Company Registration No. 4216858

Lagonda Palace Propco Limited

Report and Financial Statements

31 December 2011

Lagonda Palace Propco Limited

Report and financial statements 2011

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Officers and professional advisers

Directors

A Troy
M E Bennison
G S Hunter

Secretary

M E Bennison

Registered office

The Inspire
Hornbeam Park
Harrogate
North Yorkshire
HG2 8PA

Bankers

Bank of Scotland plc

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

Lagonda Palace Propco Limited

Directors' report

The directors present their annual report and the audited financial statements for year ended 31 December 2011

Principal activities

The principal activity of the Company is property investment

Principal Hayley Group Business Review

The company, together with the other subsidiaries of the UK parent company Venice Newco 1 Limited, form the Principal Hayley Group of Companies ("Principal Hayley")

1 2011 Review

Results summary

Principal Hayley is a major player in the upscale UK Hotels and Conference Centres markets owning 21 properties with a total of 3,617 bedrooms in both key city centre and prime out of town locations In Europe Principal Hayley owns the 150 bedroom Chateau Saint-Just conference centre near Paris Additionally, Principal Hayley operates the 118 bedroom Oakley Court Hotel under a management contract agreement

The Group's results for the year ended 31 December 2011 are summarised below They include a full year's trading for all properties in both financial years with the exception of the Grand Central Hotel in Glasgow which opened in October 2010 following refurbishment

The 2011 results were impacted by exceptional trading costs and costs relating to the purchase of long leasehold interests in six properties, further details of which are set out below Further, the 2010 results were impacted by one off costs relating to the opening of the Grand Central Hotel and large non cash interest costs on borrowings from the parent company which were not repeated in 2011

Directors' report

Results summary (continued)

The following proforma information is given to provide a better understanding of the Group's underlying performance and is calculated account as if the December 2011 property acquisition had taken place on 31 December 2010

	2011 Unaudited proforma £'000	2011 Actual £'000	2010 Actual £'000
Turnover			
UK like for like properties	**136,786**	136,786	132,455
Chateau Saint-Just, France	**6,805**	6,805	6,387
Grand Central Hotel	**8,453**	8,453	1,818
	152,044	152,044	140,660
Profitability			
EBITDAR	**43,288**	43,288	42,173
Rent payable	**(5,545)**	(18,953)	(18,134)
Group EBITDA	**37,743**	24,335	24,039
Interest payable	**(37,558)**	(27,707)	(26,402)
Earnings before depreciation, amortisation, non-recurrings and non-recurring interest	**185**	(3,372)	(2,363)
Depreciation and amortisation	**(17,136)**	(17,136)	(16,497)
Interest on group loans (subsequently written off)	**-**	-	(28,584)
Other exceptional / non-recurring items	**(1,851)**	(2,481)	(8,201)
Loss before tax	**(18,802)**	(22,990)	(55,645)

Lagonda Palace Propco Limited

Directors' report

Purchase of Long Leasehold Interest in six properties

On 22 December 2011 the Group completed the acquisition of 175 year long leasehold interests in six of its properties which up to that date were rented under operating leases from the Aaim Group The transaction was financed by an additional £131 5m loan facility provided by the Group's bankers

The key financial impacts of the transaction for Principal Hayley are as follows

- Operating lease rentals payable on the properties of £18 1m per annum as at 22 December 2011 are no longer payable
- Ground rents payable on the properties of £3 9m per annum, subject to 5 yearly reviews, are now payable
- Interest will be payable on new bank borrowings of £131 5m The floating rate LIBOR element on £90 0m of these new borrowings has been swapped at 1 475% until 31 December 2015
- No repayments in respect of the new £131 5m of bank loans are required prior to the maturity of the Group's facilities on 31 December 2015

On a proforma basis for 2011 the impact of the transaction was as follows

- Rent payable is reduced by £13 4m to £5 5m
- Interest payable is increased by £9 8m to £37 6m
- Net earnings before depreciation, amortisation and non-recurrings is increased by £3 6m

