

Company No: 3707886
Registered in England and Wales

THE ARDEN HOTEL LIMITED

REPORT AND FINANCIAL STATEMENTS

*** FOR THE YEAR ENDED 30 JUNE 2006 ***

THURSDAY



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COMPANIES HOUSE

Williams, Ashton & Anderson

Registered as Auditors

by

The Association of Chartered Certified Accountants

**359 YARDLEY ROAD
YARDLEY
BIRMINGHAM B25 8NB**

THE ARDEN HOTEL LIMITED

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THE ARDEN HOTEL LIMITED

COMPANY INFORMATION

Directors	J.E. Gardner Mrs. R.M. Gardner D.J.Gardner S.J.M. Gardner P.L. Bretherton A.G. Cheal
Secretary	D.J. Gardner
Registered office	Coventry Road Bickenhill Solihull West Midlands B92 0EH
Registered number	3707886
Auditor	Williams, Ashton & Anderson Registered Auditor, and Authorised Public Accountants 359 Yardley Road Yardley Birmingham B25 8NB
Bankers	Barclays Bank Plc 15 Colmore Row Birmingham B2 2EP
Solicitors	Hammond Suddards Edge Rutland House 148 Edmund Street Birmingham B3 2JR

THE ARDEN HOTEL LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of hotel, restaurant and leisure centre proprietors.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Turnover was up by 9.5%, in comparison with the previous year end, to £4,399,625 falling only £48,732 shy of an all time record. This was down largely to the NEC having a strong year, but also as a result of the company benefiting from an increase in web based sales. The strongest growth was experienced in room sales, which is encouraging as this should generate growth in other ancillary areas.

Generally costs increased in line with expectation, however there were a couple of notable exceptions. Agency staff increased 6 fold, largely due to the kitchen's reliance on temporary staff. This was partially offset by a 2.7% fall in wage and national insurance costs. Light and heat increased by 23.6%. Some of this can be attributed to the increased turnover, however the lion's share is likely to be due to the increased cost of energy.

The outlook for the forthcoming year appears positive, with the NEC winning new business (although generally smaller exhibitions). In addition, the potential growth of web based sales is healthy and so we forecast that turnover will be in line with 2006.

DIVIDENDS

A dividend of £500,000 was declared during the year. No further dividend is proposed.

DIRECTORS

The present directors of the company are set out on page 1. All the directors served throughout the year.

Those directors serving at the end of the year had interests in the share capital of the company as follows:

	Ordinary Shares of £1 each	
	30.6.2006	30.6.2005
J.E. Gardner	2,990	2,990
Mrs. R.M. Gardner	2,990	2,990
P.L. Bretherton	5,980	5,980
S.J.M. Gardner	5,980	5,980
A.G. Cheal	5,980	5,980
D.J. Gardner	5,980	5,980

Continued on page 3

THE ARDEN HOTEL LIMITED

REPORT OF THE DIRECTORS (CONTD.)

FOR THE YEAR ENDED 30 JUNE 2006

CHARITABLE DONATIONS

The company made charitable donations of £310 during the year (2005 £100).

AUDIT ENQUIRIES

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each of the directors has taken all steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

In accordance with the Companies Act 1985, Williams, Ashton & Anderson retire and offer themselves for re-appointment.

The report of the directors was approved by the board on 2 February 2007 and signed on its behalf by:

.....
D.J. GARDNER
Director

Coventry Road
Bickenhill
B92 0EH

THE ARDEN HOTEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ARDEN HOTEL LIMITED

We have audited the financial statements of The Arden Hotel Limited for the year ended 30 June 2006 on pages 6 to 17. These financial statements have been prepared in accordance with 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 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 the directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 explanation we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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 company's circumstances, consistently applied and adequately disclosed.

Continued on page 5

THE ARDEN HOTEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ARDEN HOTEL LIMITED (CONTD.)

