Operations	530	680
Administration, sales and marketing	22	38
	<u>552</u>	<u>718</u>

The aggregate payroll costs of the above were

	2012	2011
	£'000	£'000
Wages and salaries	10,229	11,923
Social security costs	913	1,071
	<u>11,142</u>	<u>12,994</u>

9. DIRECTORS' EMOLUMENTS

All emoluments are paid by a group company, Edwardian London Management Services Limited. Details of emoluments are included in the financial statements of that company and in the financial statements of the parent company, Edwardian Group Limited.

10. PENSION SCHEMES

The principal pension schemes of the company and fellow group undertakings are defined contribution schemes for which all contributions for all group employees are made from the relevant employing company.

The group also operates a defined benefit pension scheme in the UK, the Edwardian Group Pension Scheme for certain group employees for which all contributions are made from the group management company, Edwardian London Management Services Limited.

This group scheme is run on a basis that does not enable individual companies within the group to identify their share of the underlying assets and liabilities.

Full details of the pension schemes, which are accounted for in accordance with the accounting standard FRS 17 are disclosed in the financial statements of the ultimate parent company, Edwardian Group Limited.

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The tax credit for the year comprise:

	2012 £'000	2011 £'000
Current Tax:		
Corporation Tax receivable based on taxable loss for the year	(314)	(1,507)
Over provision in prior years	(9)	(23)
Total current tax credit	<u>(323)</u>	<u>(1,530)</u>
Deferred Tax:		
Origination and reversal of timing differences	(236)	(342)
Under provision for the year	-	(7)
Under provision on deferred tax for inter company transfer of assets	-	(8)
Total deferred tax credit (Note 19)	<u>(236)</u>	<u>(357)</u>
Total tax credit	<u>(559)</u>	<u>(1,887)</u>

(b) Factors affecting tax credit for the year:

The current tax credit for the year is lower (2011 lower) than the average standard rate of corporation tax in the UK of 24.5% (2011 26.5%)

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(4,380)	(6,541)
Loss on ordinary activities multiplied by standard rate of tax @ 24.5% (2011 26.5%)	(1,073)	(1,733)
Effects of		
Expenses not deductible for tax purposes, £1,292,000 (2011 £1,842,000) of which £1,268,000 (2011 £1,667,000) relates to depreciation on land and buildings	317	480
Current year IBA, not subject to claw back	-	(22)
Accelerated capital allowances	149	74
Transfer pricing adjustments	293	(314)
Over provision in prior years	(9)	(23)
Total current tax credit	<u>(323)</u>	<u>(1,530)</u>

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

11. TAX ON PROFIT ON ORDINARY ACTIVITIES – *continued*

(c) Factors affecting the future tax charge:

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods. The UK standard rate of corporation tax averaged at 24.5% for the year to 31 December 2012 (2011: 26.5%).

12. DIVIDENDS PAID

	2012 £'000	2011 £'000
Dividend paid on equity ordinary shares		
£Nil per share (2011: £75,000)	-	7,500
	<u>-</u>	<u>7,500</u>

13. TANGIBLE FIXED ASSETS

	Hotels £'000
COST OR VALUATION	
At 1 January 2012	195,552
Additions	3,615
Revaluation	(971)
At 31 December 2012	<u>198,196</u>
DEPRECIATION	
At 1 January 2012	38,152
Charge for the year	3,336
Revaluation Adjustment	(971)
At 31 December 2012	<u>40,517</u>
NET BOOK VALUE	
At 31 December 2012	<u>157,679</u>
At 31 December 2011	<u>157,400</u>

The hotels are stated at professional valuation carried out as at 31 December 2011 by Messrs Jones Lang LaSalle on the basis of Existing Use Value, as licensed operating hotels, inclusive of the trade furniture, furnishings and equipment in accordance with the requirements of The Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, together with additions thereafter, less depreciation.

If the properties were sold at the value shown in the financial statements, and no reliefs or exemptions were available, the chargeable gains arising would be £3.4 million (2011: £3 million).

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

13. TANGIBLE FIXED ASSETS – *continued*

No provision has been made for this amount as the company has no current plans to sell the properties. The directors do not believe the whole of such liability is likely to arise as the company could so arrange disposal of the hotels or company to reduce or eliminate such tax arising.

The historical cost of land and buildings at 31 December 2012 was £81.06 million (2011: £80.6 million).

The analysis of the net book value of hotels is as follows:

	2012 £'000	2011 £'000
Freehold - REH	75,590	75,000
Long Leasehold - Grafton	68,813	68,800
Short Leasehold (less than 50 years) - Sussex	13,276	13,600
	<u>157,679</u>	<u>157,400</u>

14. FIXED ASSET INVESTMENTS

Fixed asset investments comprise of investments in the following subsidiaries:

Name of Subsidiary	Principal Activity	Percentage of Shares	
		2012	2011
Edwardian Ltd	Hotel Services	100	100
Edwardian Hampshire Hotels Ltd	Hotel Services	100	100
London May Fair Hotel Limited	Hotel Services	100	100
Vanderbilt Hotels Limited	Hotel Services	100	100
Old May Fair Limited **	Investment Holding Company	100	100

All companies are registered in England and Wales.

