



# Financial Statements

## Kew Green Hotels Limited

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**For the year ended 31 August 2011**

**Registered number: 3993178**

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## Company Information

**Company number** 3993178

**Registered office** Second Floor  
Dome Building  
The Quadrant  
Richmond  
Surrey  
TW9 1DT

**Directors** Mr J Lamb  
Mr P Johnson  
Mr J Richardson (resigned 7 September 2010)  
Mr F Ternofsky (resigned 4 March 2011)  
Mr G Sidwell (resigned 4 March 2011)  
Mr G Stanley (alternate director to Mr G Sidwell) (resigned 4 March 2011)

**Company secretary** Mr J Lamb

**Bankers** Bank of Scotland (main agent)

Lloyds TSB (syndicate)

Barclays Bank (syndicate)

**Auditor** Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
No 1 Dorset Street  
Southampton  
Hampshire  
SO15 2DP

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## Directors' report

For the year ended 31 August 2011

The directors present their report and the financial statements for the year ended 31 August 2011

### **Principal activities**

The principal activity of the company is to develop and operate a number of hotels

### **Business review**

On 4 March 2011 the company and its subsidiaries were acquired by Kew Green Holdings Limited as part of the overall group financial restructuring. As a result, the company's core borrowings reduced to £80,000,000, following a debt for equity swap of £42,746,387. Of the £80,000,000, £79,950,000 has been disclosed as falling due outside one year substantially strengthening the balance sheet. Further financing via a newly negotiated £3,000,000 capital expenditure facility and a £1,500,000 overdraft facility were agreed. Costs in relation to this restructuring totalling £2,409,314 have been expensed during the year, reducing operating profit. This is disclosed within exceptional costs.

Also within exceptional costs is an increase in the provision for losses of trading subsidiaries of £9,978,828, increasing the total balance sheet provision to £15,748,828. However, to counter this, the company capitalised £42,746,387 of its inter-company borrowings with Kew Green Holdings Limited, effectively recognising the benefit of the debt for equity swap in this company. This has resulted in a much improved year end balance sheet position of £27,623,134.

During the year, new management contracts were signed to manage a 150 bedroom Holiday Inn in Walsall increasing management charges from this valuable income stream.

Overall, this restructuring has provided a firm foundation to enable the company and its subsidiaries to focus on its trading operations.

### **Going concern**

To support the successful financial restructuring in March 2011, detailed cash flow projections were prepared to support the new structure and these forecasts are continually updated and monitored. These forecasts, taking into account the challenging trading conditions, show that the group will be able to operate within its revised facilities. Post restructure, trading conditions have improved driven by stronger occupancies and a reduced operating cost base, although the directors remain cautious about future trading conditions.

The directors have considered the company's financial position, trading prospects, cash flow and financial forecasts and have a reasonable expectation that there are adequate resources to allow it to continue in operational existence for the foreseeable future. Accordingly, they have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

### **Results**

The loss for the year, after taxation, amounted to £9,714,030 (2010 - loss £5,315,531)

## Directors' report

For the year ended 31 August 2011

### **Financial risk management objectives and policies**

The company finances its operations through a senior debt facility and a group wide overdraft facility. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of fixed and floating facilities, interest rate swap facilities and regular review with the company's bankers.

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through an overall group treasury facility. Short term flexibility is achieved by a group overdraft facility.

### **Directors**

The directors who served during the year were

Mr J Lamb

Mr P Johnson

Mr J Richardson (resigned 7 September 2010)

Mr F Ternofsky (resigned 4 March 2011)

Mr G Sidwell (resigned 4 March 2011)

Mr G Stanley (alternate director to Mr G Sidwell) (resigned 4 March 2011)

### **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 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 then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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.

## Directors' report

For the year ended 31 August 2011

### **Provision of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

### **Auditor**

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 19 January 2012, and signed on its behalf



Mr J Lamb  
Director

## Independent auditor's report to the members of Kew Green Hotels Limited

We have audited the financial statements of Kew Green Hotels Limited for the year ended 31 August 2011, which comprise the Profit and loss account, the Balance sheet and the related notes. 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 Statement of directors' responsibilities, 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 Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 August 2011 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 matter 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.