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 company's affairs as at 30 June 2006 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

359 Yardley Road
Yardley
Birmingham
B25 8NB

2 February 2007

Williams, Ashton & Anderson
WILLIAMS, ASHTON & ANDERSON
REGISTERED AUDITOR, AND
AUTHORISED PUBLIC ACCOUNTANTS

THE ARDEN HOTEL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 £	2005 £
TURNOVER	2(a)	4,399,625	3,978,871
Cost of sales		(588,555)	(580,390)
		<hr/>	<hr/>
GROSS PROFIT		3,811,070	3,398,481
		<hr/>	<hr/>
Selling and distribution costs		(145,922)	(116,260)
Administrative expenses		(2,697,171)	(2,693,685)
		<hr/>	<hr/>
		(2,843,093)	(2,809,945)
		<hr/>	<hr/>
OPERATING PROFIT	3	967,977	588,536
Investment income	4	9,482	11,259
Interest (payable)	5	(351,972)	(392,530)
		<hr/>	<hr/>
NET PROFIT FOR THE YEAR BEFORE TAXATION		625,487	207,265
Taxation	8	(195,000)	(33,593)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	17	430,487	173,672
		<hr/>	<hr/>

CONTINUING OPERATIONS

Turnover and operating profit derive wholly from continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than those recorded in the profit and loss account.

THE ARDEN HOTEL LIMITED

BALANCE SHEET

AT 30 JUNE 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible	10	10,125,975	10,412,533
Investment in subsidiary undertakings	11	50,000	50,000
		<u>10,175,975</u>	<u>10,462,533</u>
CURRENT ASSETS			
Stocks	2c	22,387	22,387
Debtors due within one year	12	192,449	229,268
Cash at bank		304,609	98,800
		<u>519,445</u>	<u>350,455</u>
CREDITORS:			
Amounts falling due within one year	13	(1,389,529)	(958,363)
		<u>(870,084)</u>	<u>(607,908)</u>
NET CURRENT (LIABILITIES)			
		<u>9,305,891</u>	<u>9,854,625</u>
TOTAL ASSETS, LESS CURRENT LIABILITIES			
		<u>3,737,012</u>	<u>3,806,525</u>
CREDITORS:			
Amounts falling due after more than one year	14	(5,307,879)	(5,760,100)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	(261,000)	(288,000)
		<u>3,737,012</u>	<u>3,806,525</u>
TOTAL NET ASSETS			
		<u>3,737,012</u>	<u>3,806,525</u>
CAPITAL AND RESERVES			
Called up share capital	17	29,900	29,900
Profit and loss account	17	3,707,112	3,776,625
		<u>3,737,012</u>	<u>3,806,525</u>
EQUITY SHAREHOLDERS' FUNDS	17	3,737,012	3,806,525

The financial statements were approved by the Board on 2 February 2007 and signed on its behalf by:

..... *D.J. Gardner*
D.J. GARDNER
Director

THE ARDEN HOTEL LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of operating profit to net cash inflow from operating activities

	Note	2006 £	2005 £
Operating profit		967,977	588,536
Depreciation charge		401,064	414,264
Decrease in debtors		36,819	147,850
Increase/(decrease) in creditors		61,786	(53,705)
		<u>1,467,646</u>	<u>1,096,945</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		1,467,646	1,096,945
Returns on investments and servicing of finance	1	(342,490)	(381,271)
Taxation	1	(53,537)	(293,093)
Capital expenditure	1	(114,506)	(10,281)
Equity dividends paid		(300,000)	(550,000)
Financing - decrease in debt		(451,304)	(450,390)
		<u>205,809</u>	<u>(588,090)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

2

Increase/(decrease) in cash in the period		205,809	(588,090)
Cash outflow from decrease in debt		451,304	450,390
		<u>657,113</u>	<u>(137,700)</u>
Change in net debt resulting from cash flows:			
Net debt brought forward		(6,112,603)	(5,974,903)
		<u>(5,455,490)</u>	<u>(6,112,603)</u>
Net debt carried forward			

THE ARDEN HOTEL LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
1. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
Returns on investments and servicing of finance:		
Interest received	9,482	11,259
Interest paid	(351,972)	(392,530)
	<u>(342,490)</u>	<u>(381,271)</u>
Taxation		
UK Corporation tax paid	(53,537)	(293,093)
	<u></u>	<u></u>
Capital expenditure		
Payments to acquire tangible fixed assets	(114,506)	(10,281)
	<u></u>	<u></u>

2. ANALYSIS OF NET DEBT

	2005 £	Cash flow	2006 £
Cash in hand and at bank	98,800	205,809	304,609
Debt due after one year	(5,748,089)	443,069	(5,305,020)
Debt due within one year	(443,069)	-	(443,069)
Finance leases	(20,245)	8,235	(12,010)
	<u>(6,211,403)</u>	<u>451,304</u>	<u>(5,760,099)</u>
	<u>(6,112,603)</u>	<u>657,113</u>	<u>(5,455,490)</u>

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

1. DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state 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;
- * prepare the statements on a 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 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.

2. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention, and in accordance with applicable accounting standards.

