

HI (CHESTER SOUTH) LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2007

WEDNESDAY



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COMPANIES HOUSE

HI (CHESTER SOUTH) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M Newman
R Prince

Company secretary

Paul Hastings Administrative Services Limited

Registered office

10 Bishops Square
8th Floor
London
E1 6EG

Auditor

Deloitte & Touche LLP
Chartered Accountants
London

HI (CHESTER SOUTH) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2007

The directors present their report and the financial statements of the company for the year ended 31 December 2007

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company's principal activity is the ownership of hotels in the UK

It is the intention of the directors that the company will continue operating in this capacity. The directors view the results and the future prospects of the company as satisfactory.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 December 2007 was £130,000 (year ended 31 December 2006 - £48,000)

The directors do not propose a dividend for this year (year ended 31 December 2006 - nil)

DIRECTORS

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

M Newman

R Prince

ELECTIVE RESOLUTIONS

The company has passed Elective Resolutions to dispense with the laying of the financial statements before the company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to sections 252, 386 and 366A of the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

The Statement of Directors' Responsibilities shown on page 4 forms an integral part of the Directors' Report

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Section 246(4) of the Companies Act 1985

HI (CHESTER SOUTH) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2007

AUDITORS

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

- so far as the directors are aware there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Signed on behalf of the directors



Director

Approved on 19/6/08

HI (CHESTER SOUTH) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2007

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). The financial statements are required by law to 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 year. In preparing those financial statements, the directors are required to

- select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently,
- state whether applicable accounting standards have been followed,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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 HI (CHESTER SOUTH) LIMITED

YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of HI (Chester South) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Directors' Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

YEAR ENDED 31 DECEMBER 2007

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Date *23/6/08*

HI (CHESTER SOUTH) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	Notes	Year to 31 Dec 07 £000	Year to 31 Dec 06 £000
TURNOVER	2	500	498
OPERATING COSTS:			
Depreciation written off fixed assets		(326)	(322)
OPERATING PROFIT	3	174	176
Interest payable	5	(108)	(89)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		66	87
Tax credit/(charge) on profit on ordinary activities	6	64	(39)
RETAINED PROFIT FOR THE FINANCIAL YEAR		130	48

All of the activities of the company are classed as continuing

The company has 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 9 to 14 form part of these financial statements

HI (CHESTER SOUTH) LIMITED

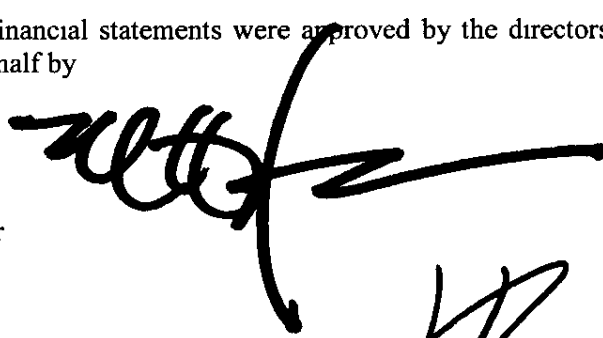

BALANCE SHEET

31 DECEMBER 2007

	Notes	£000	2007 £000	2006 £000
FIXED ASSETS				
Tangible fixed assets	7		<u>4,970</u>	<u>4,668</u>
CURRENT ASSETS				
Debtors	8	2		499
CREDITORS: Amounts falling due within one year	9	<u>(1,207)</u>		<u>(1,425)</u>
NET CURRENT LIABILITIES			<u>(1,205)</u>	<u>(926)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,765</u>	<u>3,742</u>
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation	10		<u>(593)</u>	<u>(700)</u>
NET ASSETS			<u>3,172</u>	<u>3,042</u>
CAPITAL AND RESERVES				
Called-up share capital	12		100	100
Share premium account	13		3,513	3,513
Profit and loss account	13		<u>(441)</u>	<u>(571)</u>
SHAREHOLDERS' FUNDS	13		<u>3,172</u>	<u>3,042</u>

These financial statements were approved by the directors on the 19/6/08 and are signed on their behalf by

Director

The notes on pages 9 to 14 form part of these financial statements

HI (CHESTER SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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

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 its parent publishes consolidated financial statements

Fixed assets

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

Impairment

Any impairment arising on an income-generating unit is charged to the profit and loss account

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 economic life as follows

Freehold buildings	- periods up to 50 years
Non core assets (including building surface finishes and services)	- up to 25 years
Plant and machinery	- between 5 and 15 years
Furniture and equipment	- between 3 and 20 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

Operating leases

Rents receivable under operating leases are credited to the profit and loss account on a straight line basis over the lease term

HI (CHESTER SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised include accelerated capital allowances, unrelieved tax losses and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets and the gain on sale of assets rolled into replacement 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 is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 30% of the losses surrendered.

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.

2. TURNOVER

Turnover, which is stated in the profit and loss account net of value added tax, represents rent receivable from another group entity.

