

COMPANY REGISTRATION NUMBER 4160818

LRG HI LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2009

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COMPANIES HOUSE

LRG HI LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

R Prince
P Ekas

Company secretary

Paul Hastings Administrative Services Limited

Registered office

10 Bishops Square
8th Floor
London
E1 6EG

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

LRG HI LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

The directors present their report and the financial statements of the company for the year ended 31 December 2009

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company is a wholly owned subsidiary of LRG Holdings Limited. The company's principal activity is the operation of hotels in the UK.

The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The balance sheet shows that the company's financial position at the year end is, in net asset terms, materially consistent with the prior period.

The company is managed as part of a wider group of companies on a central basis under a management agreement with InterContinental Hotels Group (Management Services) Limited.

KEY PERFORMANCE INDICATORS

Turnover for the year decreased by 8.8% (year ended 31 December 2008 – increased by 1.3%) due to poor market conditions reducing occupancy and total revenue per room.

Operating profit is shown after net write backs of £2.9m (2008 - write downs of £8m) against fixed assets and investments. The underlying trade therefore decreased by £1.9m (2008 – increased by £1.5m) in the year.

The business of the company is also reviewed on a central basis and, therefore, further key performance indicators are not appropriate for an understanding of the development, performance and position of the company's business.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 December 2009 was £5,983,000 (year ended 31 December 2008 – loss of £3,929,000). Accrued management charges of £1.5m were released in 2008 as the directors do not believe these amounts will become payable in future periods.

The results for the year are stated after a write-back of impairment on investments in subsidiaries, calculated by comparing the underlying net assets of the subsidiaries with the carrying value of the investments.

An impairment review of the company's assets was undertaken at the year end by comparing the underlying asset value of each hotel with its discounted cashflows. Any potential reduction in value has been reflected in the financial statements. No adjustment has been made for any potential increase in value of individual hotels.

The directors have not recommended a dividend for the year (year ended 31 December 2008 - nil). No equity dividends have been declared since the balance sheet date.

LRG HI LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

PRINCIPAL RISKS AND UNCERTAINTIES

Price risk

The company is exposed to the inherent risks of economic and financial market developments, including recession, inflation, availability of affordable credit and currency fluctuations that could lower revenues and reduce income. A recession reduces leisure and business travel and adversely affects room rates and/or occupancy levels and other income-generating activities, resulting in deterioration of results of operations and potentially reducing the value of properties in affected economies. Through a continual business review process and monitoring of the business environment, together with the terms of, and the services standard required of InterContinental Hotels Group (Management Services) Limited under the management agreement, the directors of the company and the wider group seek to mitigate these potential risks.

Liquidity and Cash flow risk

The company is financed by way of shares and intercompany loans. The company manages liquidity risk by maintaining a balance between the continuity of funding and flexibility through use of loans from the company's holding company, LRG Holdings Limited, and its subsidiaries. LRG Holdings Limited has agreed to provide sufficient liquidity as necessary to allow the company to meet its obligations for at least the next twelve months.

Credit risk

The company's principal financial assets are trade and other receivables. The credit risk on trade and other receivables is limited by the company's exposure being spread over a large number of counterparties and customers and by the support of the holding company. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

EMPLOYEES

The operations of the group are managed on a central basis under a management agreement with InterContinental Hotels Group (Management Services) Limited. The company relies on the terms of the management agreement, as regards employees, in that InterContinental Hotels Group (Management Services) Limited shall take all steps to enable the company to comply with any obligations it may have. As such, the employment policies in place embody the principles of equal opportunity. This includes suitable procedures to support the policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. The value of employee involvement in effective communications is recognised, as is the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, there is a framework in place for consultation and information.