## Independent auditor's report to the members of Kew Green Hotels Limited

### **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

*Grant Thornton UK LLP*

Stephen Mills (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

Southampton

Date 19 1 2012 .



## Profit and loss account

For the year ended 31 August 2011

|  | Note | 2011<br>£          | 2010<br>£   |
|--|------|--------------------|-------------|
| <b>Turnover</b>                                    | 1,2  | <b>4,413,309</b>   | 3,888,470   |
| Administrative expenses                            |      | (1,687,639)        | (1,399,629) |
| Exceptional administrative expenses                | 9    | (12,388,142)       | (5,770,000) |
| Total administrative expenses                      |      | (14,075,781)       | (7,169,629) |
| Other operating income                             | 3    | 652,302            | 224,267     |
| <b>Operating loss</b>                              | 4    | <b>(9,010,170)</b> | (3,056,892) |
| Net interest payable and similar charges           | 8    | (703,860)          | (2,258,639) |
| <b>Loss on ordinary activities before taxation</b> |      | <b>(9,714,030)</b> | (5,315,531) |
| Tax on loss on ordinary activities                 | 10   | -                  | -           |
| <b>Loss for the financial year</b>                 | 19   | <b>(9,714,030)</b> | (5,315,531) |

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 18 form part of these financial statements

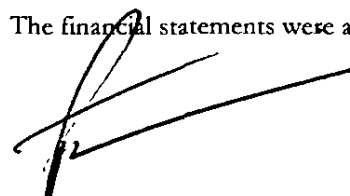
## Balance sheet

As at 31 August 2011

|  | Note | £                  | 2011<br>£                | £                    | 2010<br>£                 |
|--|------|--------------------|--------------------------|----------------------|---------------------------|
| <b>Fixed assets</b>  |      |                    |                          |                      |                           |
| Intangible assets  | 11   |                    | 173,921                  |                      | 207,727                   |
| Tangible assets  | 12   |                    | 64,127                   |                      | 75,619                    |
| Investments  | 13   |                    | 88,301,080               |                      | 88,301,080                |
|  |      |                    | <u>88,539,128</u>        |                      | <u>88,584,426</u>         |
| <b>Current assets</b>  |      |                    |                          |                      |                           |
| Debtors  | 14   | 27,093,430         |                          | 33,644,582           |                           |
| Cash at bank   |      | <u>2,341,572</u>   |                          | <u>1,280,558</u>     |                           |
|  |      |                    | <u>29,435,002</u>        |                      | <u>34,925,140</u>         |
| <b>Creditors: amounts falling due within one year</b>          | 15   | <u>(5,132,645)</u> |                          | <u>(125,706,397)</u> |                           |
| <b>Net current assets/(liabilities)</b>                        |      |                    | <u>24,302,357</u>        |                      | <u>(90,781,257)</u>       |
| <b>Total assets less current liabilities</b>                   |      |                    | <u>112,841,485</u>       |                      | <u>(2,196,831)</u>        |
| <b>Creditors: amounts falling due after more than one year</b> | 16   |                    | <u>(84,810,531)</u>      |                      | <u>(3,212,392)</u>        |
| <b>Provisions for liabilities</b>                              |      |                    |                          |                      |                           |
| Other provisions   | 17   |                    | <u>(407,820)</u>         |                      | <u>-</u>                  |
| <b>Net assets/(liabilities)</b>                                |      |                    | <u><u>27,623,134</u></u> |                      | <u><u>(5,409,223)</u></u> |
| <b>Capital and reserves</b>                                    |      |                    |                          |                      |                           |
| Called up share capital  | 18   |                    | 47,200                   |                      | 47,200                    |
| Share premium account  | 19   |                    | 43,144,212               |                      | 397,825                   |
| Profit and loss account  | 19   |                    | <u>(15,568,278)</u>      |                      | <u>(5,854,248)</u>        |
| <b>Shareholders' funds/(deficit)</b>                           | 20   |                    | <u><u>27,623,134</u></u> |                      | <u><u>(5,409,223)</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

19.1.2012

  
Mr P Johnson  
Director

The notes on pages 8 to 18 form part of these financial statements

# Notes to the financial statements

For the year ended 31 August 2011

## **1. Accounting policies**

### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

### **1.2 Going concern**

Following the financial restructuring, the financial stability of the new group, headed by Kew Green Holdings Limited, has been secured through a debt for equity swap amounting to £42,747,000. The remaining senior debt of £80,000,000 has been extended to 31 October 2015, with capital repayments of £1,400,000 planned over this period. In addition, the group has a new capital expenditure facility of £3,000,000 and a short term working facility of £1,500,000.

