

**THE LYGON ARMS HOTEL LIMITED**

**Report and Accounts**

**1 January 2006**

**Deloitte & Touche LLP**  
**Leeds**



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# **THE LYGON ARMS HOTEL LIMITED**

## **2006 REPORT AND FINANCIAL STATEMENTS**

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# **THE LYGON ARMS HOTEL LIMITED**

## **2006 REPORT AND FINANCIAL STATEMENTS**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Colin Campbell  
James Hawksworth

#### **SECRETARY**

Megan Langridge

#### **REGISTERED OFFICE**

15 Grosvenor Gardens  
London  
SW1W 0DB

#### **BANKERS**

Anglo Irish Bank Corporation plc  
10 Old Jewry  
London  
EC2R 8DN

National Westminster Bank PLC  
Leeds City Office  
P O Box 154  
8 Park Row  
Leeds  
LS1 1QS

#### **SOLICITORS**

DLA  
Princes Exchange  
Princes Square  
Leeds  
LS1 4BY

Olswangs  
90 High Holborn  
London  
WCV 6XX

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Leeds

# THE LYGON ARMS HOTEL LIMITED

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements for the year ended 1 January 2006.

### PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company was dormant throughout the period except for charging interest on inter-company loans. The directors expect this position to be maintained for the foreseeable future. Following the acquisition of the company's parent company, Furlong Hotels Limited, the company changed its accounting reference date to 1 January 2006.

### RESULTS AND DIVIDENDS

During the period dividends on ordinary shares of £1,300,000 (Year ended 31 January 2005: £nil) were paid. The directors do not recommend a final dividend.

The profit for the period of £39,000 (Year ended 31 January 2005: £Nil) was transferred to reserves.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the period were:

H Fentum	(Resigned 9 December 2005)
S Wicks	(Resigned 9 December 2005)
J Hawksworth	(Appointed 9 December 2005)
C Campbell	(Appointed 9 December 2005)

No director had any interest in the shares of the company at 1 January 2006 or 31 January 2005. Directors' interests in shares of other group companies are shown in the annual report of Dawnay Shore Hotels plc.

### AUDITORS

Kilsby & Williams LLP resigned as auditors, during the period. Deloitte & Touche LLP, Chartered Accountants, were appointed as auditors during the period and a resolution for the re-appointment of Deloitte & Touche LLP is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



James Hawksworth  
Director

20 September 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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 accounting standards have been followed; 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LYGON ARMS HOTEL LIMITED**

We have audited the individual company financial statements (the "financial statements") of The Lygon Arms Hotels Limited for the period ended 1 January 2006 which comprise the profit and loss account, the individual company balance sheet and the related notes 1 to 12. 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 Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 United Kingdom 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 in accordance with the relevant reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstance of the company, 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.

### **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 individual company's affairs as at 1 January 2006 and of the company's profit for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Debit & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Leeds

*19 October 2006*

# THE LYGON ARMS HOTEL LIMITED

## PROFIT AND LOSS ACCOUNT

Period ended 1 January 2006

	Note	Period ended 1 January 2006 £'000	Period ended 31 January 2005 £'000
Interest receivable and similar income		1,913	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,913	-
Tax on profit on ordinary activities	4	(574)	-
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		1,339	-
Equity dividends paid	5	(1,300)	-
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		39	-

All of the company's operations during the period shown above represent continuing operations.

The company has no recognised gains or losses other than the profit or loss for the above financial periods.

The accompanying notes are an integral part of this profit and loss account.

# THE LYGON ARMS HOTEL LIMITED

## BALANCE SHEET 1 January 2006

	Note	As at 1 January 2006 £'000	As at 31 January 2005 £'000
<b>CURRENT ASSETS</b>			
Debtors	6	18,269	18,230
		<u>18,269</u>	<u>18,230</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	150	150
Share premium account	8	16,688	16,688
Profit and loss account	8	<u>1,431</u>	<u>1,392</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	9	<u>18,269</u>	<u>18,230</u>

The financial statements were approved by the Board of Directors on ~~20 September 2006~~ and signed on its behalf by:



James Hawksworth  
Director

The accompanying notes are an integral part of this balance sheet.