DIRECTORS

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

J McCarthy	(Resigned 26 February 2009)
R Prince	
S Van Oosterom	(Appointed 27 February 2009, resigned 6 October 2009)
P Ekas	(Appointed 6 October 2009)

LRG HI LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

DIRECTORS' RESPONSIBILITIES

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

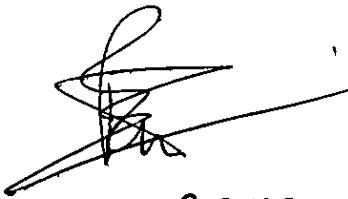
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

AUDITOR

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

Signed on behalf of the directors



Director P. EKAS

Approved on 9-7-10

LRG HI LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

YEAR ENDED 31 DECEMBER 2009

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LRG HI LIMITED

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of LRG HI Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 21. 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 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, 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 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

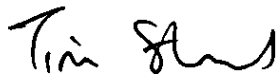
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LRG HI LIMITED** *(continued)*

YEAR ENDED 31 DECEMBER 2009

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

12/7/16

LRG HI LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2009

	Notes	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
TURNOVER	2	37,964	41,648
Costs and overheads (net of impairment provision reversal/charge)	3	(30,515)	(43,538)
OPERATING PROFIT/(LOSS)		7,449	(1,890)
Interest receivable	5	202	654
Interest payable and similar charges	6	(773)	(773)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		6,878	(2,009)
Tax on profit/(loss) on ordinary activities	7	(895)	(1,920)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		5,983	(3,929)

All of the activities of the company are classed as continuing

There are no recognised gains or losses other than the results for the year as set out above

Accordingly no statement of total recognised gains and losses is presented.

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


LRG HI LIMITED


BALANCE SHEET

31 DECEMBER 2009

	Notes	£000	2009 £000	2008 £000
FIXED ASSETS				
Tangible fixed assets	8		62,385	62,541
Investments	9		17,223	16,806
			<u>79,608</u>	<u>79,347</u>
CURRENT ASSETS				
Stocks	10	151		140
Debtors	11	71,745		64,636
Cash at bank and in hand		23		39
		<u>71,919</u>		<u>64,815</u>
CREDITORS: Amounts falling due within one year	12	(13,613)		(11,821)
NET CURRENT ASSETS			<u>58,306</u>	<u>52,994</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>137,914</u>	<u>132,341</u>
CREDITORS: Amounts falling due after one year	13		(20,000)	(20,000)
			<u>117,914</u>	<u>112,341</u>
PROVISIONS FOR LIABILITIES				
Deferred taxation	15		(4,582)	(4,992)
NET ASSETS			<u>113,332</u>	<u>107,349</u>
CAPITAL AND RESERVES				
Called-up share capital	18		120,000	120,000
Profit and loss account	19		(6,668)	(12,651)
SHAREHOLDERS' FUNDS	19		<u>113,332</u>	<u>107,349</u>

These financial statements were approved by the directors and authorised for issue on 9-7-10, and are signed on their behalf by


Director P. EKAS


R. PRINCE

Company Registration Number 4160818

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

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention

They have been drawn up to comply with applicable United Kingdom accounting standards, which have been applied consistently throughout the current and prior period

Going concern

The company is a part of the LRG Holdings Limited group and the group's business activities, together with the factors likely to affect its future development, performance and position are set out in the financial statements of LRG Holdings Limited

The group meets its day to day working capital requirements from normal trading activities, through its 61 hotels. The current economic conditions create uncertainty over the level of demand for the group's hotels and as a result the directors have considered the ability of the group to meet its operational and financing obligations over the next twelve months and the ability for the group to extend or refinance its debt facilities which were due to expire on 24 May 2010. Agreement was reached with the group's lenders in June 2010 to extend the maturity of short term senior loans for two years, to 24 May 2012, with a further twelve month extension at the option of the group and subject to meeting certain tests. The group's financial forecasts, taking account of the revised loan terms and reasonably possible changes in trading performance, show that the group will be able to operate within the level of its current and future facilities and remain in compliance with the terms of its loan agreements

The company is dependent on continuing finance being made available by its parent undertaking to enable it to continue operating and to meet its liabilities as they fall due. The company is in receipt of a letter from its parent company confirming that it will provide continuing support and the directors have made enquiries to form a reasonable expectation that the parent company has adequate resources to continue in operational existence and provide support for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts

Consolidation

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 accounts. These accounts give information about the company as an individual undertaking and not about its group

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 "Cash Flow Statements" (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and group accounts in which the company is included, are publicly available.