Detailed cash flow projections have been prepared to support the new structure and these are regularly updated and monitored. These forecasts, taking account of the challenging trading conditions, show that the company will be able to operate within the level of its revised facilities.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **1.3 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

### **1.4 Turnover**

Turnover comprises management charges receivable from its trading subsidiaries and management income from third parties, exclusive of Value Added Tax and trade discounts.

### **1.5 Intangible fixed assets and amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Amortisation is provided at the following rates:

|                            |   |  |
|----------------------------|---|--|
| Franchise application fees | - | 20% straight line or length of franchise agreement |
|----------------------------|---|--|

# Notes to the financial statements

For the year ended 31 August 2011

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

### **1.6 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

|                     |   |                              |
|---------------------|---|------------------------------|
| Fixtures & fittings | - | up to 10 years straight line |
|---------------------|---|------------------------------|

### **1.7 Investments**

Investments are recorded at cost less provision for impairment.

### **1.8 Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **1.9 Deferred taxation**

Deferred taxation is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using current rates of tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

### **1.10 Pensions**

The company contributes to personal pension plans of certain directors and key employees.

## **2. Turnover**

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

# Notes to the financial statements

For the year ended 31 August 2011

## 3. Other operating income

|  | 2011           | 2010           |
|--|----------------|----------------|
|  | £              | £              |
| Amortisation of non-repayable IHG loan     | 200,017        | 200,017        |
| Amortisation of non-repayable Cendant loan | 24,250         | 24,250         |
| Rebates and other miscellaneous income     | 428,035        | -              |
|  | <u>652,302</u> | <u>224,267</u> |

## 4. Operating loss

The operating loss is stated after charging

|  | 2011              | 2010             |
|--|-------------------|------------------|
|  | £                 | £                |
| Amortisation - intangible fixed assets           | 49,482            | 47,938           |
| Depreciation of tangible fixed assets            |                   |                  |
| - owned by the company                           | 9,730             | 7,882            |
| Operating lease rentals                          |                   |                  |
| - other operating leases                         | 88,744            | 88,784           |
| Exceptional administrative expenses (see note 9) | 12,388,142        | 5,770,000        |
|  | <u>12,486,358</u> | <u>5,896,504</u> |

## 5. Auditors' remuneration

|  | 2011          | 2010          |
|--|---------------|---------------|
|  | £             | £             |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 6,000         | 22,000        |
| Fees payable to the company's auditor and its associates in respect of               |               |               |
| The auditing of accounts of fellow group companies                                   | 50,000        | 33,000        |
| Other services relating to taxation  | 19,000        | 20,000        |
|  | <u>75,000</u> | <u>75,000</u> |

The company incurs fees payable to the company's auditors for the entire group. These fees are recharged to fellow group companies by the management charge.

# Notes to the financial statements

For the year ended 31 August 2011

## 6. Staff costs

Staff costs, including directors' remuneration, were as follows

|                       | 2011             | 2010           |
|-----------------------|------------------|----------------|
|                       | £                | £              |
| Wages and salaries    | 1,423,165        | 753,791        |
| Social security costs | 179,064          | 96,157         |
| Other pension costs   | 65,351           | 46,713         |
|                       | <u>1,667,580</u> | <u>896,661</u> |

The average monthly number of employees, including the directors, during the year was as follows

|                   | 2011      | 2010      |
|-------------------|-----------|-----------|
|                   | No.       | No.       |
| Head office staff | <u>21</u> | <u>15</u> |

## 7. Directors' remuneration

|   | 2011           | 2010           |
|---|----------------|----------------|
|   | £              | £              |
| Emoluments  | <u>779,879</u> | <u>508,251</u> |
| Company pension contributions to defined contribution pension schemes | <u>65,351</u>  | <u>46,713</u>  |
| Amounts paid to third parties for directors' remuneration services    | <u>4,167</u>   | <u>9,999</u>   |