The principal accounting policies which the directors have adopted within that convention are set out below.

(a) TURNOVER

Turnover consists of the invoiced value (excluding value added tax) of goods and services supplied to third parties. All transactions arose in the United Kingdom.

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

2. ACCOUNTING POLICIES (Continued)

(b) DEPRECIATION

Depreciation is provided so as to reduce fixed assets to their estimated residual value at the end of their anticipated useful lives. The principal annual rates used are:

Freehold buildings	Between 2% and 5% p.a. straight line basis
Computers	10% p.a. straight line basis
Fixtures & fittings	15% p.a. reducing balance basis and 25% p.a. straight line basis

Freehold land is not depreciated.

Assets are depreciated from the date they come into use.

(c) STOCKS

Stocks consist of goods for resale and are stated at the lower of cost and net realisable value.

Cost is determined on a first-in first-out basis.

Net realisable value is based on the estimated selling price after taking into account all further costs expected to be incurred.

(d) TAXATION

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made under the liability method.

(e) LEASED ASSETS

Where asset acquisitions are financed by hire purchase and leasing agreements ("finance leases"), the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in constant proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

(f) INVESTMENTS

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(g) GROUP ACCOUNTS

Group accounts have not been prepared as the company is exempt under S.248 Companies Act 1985 as the group is medium-sized.

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

3.	OPERATING PROFIT	2006	2005
		£	£
	Operating profit is shown after charging:		
	Depreciation of owned fixed assets	393,684	406,884
	Depreciation of leased assets	7,380	7,380
	Auditors' remuneration	3,700	3,600
		<u> </u>	<u> </u>
4.	INVESTMENT INCOME	2006	2005
		£	£
	Bank interest	9,482	11,259
		<u> </u>	<u> </u>
5.	INTEREST PAYABLE	2006	2005
		£	£
	Bank overdraft and loans	261,303	297,144
	Loan notes	88,913	92,717
	Finance leases	1,756	2,669
		<u> </u>	<u> </u>
		351,972	392,530
		<u> </u>	<u> </u>
6.	EMPLOYEES		
	Employees:		
	Average number of people (including remunerated directors) employed by the company during the year:		
		2006	2005
		£	£
	No. of employees		
	Office and management staff	3	3
	Restaurant and hotel staff	97	105
		<u> </u>	<u> </u>
		100	108
		<u> </u>	<u> </u>
	Costs in respect of these employees:	£	£
	Wages and salaries	1,235,821	1,200,828
	Social security costs	84,485	84,954
		<u> </u>	<u> </u>
		1,320,306	1,285,782
		<u> </u>	<u> </u>

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

	2006	2005
7. DIRECTORS' REMUNERATION	£	£
Salaries	135,000	135,000
8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2006	2005
	£	£
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profits for the year	174,000	53,593
Adjustments in respect of previous periods	48,000	-
	222,000	53,593
Deferred tax:-		
Origination and reversal of timing differences	(8,000)	(20,000)
Adjustment in respect of previous periods	(19,000)	-
	195,000	33,593
(b) Factors affecting tax charge for year		
Profit on ordinary activities before tax	625,487	207,265
Profit on ordinary activities multiplied by 26.47% (2005 19%)	165,566	39,380
Effect of:		
Depreciation in excess of capital allowances	8,434	14,213
Adjustment to tax charge in respect of previous periods	48,000	-
	222,000	53,593

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (contd.)

- (c) Factors that may affect future tax charges:
 Little change is expected in future years with depreciation being in excess of capital allowances.

The company acquired the freehold property from its subsidiary company in a previous period. Prior to this the property had been revalued in the accounts of the subsidiary. No deferred taxation has been provided in respect of any potential capital gain as it is not anticipated that the property will be disposed of within the foreseeable future.

9. DIVIDENDS	2006	2005
	£	£
Interim dividend (paid)	-	250,000
Final dividend declared 21 June 2006 (£300,000 paid)	500,000	-
	<u>500,000</u>	<u>250,000</u>

10. TANGIBLE ASSETS

	Freehold property	Fixtures fittings plant & equipment	Computers	TOTAL
	£	£	£	£
Cost				
At 1 July 2005	10,762,359	2,105,056	90,808	12,958,223
Additions	19,316	89,440	5,750	114,506
	<u>10,781,675</u>	<u>2,194,496</u>	<u>96,558</u>	<u>13,072,729</u>
Depreciation				
At 1 July 2005	1,313,322	1,164,736	67,632	2,545,690
Charge	230,502	157,352	13,210	401,064
	<u>1,543,824</u>	<u>1,322,088</u>	<u>80,842</u>	<u>2,946,754</u>
Net book value				
At 30 June 2006	9,237,851	872,408	15,716	10,125,975
	<u>9,449,037</u>	<u>940,320</u>	<u>23,176</u>	<u>10,412,533</u>
At 30 June 2005				

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

10. TANGIBLE ASSETS (contd).

The cost attributed to land included in freehold property which is not depreciated is £1,500,000.