# THE LYGON ARMS HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 January 2006

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

#### Basis of accounting

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

#### Taxation

Current tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognized when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments in the financial year (31 January 2005: £nil). There are no directors for whom retirement benefits are accruing under money purchase or defined benefit schemes.

	Period ended 1 January 2006 No.	Period ended 31 January 2005 No.
Average number of persons employed		
Administration	2	-

### 3. OPERATING PROFIT

The audit fee for the company has been incurred by the company's fellow group undertakings.

# THE LYGON ARMS HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 January 2006

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period ended 1 January 2006 £'000	Period ended 31 January 2005 £'000
UK corporation tax charge - current year	574	-
<b>Tax on profit on ordinary activities</b>	<b>574</b>	<b>-</b>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	Period ended 1 January 2006 £'000	Period ended 31 January 2005 £'000
<b>Profit on ordinary activities before taxation</b>	<b>1,913</b>	<b>-</b>
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	574	-
Effects of:		
Capital allowances for the period in excess of depreciation	-	-
Group relief received	-	-
<b>Current tax charge for year</b>	<b>574</b>	<b>-</b>

### 5. DIVIDENDS

	Period ended 1 January 2006 £'000	Period ended 31 January 2005 £'000
<b>Interim dividend paid</b>		
1,000,000 "A" ordinary shares	866	-
500,000 "B" ordinary shares	434	-
	<b>1,300</b>	<b>-</b>

### 6. DEBTORS

	1 January 2006 £'000	31 January 2005 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	18,269	18,230

# THE LYGON ARMS HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 January 2006

### 7. CALLED UP SHARE CAPITAL

	1 January 2006 £'000	31 January 2005 £'000
<b>Authorised</b>		
1,000,000 "A" ordinary shares of 10p each	100	100
500,000 "B" ordinary shares of 10p each	50	50
	<u>150</u>	<u>150</u>
<b>Allotted, called up and fully paid</b>		
"A" ordinary shares of 10p each	100	100
"B" ordinary shares of 10p each	50	50
	<u>150</u>	<u>150</u>

Share rank equally, except for a dividend and return on capital, where the distribution rights of the "A" shares are 10,000 times more than those of "B" shares.

### 8. RESERVES

	Profit and loss account £'000	Share premium £'000
As at 1 February 2005	1,392	16,688
Retained profit for the period	39	-
As at 1 January 2006	<u>1,431</u>	<u>16,688</u>

### 9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1 January 2006 £'000	31 January 2005 £'000
Profit for the financial period	1,339	-
Dividends	(1,300)	-
Net addition to shareholders' funds	39	-
Opening shareholders' funds	18,230	18,230
Closing shareholders' funds	<u>18,269</u>	<u>18,230</u>

### 10. FINANCIAL COMMITMENTS

At 1 January 2006 the company had no commitments under non-cancellable operating leases (2005 nil).

### 11. ULTIMATE PARNET UNDERTAKING

The entire issued share capital of this company is indirectly owned by Dawney Shore Hotels plc, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of Dawney Shore Hotels plc, which represents the largest group in which the company is consolidated, can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

# THE LYGON ARMS HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 January 2006

### 12. RELATED PARTY TRANSACTIONS

The company has been involved in transactions with other companies within the Furlong Hotels Group which are subject to common control.

	Profit and loss charge / (credit) in the period £'000	Outstanding creditor/ (debtor) at the period end £'000
Dividend paid to Furlong Cotswolds Limited	1,300	(18,270)
Recharge of intercompany interest to Furlong Cotswolds Limited	<u>(1,913)</u>	<u>(18,270)</u>