2 Revenues

Overall Group revenues increased 8 1% by £11 4m from £140 7m to £152 0m and, on a like for like basis, revenues increased by 3 4% from £138 9m to £143 6m

A full year's contribution from the Grand Central Hotel in Glasgow contributed £6 6m of the overall revenue increase The refurbished property, which opened in October 2010, had an extremely successful year, receiving excellent reviews and rapidly establishing itself in the Glasgow marketplace It achieved 72 9% occupancy and revenue per available room of £53 42 during 2011, both measures significantly ahead of its competitor set in Glasgow

London

Revenue growth of 5 2% in London outperformed the results for the marketplace as a whole The TRI Hospitality Consulting HotStats reported market growth in TrevPar for 2011 of 3 8% for London

Our London hotel, the Hotel Russell, had excellent growth in average room rate and revenue per available room compared with 2010 as follows

	2011	2010	% change
Occupancy (%)	86 4	87 5	-1 3%
Average Room Rate (£)	120 26	110 67	+8 7%
Revenue per Available Room (£)	103 91	96 87	+7 3%
Total revenues (£'m)	19 2	18 2	+5 2%

These results are particularly pleasing compared with the results reported by the TRI Hospitality Consulting HotStats which reported market growth in RevPAR for the same period of +6 1%

Lagonda Palace Propco Limited

Directors' report

Provinces

Like for like revenue growth (excluding the impact of the Grand Central Hotel) of 2 6% in the Provinces outperformed the results for the marketplace as a whole The TRI Hospitality Consulting HotStats reported market growth in TrevPar for 2011 of -0 2% for the Provinces

The Provincial hotels have continued to perform well In our conference and training venues the weakness in the business market, particularly in terms of rates achieved, has been balanced by improved occupancy levels of business from other market segments Whilst this has had an impact on the overall rates achieved this has not been at the expense of overall RevPAR which has increased

Overall, the growth in Provincial RevPAR compared with 2010 was as follows

	2011	2010	% change
Occupancy (%)	65 6	62 9	+4 2%
Average Room Rate (£)	72 26	72 58	-0 4%
Revenue per Available Room (£)	47 38	45 68	+3 7%
Total revenues – like for like (£'m)	108 7	106 0	+2 6%

The RevPAR growth of +2 6% was significantly better than the results reported by the TRI Hospitality Consulting HotStats which reported Provincial market growth in RevPAR for the same period of +1 5%

3 Profitability

Group EBITDAR of £43,059,000 was £886,000 higher than in 2010 The growth in the Group's revenues did not fully translate into additional earnings due to a number of factors which were common to the Hotel and Conference Centre industry in 2011 as follows

- Business mix, particularly in the Conference Centres, reduced profitability with day delegate business being particularly affected
- Commission costs increased as the Group, in common with other UK hoteliers, had to increasingly rely on 3rd party channels to attract business
- Energy costs and business rates increased significantly compared with 2010

Rent payable of £18,953,000 increased by 4 5% compared with 2010 As noted above, on a proforma basis the rent charge for 2011 was £5,546,000 and the 2012 charge will be at this level

Interest costs of £27,707,000 for 2011 represent the Group's bank loan interest and finance lease costs for the year and include the costs from £285m of swaps which expired in April 2012 The Group has entered into new more beneficial swaps from April 2012 onwards in respect of £270m of its long term debt and these will benefit the interest payable charge by approximately £9m in their first year

4 Our People

Throughout what has been another difficult period in 2011 our staff have continued to demonstrate their total support and continued passion for the Group Our culture 'The Principal Hayley Way' remains embedded throughout Principal Hayley and through our strong customer service strategy 'Quality Wins' we yet again had another year of exceeding our customers expectations by delivering exceptional levels of service I would like to personally thank all our staff for their hard work both in 2011 and continuing on in 2012