Tangible fixed assets

All fixed assets are stated at cost less depreciation and any provision for impairment

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the company reviews carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The impairment review is completed on a cash-generating unit basis.

Recoverable amount is the higher of fair value less the costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a market assessment of the time value of money.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognised as income immediately.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold and long lease land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold Buildings	-	periods up to 50 years
Leasehold Buildings	-	over the shorter of 50 years and their remaining lease periods
Non core assets (including building surfaces and finishes)	-	up to 25 years
Plant and Machinery	-	between 5 and 15 years
Furniture and Equipment	-	between 3 and 20 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

Operating leases

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

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of both the surrendering and recipient companies, being paid at a rate of 28% of the losses surrendered.

Financial instruments

In preparing the financial statements for the past and current period, the company has adopted the presentation paragraph of FRS 25, 'Financial instruments'. Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Investments

Fixed asset investments are stated at cost less any provision for diminution in value.

Trade debtors

Trade debtors are recognised and carried at original amount earned less an allowance for any doubtful accounts. An allowance for doubtful accounts is made when collection of the full amount is no longer probable.

Revenue recognition

Revenue is derived from owned and leased properties. Generally, revenue represents sales (excluding VAT and similar taxes) of goods and services, net of discounts provided in the normal course of business and is recognised when services have been rendered.

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

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of each transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Pensions

The company makes contributions to the personal pension schemes of individual employees. Contributions are charged to the profit and loss account as they become payable

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Such estimates include the future cash flows and discount rates used in an impairment review of assets and investments. Actual results could differ from those estimates

2. TURNOVER

Turnover, which is stated net of value added tax and similar sales taxes and net of discounts, represents amounts invoiced to third parties

Turnover is wholly attributable to one continuing activity, the business of hotels in the United Kingdom

3. COSTS AND OVERHEADS, LESS OTHER INCOME

	Year to 31 Dec 09	Year to 31 Dec 08
	£000	£000
Raw materials and consumables	15,236	15,936
Staff costs (see note 4)	12,208	13,519
Depreciation on tangible fixed assets	3,194	3,574
Hire of plant and machinery	320	400
Operating lease rentals land and buildings	1,446	1,460
Exceptional release of management fee accrual	-	(1,537)
Other external charges	1,043	1,877
Impairment of fixed assets (see note 8)	(2,515)	9,086
Amounts written back on investments (see note 9)	(417)	(739)
Profit on disposal of fixed assets	-	(38)
	<u>30,515</u>	<u>43,538</u>

Auditors' remuneration of £10,500 (year ended 31 December 2008 - £10,500) has been borne by a fellow group undertaking in both the current and prior period

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

4. PARTICULARS OF EMPLOYEES

The aggregate staff costs during the year amounted to

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Wages and salaries	11,424	12,581
Social security costs	696	839
Other pension costs	88	99
	<u>12,208</u>	<u>13,519</u>

The average number of full time equivalent staff (excluding directors) employed by the company during the financial year amounted to

	Year to 31 Dec 09 No	Year to 31 Dec 08 No
Salaried	343	127
Hourly paid	402	686
	<u>745</u>	<u>813</u>

Directors' emoluments for the current and prior period were nil

5. INTEREST RECEIVABLE

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Interest receivable from fellow group undertakings	202	650
Sundry interest receivable	-	4
	<u>202</u>	<u>654</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Preference dividend	<u>773</u>	<u>773</u>

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 28% (to 31 Dec 2008 - 28.5%)		
Current year	1,376	1,944
Adjustment in respect of prior periods	(71)	401
Total current tax	<u>1,305</u>	<u>2,345</u>
Deferred tax		
Origination and reversal of timing differences	(226)	(309)
Increase/decrease in tax rate	-	5
Adjustment in respect of previous periods	(184)	(121)
Total deferred tax	<u>(410)</u>	<u>(425)</u>
Tax on profit/(loss) on ordinary activities	<u>895</u>	<u>1,920</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (to 31 Dec 2008 – 28.5%)