** Indirect subsidiary

	Shares in subsidiaries £'000
COST OR VALUATION	
At 1 January 2012	422,506
Revaluations	5,779
At 31 December 2012	<u>428,285</u>
NET BOOK VALUE	
At 31 December 2012	<u>428,285</u>
At 31 December 2011	<u>422,506</u>

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

15. STOCKS

	2012	2011
	£'000	£'000
Stocks	<u>257</u>	<u>242</u>

16. DEBTORS

	2012	2011
	£'000	£'000
Trade debtors	2,266	1,925
Amounts owed by group undertakings	263,695	272,899
Corporation tax	4,922	6,522
Other debtors	8	6
Prepayments and accrued income	1,170	1,261
	<u>272,061</u>	<u>282,613</u>

Debtors include amounts owed by group undertakings of £262,603,000 (2011 £271,255,000) due after more than one year

17. CREDITORS: Amounts falling due within one year

	2012	2011
	£'000	£'000
Bank loans and overdrafts	9,155	8,137
Trade creditors	828	1,118
Amounts owed to group undertakings	2,658	3,527
Other taxation and social security	1,704	1,766
Other creditors and deferred income	644	510
Accruals	4,289	3,061
	<u>19,278</u>	<u>18,119</u>

18. CREDITORS: Amounts falling due after more than one year

	2012	2011
	£'000	£'000
Bank loans repayable between one and two years	12,220	8,137
Bank loans repayable between two and five years	40,877	40,130
Bank loans repayable after five years	170,629	186,048
Amounts owed to group undertakings	34,132	34,162
	<u>257,858</u>	<u>268,477</u>

The bank loans are secured by fixed charges on the freehold and leasehold properties of the company and certain fellow subsidiaries and floating charges on the assets of the company and certain fellow subsidiaries

At 31 December 2012, £234 million of the loans were available at LIBOR plus a margin of 1% p a plus any mandatory costs

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

18. CREDITORS: Amounts falling due after more than one year – *continued*

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	2012 £'000	2011 £'000
Bank loans and overdrafts	171,781	186,048
Amounts owed to group undertakings	3,484	3,580
	<u>175,265</u>	<u>189,628</u>

As at 31 December 2012 the company had swap agreements in place under which the following fixed rates are payable and floating LIBOR is received

Amount	LIBOR Fix	Remaining Effective Term
* £46,000,000	4 81%	1 January 2013 – 28 June 2018
	4 60%	29 June 2018 – 30 June 2028
£50,000,000	4 81%	1 January 2013 – 28 June 2013
	4 965%	29 June 2013 – 30 June 2028
£85,000,000	4 89%	1 January 2013 – 22 December 2019
£40,000,000	4 89%	1 January 2013 – 22 December 2019
£6,500,000	4 875%	1 January 2013 – 22 December 2019

*This swap reduces by £1 million each year to 2019. It may be cancelled by the bank by notice in 2017 with effect from 29 June 2018.

19. PROVISION FOR LIABILITIES AND CHARGES

	2012 £'000	2011 £'000
Provision for deferred taxation	1,743	1,979
Provision for onerous swap contracts	13,998	11,255
	<u>15,741</u>	<u>13,234</u>

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

19. PROVISION FOR LIABILITIES AND CHARGES – *continued*

Provision for Deferred Tax:

The provision for deferred tax is in respect of

	2012 £'000	2011 £'000
Accelerated capital allowances	1,772	4,369
Transfer	-	(2,353)
Short term timing differences	(29)	(37)
	<u>1,743</u>	<u>1,979</u>
Origination and reversal of other timing differences	(149)	(74)
Effect of change in rate of tax in current year charge	14	14
Effect of change in rate of tax on opening liability	(101)	(282)
Under provision for the year	-	(7)
Under provision on deferred tax for inter company transfer of assets	-	(8)
	<u>—</u>	<u>—</u>
Deferred tax credit in profit and loss account (Note 11)	(236)	(357)
Provision at start of year	1,979	4,681
Provision transferred to group undertaking in respect of hotel transferred	-	(2,345)
Provision at end of year	<u>1,743</u>	<u>1,979</u>

20. SHARE CAPITAL

Allotted, Called up and Fully paid:

	2012 £'000	2011 £'000
100 Ordinary shares of £1 each	-	-
	<u>—</u>	<u>—</u>

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

21. RESERVES

	Revaluation Reserve £'000	Capital Reserve £'000	Profit and Loss Account £'000
At 1 January 2012	506,285	22,537	35,477
Loss for the financial year	-	-	(3,821)
Surplus on revaluation of tangible assets	-	-	-
Surplus on revaluation of investments	5,779	-	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(339)	-	339
At 31 December 2012	<u>511,725</u>	<u>22,537</u>	<u>31,995</u>

22. GUARANTEES AND CONTINGENT LIABILITIES

The company is included within a normal group value added tax registration. All companies within the registration are jointly and severally liable for the total value added tax due by the group, which at 31 December 2012 amounted to £3.5 million (2011: £5.2 million).

23. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Authorised but not contracted	4,825	11,301
	<u>4,825</u>	<u>11,301</u>

At 31 December 2012 the group had annual commitments, subject to future review, under non-cancellable operating leases as set out below:

	2012 Land and Buildings £'000	2011 Land and Buildings £'000
Operating leases which expire after 5 years	1,057	986
	<u>1,057</u>	<u>986</u>

EDWARDIAN INTERNATIONAL HOTELS LTD

NOTES TO THE FINANCIAL STATEMENTS – 2012 (CONT'D)

24. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Edwardian Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions on the balances with entities which form part of the group headed by Edwardian Group Limited

The consolidated financial statements of Edwardian Group Limited, within which this company is included, can be obtained from 140 Bath Road, Hayes, Middx UB3 5AW

One of the directors, Mr J Singh is a guarantor of the obligations under the lease of the Radisson Edwardian Sussex Hotel

The directors confirm that there are no other related party transactions other than those disclosed in these financial statements

25. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Edwardian Group Limited, a company registered in England and Wales

These financial statements have been consolidated in the financial statements of Edwardian Group Limited. The consolidated financial statements can be obtained from 140 Bath Road, Hayes, Middx UB3 5AW