Directors' report

5 Capital Investment

During 2011 the Group continued to invest in its properties with total capital expenditure of over £8m being mainly focussed on improving our guests' experience and improving our energy and operational efficiency

A key element of improving our guests' experience during 2011 was to develop a number of our properties to provide a more rounded offering and to move away from being traditional conference centres An example of this strategy is the Tempus concept, which brings a contemporary high street environment to our restaurants, and which we rolled out to a further 5 of our properties during the first quarter of 2011

Energy efficiency remains a priority for the Group and we have invested in a number of projects which are described below Operational efficiency has been improved by the roll out of new EPOS systems in the later part of 2011 and into 2012 which will provide us with much better management information to improve our Food and Beverage offerings

In the first half of 2011 we created 10 new bedrooms at the St David's hotel in Cardiff from under utilised first floor meeting rooms at a cost of £0 4m The bedrooms created increased the hotel's capacity by 7 5% to 142 bedrooms and helped the hotel increase its revenues for 2011 by 3 9% to just under £8m

6 Environmental Review

Over the last year the we have ensured environmental management and carbon emissions reduction remains a top priority The following investment and awareness initiatives have been introduced

Investment initiatives

- During 2011 we completed the roll out of energy saving key-card holders to every bedroom in the estate where the devices didn't already exist
- During 2011 we completed the installation of low energy LED lamps throughout all public areas in all sites
- We continue to invest in energy saving PIR motion sensors in corridors and other public areas together with back of house corridors, public toilets and changing rooms
- We have, in partnership with energy consultants Get Solutions, rolled out their software based energy management tool which forces all sites to consider energy management on a daily basis

Awareness initiatives

- We have re-launched our internal environmental policy so it becomes an operating manual to assist each property's Green team
- We have introduced the Green Tourism Board Scheme (GTBS) to all properties and in 2012 all sites will be audited by GTBS
- Smart meters were fitted at all sites in 2011 giving us have half hourly usage data to help target future efficiency initiatives

7 2012 Outlook

Trading during the first 4 months of 2012 has been continued to be challenging in line with expectations However, in the UK the Group sold an additional 5,657 (2 1%) room nights and there was an increase in overall UK revenues of 2 5% compared with 2011

The prospects for the hotel and conference centre industry remain closely correlated with the performance of the wider economy as a whole Whilst the short term outlook remains uncertain, we remain optimistic about the long term prospects for the UK and European hotel and conference centre markets

Directors' report

Going Concern

The directors have considered the future trading prospects of Principal Hayley as described in the Principal Hayley Group Business Review

In addition, detailed trading and cash flow projections, which include growth in Principal Hayley's established businesses, have been considered taking account of the Group's available bank facilities and the covenants contained therein The directors have also considered further projections using reasonable downside sensitivities

Both the projections and the sensitised projections show that for a period of not less than 12 months from the date of approval of these accounts (i) Principal Hayley has sufficient bank facilities in place, and (ii) that its banking covenants will be met

The directors note that there is still considerable economic uncertainty in the UK which may further impact the projections and the sensitised projections However, the directors have a reasonable expectation that Principal Hayley has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of these accounts Accordingly, they continue to be satisfied that adopting the going concern basis in preparing the annual report and accounts for the Company is appropriate

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for Principal Hayley

The Company's activities expose it to a number of financial risks The use of financial derivatives to manage risks is subject to Board approval and no financial derivatives are used for speculative purposes

Cash flow risk

The Company's activities do not expose it to the financial risks of changes in foreign currency exchange rates

Credit risk

The Company's principal financial assets are receivables from other members of Principal Hayley The Company has no other significant concentration of credit risk

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development, Principal Hayley uses a mixture of long-term and short-term bank loan finance These facilities are not due, subject to compliance with normal banking covenants, for repayment or renewal until December 2015