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Profit/(loss) on ordinary activities before taxation	<u>6,878</u>	<u>(2,009)</u>
	%	%
UK corporation tax standard rate	28.0	28.5
Permanent differences	(11.3)	(109.9)
Depreciation in excess of/(less than) capital allowances	3.3	(15.4)
Adjustments in respect of prior periods	(1.0)	(20.0)
Timing differences	-	-
Effective current tax rate on ordinary activities	<u>19.0</u>	<u>(116.8)</u>

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

8. TANGIBLE FIXED ASSETS

	Land and buildings: Freehold £000	Land and buildings: Long leasehold £000	Plant and Machinery £000	Furniture and equipment £000	Total £000
COST					
At 1 January 2009	44,103	17,758	22,840	24,112	108,813
Additions	-	-	270	253	523
Disposals	-	-	(10)	-	(10)
At 31 December 2009	44,103	17,758	23,100	24,365	109,326
DEPRECIATION					
At 1 January 2009	25,040	4,255	5,474	11,503	46,272
Charge for the year	387	89	847	1,871	3,194
Impairment for the year	(2,515)	-	-	-	(2,515)
On disposals	-	-	(10)	-	(10)
At 31 December 2009	22,912	4,344	6,311	13,374	46,941
NET BOOK VALUE					
At 31 December 2009	21,191	13,414	16,789	10,991	62,385
At 31 December 2008	19,063	13,503	17,366	12,609	62,541

The company's assets are held as security in respect of bank loans taken by LRG Acquisition Limited, an intermediate parent undertaking. The amount of the loans secured is stated in the accounts of LRG Acquisition Limited.

Fixed assets were reviewed for impairment in accordance with the company's accounting policy. As a result, an impairment provision was made of £28,000 and a reversal of the provision made in 2008 of £2,543,000 giving a net impairment reversal of £2,515,000 (2008 – impairment of £9,086,000) for the year. The recoverable amount, based on value in use, was determined using a pre-tax discount rate of 9.6% (2008 – 9.3%) based on the estimate of the current market's assessment of the time value of money for an investment of equivalent risk.

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

9. INVESTMENTS

	Shares in group undertakings £000
COST	
At 1 January 2009 and 31 December 2009	<u>23,283</u>
AMOUNTS WRITTEN OFF	
At 1 January 2009	6,477
Impairment written back	(417)
At 31 December 2009	<u>6,060</u>
NET BOOK VALUE	
At 31 December 2009	<u>17,223</u>
At 31 December 2008	<u>16,806</u>

Following a review of the value of the company's investments at the year end which took into account the underlying net asset values of the subsidiary companies, a write-back from the accumulated provision for impairment of £417,000 has been credited to the Profit and Loss account

In the opinion of the directors, the value of the subsidiaries is at least equal to the amount shown above and the principal subsidiaries included therein are

Company name	Principal activity	Proportion of ordinary shares held
HI (Guildford) Limited	Property holding company	100%

The above company is a direct subsidiary registered in England and Wales

10. STOCKS

	2009 £000	2008 £000
Stock	<u>151</u>	<u>140</u>

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

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

11. DEBTORS

	2009	2008
	£000	£000
Trade debtors	946	1,261
Amounts owed by group undertakings	70,020	62,504
Other debtors	191	229
Prepayments and accrued income	588	642
	<u>71,745</u>	<u>64,636</u>

There are no specific repayment terms on Amounts owed by fellow group undertakings and interest is charged on specific balances at LIBOR + 1% (2008 - LIBOR + 1%)

12. CREDITORS: Amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	636	964
Amounts owed to fellow group undertakings	5,943	4,341
Other taxation	381	347
Other creditors	118	128
Accruals and deferred income	6,535	6,041
	<u>13,613</u>	<u>11,821</u>