During the year retirement benefits were accruing to 3 directors (2010 - 3) in respect of defined contribution pension schemes

The highest paid director received remuneration of £355,173 (2010 - £175,687)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £33,385 (2010 - £12,000)

# Notes to the financial statements

For the year ended 31 August 2011

## 8. Net interest payable

|  | 2011           | 2010             |
|--|----------------|------------------|
|  | £              | £                |
| On bank loans and overdrafts             | 7,766,893      | 8,915,766        |
| Interest receivable from group companies | (7,063,033)    | (6,657,127)      |
|  | <u>703,860</u> | <u>2,258,639</u> |

## 9. Exceptional items

|  | 2011              | 2010             |
|--|-------------------|------------------|
|  | £                 | £                |
| Reorganisation and restructuring costs   | 2,409,314         | -                |
| Provision against losses of subsidiaries | 9,978,828         | 5,770,000        |
|  | <u>12,388,142</u> | <u>5,770,000</u> |

The reorganisation and restructuring costs have been treated as allowable costs for tax purposes where appropriate, thereby further increasing the tax losses carried forward

## 10. Taxation

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 27 16% (2010 - 28%) The differences are explained below

|   | 2011               | 2010               |
|---|--------------------|--------------------|
|   | £                  | £                  |
| Loss on ordinary activities before tax  | <u>(9,714,030)</u> | <u>(5,315,531)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 27 16% (2010 - 28%) | (2,638,331)        | (1,488,349)        |
| <b>Effects of:</b>  |                    |                    |
| Expenses not deductible for tax purposes, including provision for losses of subsidiaries                    | 2,732,956          | 1,617,220          |
| Capital allowances for year in excess of depreciation   | (1,860)            | 1,775              |
| Group relief claimed  | (61,551)           | (183,938)          |
| Other short term timing differences   | (31,214)           | 53,292             |
| <b>Current tax charge for the year (see note above)</b>   | <u>-</u>           | <u>-</u>           |

# Notes to the financial statements

For the year ended 31 August 2011

## 11. Intangible fixed assets

|                       | Franchise<br>application<br>fees<br>£ |
|-----------------------|---------------------------------------|
| <b>Cost</b>           |                                       |
| At 1 September 2010   | 371,265                               |
| Additions             | 15,676                                |
| At 31 August 2011     | 386,941                               |
| <b>Amortisation</b>   |                                       |
| At 1 September 2010   | 163,538                               |
| Charge for the year   | 49,482                                |
| At 31 August 2011     | 213,020                               |
| <b>Net book value</b> |                                       |
| At 31 August 2011     | 173,921                               |
| At 31 August 2010     | 207,727                               |

## 12. Tangible fixed assets

|                       | Fixtures &<br>fittings<br>£ |
|-----------------------|-----------------------------|
| <b>Cost</b>           |                             |
| At 1 September 2010   | 102,154                     |
| Additions             | 9,983                       |
| Disposals             | (11,745)                    |
| At 31 August 2011     | 100,392                     |
| <b>Depreciation</b>   |                             |
| At 1 September 2010   | 26,535                      |
| Charge for the year   | 9,730                       |
| At 31 August 2011     | 36,265                      |
| <b>Net book value</b> |                             |
| At 31 August 2011     | 64,127                      |
| At 31 August 2010     | 75,619                      |



# Notes to the financial statements

For the year ended 31 August 2011

## 13. Fixed asset investments

|  | Subsidiaries<br>including<br>loans<br>£ |
|--|---|
| <b>Cost</b>                            |   |
| At 1 September 2010 and 31 August 2011 | 88,301,080                              |
| <b>Net book value</b>                  |   |
| At 31 August 2011                      | 88,301,080                              |
| At 31 August 2010                      | 88,301,080                              |

The company has the following wholly owned subsidiaries, all of which operate hotels (except where stated) and all of which are incorporated in the United Kingdom (except where stated)