Current forecasts and projections, taking account of reasonable adverse variations in trading performance, show that Principal Hayley should be able to operate within its current facilities and meet its banking covenants

Price Risk

The Company is not exposed to commodity price risk

Company results and dividends

There were no new property investments made during the year The directors are optimistic regarding the prospects for the Company

The main performance indicators are the financial strength of the tenant and the overall property market The business is monitored against forecast and predictions on a quarterly basis

The Company made a profit of £136,000 for the year (2010 loss of £65,000) No dividends were paid during the financial year (2010 £nil) The directors do not propose to pay a final dividend (2010 £nil)

Lagonda Palace Propco Limited

Directors' report

Charitable and political contributions

The Company made charitable donations of £nil during the year (2010 £nil) There were no donations made to political parties (2010 £nil)

Directors

The directors who held office during the year and subsequent to the balance sheet date were

A Troy	(appointed 22 December 2011)
M E Bennison	(appointed 22 December 2011)
G S Hunter	(appointed 22 December 2011)
M L Tagliaferri	(resigned 22 December 2011)

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

Disclosure of relevant information to auditor

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

- so far as each of the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Auditor

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

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

M E Bennison
Director
14 June 2012

Directors' responsibilities statement

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the Company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the Company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent auditor's report to the members of Lagonda Palace Propco Limited

We have audited the financial statements of Lagonda Palace Propco Limited for the year then ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16 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 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 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

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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 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

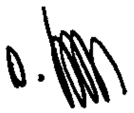
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Lagonda Palace Propco Limited *(continued)*

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



David M Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

14 June 2012

Lagonda Palace Propco Limited

Profit and loss account
Year ended 31 December 2011

	Note	2011 £'000	2010 Restated (Note 2) £'000
Turnover	1	**2,627**	2,568
Administrative expenses		**(58)**	(79)
Operating profit / (loss)		**2,569**	2,489
Finance charges (net)	3	**(2,433)**	(2,554)
Profit / (loss) on ordinary activities before taxation	4	**136**	(65)
Tax on profit / (loss) on ordinary activities	6	**-**	-
Retained profit / (loss) for the financial year	11	**136**	(65)

All amounts relate to continuing activities

Lagonda Palace Propco Limited

Statement of total recognised gains and losses
Year ended 31 December 2011

	Note	2011 £'000	2010 Restated (Note 2) £'000
Retained profit / (loss) for the financial year		**136**	(65)
Total recognised gains and losses for the financial year		**136**	(65)
Prior year adjustment	2	**(14,425)**	
Total gains and losses recognised since the last annual report		**(14,289)**	

Lagonda Palace Propco Limited

Balance sheet
31 December 2011

	Note	2011	2010 Restated (Note 2)
		£'000	£'000
Fixed assets			
Tangible assets	7	**19,252**	26,960
Current assets			
Debtors	8	**313**	283
		313	283
Creditors: amounts falling due within one year	9	**(19,315)**	(38,628)
Net current assets / (liabilities)		**(19,002)**	(38,345)
Net assets / (liabilities)		**250**	(11,385)
Capital and reserves			
Called up share capital	10	**13,900**	13,900
Profit and loss account	11	**(13,650)**	(25,285)
Equity shareholders' funds / (deficit)	12	**250**	(11,385)

The financial statements of Lagonda Palace Propco Limited, company number 4216858, have been approved and authorised for issue by the Board of Directors

Signed on behalf of the Board of Directors

M E Bennison, Director

14 June 2012

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year excepted as described in Note 2 below.