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

13. CREDITORS: Amounts falling due after one year

	2009	2008
	£000	£000
Preference shares	<u>20,000</u>	<u>20,000</u>

Preference Shares are classified as a liability and the associated dividends accrued are disclosed as interest payable (refer to note 6) in accordance with FRS 25 Financial Instruments

Preference Shares

Authorised, Allotted, called up and fully paid

	2009		2008	
	No	£000	No	£000
Preference shares of £1 each	<u>20,000,000</u>	<u>20,000</u>	<u>20,000,000</u>	<u>20,000</u>

The preference shareholders have the right to receive notice of, attend, speak and vote at any General Meeting of the company only if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders

Dividends shall be paid in priority to other classes of shares in respect of the financial period a fixed cumulative dividend of 3.867%. On winding up or a return of capital, the preference shareholders are entitled in priority to other class of shares a repayment of a sum equal to all arrears and accruals of the preferential dividend

LRG HI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

14. PENSIONS

The company operates a defined contribution scheme, the assets of which are administered by trustees in a fund independent from those of the company. The pension charge for the year amounted to £88,000 (year ended 31 December 2008 - £99,000). Contributions amounting to £nil (2008 - £nil) were outstanding at the year end.

15. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Provision brought forward	4,992	5,417
Prior period adjustment	(184)	-
Current year movement	(226)	(425)
Provision carried forward	<u>4,582</u>	<u>4,992</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2009 £000	2008 £000
Fixed assets	4,582	4,999
Other	-	(7)
	<u>4,582</u>	<u>4,992</u>

No provision has been made for the deferred tax on the sale of properties at their net book value amounts as the company is not committed to their disposal, nor has any provision been made for deferred tax on sale of properties where gains have been rolled over into replacement assets. The total amount unprovided is an estimated deferred tax asset of £nil (31 December 2008 - £nil). It is not anticipated that any tax will be payable in the foreseeable future.

As a result of previous disposals, capital losses have been incurred which are available for offset against future taxable profits. A deferred tax asset of £347,000 has not been recognised in respect of these losses as the company does not anticipate taxable profits to arise within the immediate future against which these capital losses may be offset.

16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings	
	2009 £000	2008 £000
Operating leases which expire		
Within one year	1,250	1,250
After more than five years	196	210
	<u>1,446</u>	<u>1,460</u>

LRG HI LIMITED

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17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available under FRS 8 "Related Party Transactions", and has not disclosed transactions with group companies on the basis that the company is a wholly owned subsidiary. In addition, the group accounts in which the company is included are publicly available.

18. SHARE CAPITAL

Authorised share capital:

	2009 £000	2008 £000
120,050,000 Ordinary shares of £1 each	<u>120,050</u>	<u>120,050</u>

Allotted, called up and fully paid:

	2009 £000	2008 £000
120,000,001 Ordinary shares of £1 each	<u>120,000</u>	<u>120,000</u>

Ordinary Shares

The ordinary shares shall have one vote for every ordinary share. Dividends shall be paid from the balance of profits of the company available for distribution after the preference dividend has been paid. On a return of capital or winding-up the balance of assets, and after preference shareholders have been repaid, distribution shall be amongst the ordinary shareholders.

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Ordinary share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance brought forward at 1 January 2009	120,000	(12,651)	107,349
Retained profit for the year	-	5,983	5,983
Balance carried forward at 31 December 2009	<u>120,000</u>	<u>(6,668)</u>	<u>113,332</u>

20. CAPITAL COMMITMENTS

	2009 £000	2008 £000
Committed but not provided	<u>609</u>	<u>790</u>

LRG HI LIMITED

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YEAR ENDED 31 DECEMBER 2009

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is LRG Holdings Limited. The immediate parent undertaking is LRG Acquisition Limited.

The smallest and largest group of companies for which consolidated financial statements are prepared is LRG Holdings Limited. Copies of the consolidated financial statements of both companies may be obtained from the registered office which is located at 10 Bishops Square, 8th Floor, London, E1 6EG.