Kew Green Hotels (Derby) Limited  
 Kew Green Hotels (Nottingham) Limited  
 Kew Green Hotels (Portsmouth) Limited  
 Kew Green Hotels (Stansted) Limited (intermediate holding company)  
 Kew Green Hotels (Luton) Limited  
 Kew Green Hotels (Wakefield) Limited  
 Kew Green (Square) Limited  
 Kew Green Hotels (Norwich) Limited  
 Kew Green Hotels (Gatwick) Limited  
 Kew Green Hotels (Speke) Limited  
 Neptune Hotels Limited  
 Kew Green (SCP) Limited (registered in Jersey, owns 11 hotels)

All of the above companies are wholly owned by Kew Green Hotels Limited except for Neptune Hotels Limited which is owned by Kew Green Hotels (Speke) Limited

## 14. Debtors

|                                    | 2011<br>£         | 2010<br>£         |
|------------------------------------|-------------------|-------------------|
| Trade debtors                      | 125,064           | 136,277           |
| Amounts owed by group undertakings | 26,255,230        | 32,363,941        |
| VAT repayable                      | 511,803           | 431,477           |
| Other debtors                      | 163,263           | 137,493           |
| Prepayments and accrued income     | 38,070            | 575,394           |
|                                    | <u>27,093,430</u> | <u>33,644,582</u> |

# Notes to the financial statements

For the year ended 31 August 2011

## 15. Creditors:

### Amounts falling due within one year

|                                    | 2011<br>£        | 2010<br>£          |
|------------------------------------|------------------|--------------------|
| Bank loans                         | 50,000           | 121,172,103        |
| Other loans                        | 224,265          | 224,267            |
| Trade creditors                    | 61,632           | 84,811             |
| Amounts owed to group undertakings | 3,777,679        | 3,000,674          |
| Social security and other taxes    | 127,989          | 128,556            |
| Other creditors                    | 177,684          | 399,322            |
| Accruals and deferred income       | 713,396          | 696,664            |
|                                    | <u>5,132,645</u> | <u>125,706,397</u> |

### Interest rate swaps

In 2008, the company entered into interest rate swap agreements in order to hedge against fluctuations in LIBOR. As part of the restructuring during the year, the group amended these swap agreements to reflect the new senior debt. The principle amount over which swaps applied at 31 August 2011 was £80,000,000 (31 August 2010 - £85,907,000). These instruments effectively fix LIBOR at 4.41%. The fair value of the instruments as at 31 August 2011 was a liability of £10,162,000 (2010 - liability £8,303,000).

### Debt restructuring

In March 2011, a restructuring was agreed, principally comprising a debt for equity swap of £42,747,000. The remaining senior debt of £80,000,000 has been extended to 31 October 2015, with repayments of £1,400,000 planned during this period. In addition, the group obtained a capital expenditure facility of £3,000,000 and a working capital facility of £1,500,000. Of these facilities, £500,000 of the capital expenditure facility has been drawn down.

All bank facilities are secured by fixed and floating charges over certain of the group's property and assets. Certain group companies are party to a composite guarantee in respect of these borrowings.

# Notes to the financial statements

For the year ended 31 August 2011

## 16. Creditors:

### Amounts falling due after more than one year

|                 | 2011<br>£         | 2010<br>£        |
|-----------------|-------------------|------------------|
| Bank loans      | 81,342,403        | -                |
| Other loans     | 2,988,128         | 3,212,392        |
| Other creditors | 480,000           | -                |
|                 | <u>84,810,531</u> | <u>3,212,392</u> |

Included within the above are amounts falling due as follows

|                                   | 2011<br>£         | 2010<br>£        |
|-----------------------------------|-------------------|------------------|
| <b>Between one and two years</b>  |                   |                  |
| Bank loans                        | 50,000            | -                |
| Other loans                       | 224,267           | 224,267          |
|                                   | <u>274,267</u>    | <u>224,267</u>   |
| <b>Between two and five years</b> |                   |                  |
| Bank loans                        | 81,292,403        | -                |
| Other loans                       | 630,341           | 654,590          |
|                                   | <u>81,922,744</u> | <u>654,590</u>   |
| <b>Over five years</b>            |                   |                  |
| Other loans                       | 2,133,520         | 2,333,535        |
|                                   | <u>2,133,520</u>  | <u>2,333,535</u> |