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law

Going Concern

The accounts have been prepared on a going concern basis Further details regarding the adoption of the going concern basis can be found in the Directors' Report

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight basis over its expected useful life as follows

Freehold land	Not depreciated
Freehold buildings	100 years
Long Leasehold land and buildings	100 years or the unexpired portion of the lease if shorter

Taxation

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

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

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

Turnover

All turnover arises in the United Kingdom and comprises rental income Rental income is recognised on a straight line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished

Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

Cash flow statement

Under the provisions of FRS 1 (revised) Cash Flow Statements, the Company has not prepared a cash flow statement because its UK parent company Venice Newco 1 Limited prepares consolidated accounts which include the cash flows of the Company

2. PRIOR YEAR ADJUSTMENT

On 22 December 2011 the company was acquired by Principal Hayley Group Limited In order to align its accounting policies with those of the Principal Hayley Group of companies the following adjustments have been made

- The Company's property, which is leased to a Principal Hayley company under an operating lease, has been restated at depreciated historical cost rather than being reported as an investment property
- Deferred taxation provided in respect of timing differences attributable to capital allowances has been eliminated to the extent that the differences are considered permanent in nature

The comparative figures in the primary statements and notes to the accounts have been restated to reflect the new accounting policies adopted

The effects of the changes in policy on the results for the year ended 31 December 2012 are summarised below

	2010 £'000
Profit and Loss Account	
Administrative expenses – depreciation charge	(48)
Taxation – deferred taxation charge / (credit) eliminated	(69)
Increase / (decrease) in profit for the financial year	(117)
Balance Sheet at 31 December 2010	
Fixed assets – restatement to depreciated historical cost	(14,743)
Deferred taxation – elimination of balance relating to permanent differences	318
Increase / (decrease) in shareholders' funds / (deficit)	(14,425)

It is not practicable to show the effects of the change in policy on the results for the current period

3. FINANCE CHARGES (NET)

	2011 **£'000**	2010 £'000
Loans from group companies	**2,433**	2,554
Net finance charges / (income)	**2,433**	2,554

Lagonda Palace Propco Limited

Notes to the accounts
Year ended 31 December 2011

4. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011	2010 Restated (Note 2)
	£'000	£'000
Profit /(loss) on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation	48	48
Operating lease rentals – land and buildings	10	-
Auditor's remuneration - audit services	-	-

Auditor's remuneration of £1,000 (2010 £1,000) is borne by a fellow Group company

5. STAFF COSTS

The directors are the only employees of the company The directors received no remuneration in respect of services to the Company during the year (2010 - £nil) From 1 January 2010 to 22 December 2011 the director was remunerated by AAIM Lagonda Purchaser Limited and from 22 December 2011 to 31 December 2011 the directors were remunerated by Principal Hayley Limited It is not practicable to allocate a proportion of those costs to the Company

6. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2011	2010 Restated (Note 2)
	£'000	£'000
The tax charge for the year comprises		
Current tax		
UK corporation tax on the profit / (loss) for the year	-	-
Total current tax charge / (credit)	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax charges / (credit)	-	-
Total tax charge/(credit)	-	-

At 31 December 2011 there is an unprovided deferred tax asset in relation to tax losses of £649,000 (2010 £767,000) This has not been recognised due to the uncertainty around the recoverability of the asset

The Government announced in March 2012 a reduction of the rate of corporation tax to 24% with effect from 1 April 2012 and then by a further 1% each year to 22% by 1 April 2014 As this legislation was not substantively enacted by 31 December 2011, the impact of the rate change is not reflected in deferred tax balances reported in these accounts

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the result before tax is as follows

	2011	2010 Restated (Note 2)
	£'000	£'000
Profit / (loss) on ordinary activities before taxation	**136**	(65)
Tax at standard UK rate of 26 5% (2010 28 0%)	**36**	(18)
Effects of		
Expenses not deductible for tax purposes	**5**	-
Other amounts deductible for tax purposes	**(2)**	(116)
Utilisation of tax losses and tax losses carried forward	**(39)**	134
Current tax charge / (credit) for the year	-	-

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Notes to the accounts
Year ended 31 December 2011