The net book value of fixtures, fittings, plant and equipment includes £7,104 (2005 £14,484) in respect of assets held under finance leases.

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The investment of £50,000 relates to 35,094 shares (79.55% of share capital) in Arden Restaurant & Hotel Limited and the whole of the share capital of Kelube Limited which owns the remaining 20.45% of the share capital of Arden Restaurant & Hotel Limited. Neither company has traded during the years to 30 June 2006 and 30 June 2005.

The net assets of these companies at 30 June 2006 were £50,000.

12. DEBTORS

	2006	2005
	£	£
Trade debtors	177,269	216,672
Prepayments and accrued income	15,180	12,596
	<u>192,449</u>	<u>229,268</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Bank loans (note 15)	443,069	443,069
Trade creditors	183,018	140,446
Amount due to subsidiary undertaking	50,000	50,000
Corporation tax	222,463	54,000
Other taxes and social security costs	192,079	166,425
Accruals and deferred income	89,749	96,189
Obligations under finance leases	9,151	8,234
Dividend declared	200,000	-
	<u>1,389,529</u>	<u>958,363</u>

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	2005
	£	£
Bank loans (note 15)	3,405,340	3,848,409
Unsecured loan notes 2014 (note 15)	1,899,680	1,899,680
Obligations under finance leases	2,859	12,011
	<u>5,307,879</u>	<u>5,760,100</u>

15. BORROWINGS

	2006	2005
	£	£
Bank loans	3,848,409	4,291,478
Unsecured loan notes	1,899,680	1,899,680
Obligations under finance leases	12,010	20,245
	<u>5,760,099</u>	<u>6,211,403</u>

Analysis of repayments

Within one year or on demand	452,220	451,303
Between one and two years	445,928	452,220
Between two and five years	1,329,207	1,332,067
After five years	3,532,744	3,975,813
	<u>5,760,099</u>	<u>6,211,403</u>

Bank loans are comprised of treasury loans which are repayable by quarterly instalments. Interest is charged at 1.25% over Barclays Libor rate.

The bank's security for the borrowings is a first legal charge over the company's land and buildings and a debenture on the bank's standard charge form.

The loan notes are unsecured and repayable by 2014. Interest is charged at Libor rate.

THE ARDEN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

16. PROVISION FOR DEFERRED TAX	2006	2005
	£	£
Accelerated capital allowances	261,000	288,000
	<u> </u>	<u> </u>
Provision at 1 July 2005	288,000	
Deferred tax credit in profit and loss account for the year (note 8)	(27,000)	
	<u> </u>	
Provision at 30 June 2006	261,000	
	<u> </u>	

17. SHAREHOLDERS FUNDS

	Called up Share Capital	Profit & Loss account	Total
	£	£	£
Balance at 1 July 2005	29,900	3,776,625	3,806,525
Profit for the financial year	-	430,487	430,487
Dividends	-	(500,000)	(500,000)
	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2006	29,900	3,707,112	3,737,012
	<u> </u>	<u> </u>	<u> </u>

The authorised share capital comprises:

	2006	2005
Authorised	£	£
29,900 ordinary shares of £1 each	29,900	29,900
	<u> </u>	<u> </u>
Called up, allotted and fully paid	£	£
29,900 ordinary shares of £1 each	29,900	29,900
	<u> </u>	<u> </u>

18. RELATED PARTY TRANSACTIONS

The unsecured loan notes (note 15) are for J.E. Gardner and Mrs. R.M. Gardner £899,840 and P.L. Bretherton £999,840. During the year to 30 June 2006 the company paid interest on these loan notes amounting to £42,116 (2005 £43,918) to J.E. and Mrs. R.M. Gardner and £46,797 to P.L. Bretherton (2005 £48,799).

The company was charged rent of £10,000 for the use of certain land owned by J.E. Gardner and P.L. Bretherton

19. COMMITMENTS AND CONTINGENT LIABILITIES	2006	2005
Operating leases expiring within 2 to 5 years	£	£
Land	10,000	10,000
Contingent Liabilities	None	None