Creditors include amounts not wholly repayable within 5 years as follows

|                           | 2011<br>£        | 2010<br>£        |
|---------------------------|------------------|------------------|
| Repayable by amortisation | 2,133,520        | 2,333,535        |
|                           | <u>2,133,520</u> | <u>2,333,535</u> |

## 17. Provisions

|                       | Other provisions<br>£ |
|-----------------------|-----------------------|
| At 1 September 2010   | -                     |
| Net provision in year | 407,820               |
| At 31 August 2011     | <u>407,820</u>        |

### Other provisions

Other provisions comprises estimated costs arising from various contractual disputes within the company and its trading subsidiaries

# Notes to the financial statements

For the year ended 31 August 2011

## 18. Share capital

|  | 2011<br>£     | 2010<br>£     |
|--|---------------|---------------|
| <b>Allotted, called up and fully paid</b>              |               |               |
| 259,601 (2010 - 259,600) Ordinary shares of £0.10 each | 25,960        | 25,960        |
| 212,400 'A' Ordinary shares of £0.10 each              | 21,240        | 21,240        |
|  | <u>47,200</u> | <u>47,200</u> |

During the year, as part of the financial restructuring, the company issued one ordinary share of £0.10 for a total consideration of £42,746,387. This resulted in an increase in the share premium account of £42,746,387. The consideration of £42,746,387 was met by settling the intercompany balance created on the novation of bank borrowings by the company to Kew Green Holdings Limited (which were subsequently subject to the debt for equity swap).

## 19. Reserves

|  | Share premium account<br>£ | Profit and loss account<br>£ |
|--|----------------------------|------------------------------|
| At 1 September 2010                      | 397,825                    | (5,854,248)                  |
| Loss for the year                        | -                          | (9,714,030)                  |
| Premium on shares issued during the year | 42,746,387                 | -                            |
|  | <u>43,144,212</u>          | <u>(15,568,278)</u>          |
| At 31 August 2011                        |                            |                              |

## 20. Reconciliation of movement in shareholders' funds

|                                       | 2011<br>£         | 2010<br>£          |
|---------------------------------------|-------------------|--------------------|
| Opening shareholders' deficit         | (5,409,223)       | (93,692)           |
| Loss for the year                     | (9,714,030)       | (5,315,531)        |
| Share premium on shares issued        | 42,746,387        | -                  |
|                                       | <u>27,623,134</u> | <u>(5,409,223)</u> |
| Closing shareholders' funds/(deficit) |                   |                    |

## 21. Capital commitments

The company had no capital commitments at 31 August 2011 or 31 August 2010.

## Notes to the financial statements

For the year ended 31 August 2011

### **22. Operating lease commitments**

At 31 August 2011 the company had annual commitments under non-cancellable operating leases as follows

|                       | <b>Land and buildings</b> |               |
|-----------------------|---------------------------|---------------|
|                       | <b>2011</b>               | <b>2010</b>   |
|                       | <b>£</b>                  | <b>£</b>      |
| <b>Expiry date:</b>   |                           |               |
| Between 2 and 5 years | <u>52,000</u>             | <u>52,000</u> |

### **23. Contingent liabilities**

The company is party to a composite guarantee securing the net bank borrowings and other commitments of group companies

At the year end total group net borrowings, including this company, amounted to £81,392,403 (2010 - £117,970,089)

### **24. Related party transactions**

The company is exempt under Financial Reporting Standard No 8 from disclosing any transactions or balances between fellow wholly owned group companies

On 4 March 2011, Kew Green Holdings Limited acquired the Kew Green Hotels Limited group of companies Bank of Scotland PLC, Barclays PLC and Lloyds TSB PLC own 60% of the voting rights of Kew Green Holdings Limited During the year, the company has paid £7,766,893 interest to these banks Further, as part of the restructuring, the company paid £800,000 in bank arrangement fees, of which £640,000 remains unpaid at 31 August 2011 In addition, the company paid legal and other fees of £575,369 in relation to the restructuring on behalf of the bank

### **25. Ultimate parent undertaking and controlling party**

The immediate and ultimate parent company of this company is Kew Green Holdings Limited, for which consolidated financial statements may be obtained from the company's registered office