7. TANGIBLE FIXED ASSETS

	Note	Freehold land and buildings	Long Leasehold land and buildings	Total
		£'000	£'000	£'000
Cost				
At the beginning of the year – as restated	2	47,539	-	47,539
Creation of long leasehold interest		(47,539)	19,252	(28,287)
At the end of the year		-	**19,252**	**19,252**
Accumulated depreciation				
At the beginning of the year – as restated	2	20,579	-	20,579
Charge for the year		48	-	48
Creation of long leasehold interest		(20,627)	-	(20,627)
At the end of the year		-	-	-
Net book value				
At the end of the year		-	**19,252**	**19,252**
At the beginning of the year – as restated	2	26,960	-	26,960

On 22 December 2011 the Company disposed of its freehold interest in its land and buildings and on the same day reacquired a 175 year leasehold interest in the property subject to annual ground rent as set out in Note 14 The premium receivable on the transaction was £7,660,000

The Company's property is leased to a fellow Group company under an operating lease The Company's fixed assets are charged in favour of the Group's bankers as security for the Group's UK borrowings

8. DEBTORS

	2011	2010
	£'000	£'000
Amounts owed by group undertakings	**213**	213
Other debtors	**-**	70
Prepayments and accrued income	**100**	-
Total debtors	**313**	283

Lagonda Palace Propco Limited

Notes to the accounts
Year ended 31 December 2011

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Trade creditors	-	70
Taxation and social security	**1,514**	-
Amounts due to group undertakings	**17,801**	37,952
Accruals and deferred income	-	606
Total creditors falling due within one year	**19,315**	38,628

10. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid:		
13,900,001 ordinary shares of £1 each	**13,900**	13,900
Total share capital	**13,900**	13,900

11. RESERVES

	Profit and loss account £'000
At the beginning of the year – as restated (Note 2)	(25,285)
Retained profit / (loss) for the year	136
Capital contribution received	11,499
At the end of the year	**(13,650)**

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2011 £'000	2010 Restated (Note 2) £'000
Profit / (loss) for the financial year	**136**	(65)
Capital contribution received	**11,499**	-
Net increase / (reduction) to equity shareholders' funds	**11,635**	(65)
Opening equity shareholders' funds / (deficit)	**(11,385)**	(11,320)
Closing equity shareholders' funds / (deficit)	**250**	(11,385)

Lagonda Palace Propco Limited

Notes to the accounts
Year ended 31 December 2011

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other Group companies

14. FINANCIAL COMMITMENTS

At the balance sheet date the Company had the following annual commitments in respect of land and buildings under non cancellable operating leases

	2011 Land and buildings £'000	**2011 Other £'000**	2010 Land and buildings £'000	2010 Other £'000
Leases which expire				
After five years	**353**	**-**	-	-
Total annual commitment	**353**	**-**	-	-

15. CONTINGENT LIABILITIES

The Company, together with other Group companies, has given guarantees to a maximum of £551 0 million (2010 £nil) over the UK borrowings of the Venice Newco 1 Limited Group of companies At the balance sheet date the borrowings outstanding covered by these guarantees totalled £530 2 million (2010 £nil)

16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

1 January 2010 to 22 December 2011

From 1 January 2010 to 22 December 2011 the Company's immediate parent company was Lagonda Bidco A Limited, a company registered in England and Wales The Company's ultimate parent company and the largest and smallest group in which the Company was consolidated was that headed by AAIM Lagonda Purchaser Limited, a company registered in England and Wales The Company's ultimate controlling party was AAIM Venice Master Unit Trust, a unit trust established in Jersey

22 December 2011 onwards

The Company's ultimate parent company and controlling party is Venice Luxco Sarl, a company incorporated in Luxembourg Venice Luxco Sarl does not prepare consolidated accounts

The Company's immediate parent company is Principal Hayley Group Limited, a company registered in England and Wales The largest and smallest group in which the Company is consolidated is that headed by Venice Newco 1 Limited, a company registered in England and Wales Copies of the financial statements of Principal Hayley Group Limited and the consolidated financial statements of Venice Newco 1 Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