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below.

	Year to 31 Dec 07	Year to 31 Dec 06
	£000	£000
United Kingdom	<u>500</u>	<u>498</u>

Rents receivable under operating leases in the year ended 31 December 2007 amounted to £500,000 (year ended 31 December 2006 - £498,000).

HI (CHESTER SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

3. OPERATING PROFIT

Operating profit is stated after charging

	Year to 31 Dec 07	Year to 31 Dec 06
	£000	£000
Depreciation of owned fixed assets	<u>326</u>	<u>322</u>

Auditors' remuneration of £2,600 (year ended 31 December 2006 - £2,500) has been borne by a fellow group undertaking in both the current and prior period

4. DIRECTORS' EMOLUMENTS

Directors' emoluments in the current and prior period were nil

There were no staff employed by the company in either the current or the prior period

5. INTEREST PAYABLE

	Year to 31 Dec 07	Year to 31 Dec 06
	£000	£000
Interest payable to fellow group undertakings	<u>108</u>	<u>89</u>

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of credit in the year

	Year to 31 Dec 07	Year to 31 Dec 06
	£000	£000
Current tax		
UK Corporation tax based on the results for the year at 30% (to 31 Dec 2006 - 30%)		
Current year	45	80
Adjustment in respect of prior years	<u>(2)</u>	<u>2</u>
Total current tax	<u>43</u>	<u>82</u>
Deferred tax		
Origination and reversal of timing differences	(108)	(40)
Adjustment in respect of prior years	<u>1</u>	<u>(3)</u>
Total deferred tax	<u>(107)</u>	<u>(43)</u>
Tax (credit)/charge on profit on ordinary activities	<u>(64)</u>	<u>39</u>

HI (CHESTER SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

6. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

	Year to 31 Dec 07 £000	Year to 31 Dec 06 £000
Profit on ordinary activities before taxation	<u>66</u>	<u>87</u>
	%	%
UK corporation tax standard rate	30.0	30 0
Permanent differences	5.0	16 0
Depreciation (less than)/in excess of capital allowances	(16.8)	15 1
Timing differences	49.1	30 9
Prior year adjustments	(3.0)	2 3
Effective current tax rate on ordinary activities	<u>64.3</u>	<u>94 3</u>

7. TANGIBLE FIXED ASSETS

	Land and buildings: Freehold £000	Plant and Machinery £000	Furniture and Equipment £000	Total £000
COST				
At 1 January 2007	1,761	2,167	1,702	5,630
Additions	-	508	120	628
Disposals	-	(29)	(90)	(119)
At 31 December 2007	<u>1,761</u>	<u>2,646</u>	<u>1,732</u>	<u>6,139</u>
DEPRECIATION				
At 1 January 2007	43	182	737	962
Charge for the year	11	107	208	326
On disposals	-	(29)	(90)	(119)
At 31 December 2007	<u>54</u>	<u>260</u>	<u>855</u>	<u>1,169</u>
NET BOOK VALUE				
At 31 December 2007	<u>1,707</u>	<u>2,386</u>	<u>877</u>	<u>4,970</u>
At 31 December 2006	<u>1,718</u>	<u>1,985</u>	<u>965</u>	<u>4,668</u>

All of the above fixed assets were held for use in operating leases

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.

HI (CHESTER SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

8. DEBTORS

	2007	2006
	£000	£000
Amounts owed by fellow group undertakings	1	498
Other debtors	1	1
	<u>2</u>	<u>499</u>

9. CREDITORS: Amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	4	-
Amounts owed to fellow group undertakings	1,203	1,242
Corporation tax	-	182
Other creditors	-	1
	<u>1,207</u>	<u>1,425</u>

Corporation tax includes amounts related to group relief which will be settled with other companies within the group

10. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	Year to 31 Dec 07	Year to 31 Dec 06
	£000	£000
At 1 Jan 2007	700	743
Prior year adjustment	1	(3)
Current year movements	(108)	(40)
Provision carried forward	<u>593</u>	<u>700</u>

Analysed as tax on timing differences related to

	2007	2006
	£000	£000
Fixed assets	661	741
Other	(68)	(41)
	<u>593</u>	<u>700</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 estimated at £94,000 (2006 £34,000). It is not anticipated that any tax will be payable in the foreseeable future.

HI (CHESTER SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

11. 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 and related parties on the basis that the group accounts, in which the company is included, are publicly available

12. SHARE CAPITAL

Authorised share capital:

	2007 £000	2006 £000
50,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2007 No	£000	2006 No	£000
Ordinary shares of £1 each	<u>100,001</u>	<u>100</u>	<u>100,001</u>	<u>100</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
Balance brought forward at 1 Jan 07	100	3,513	(571)	3,042
Retained profit for the year	-	-	130	130
Balance carried forward at 31 Dec 07	<u>100</u>	<u>3,513</u>	<u>(441)</u>	<u>3,172</u>

14. CAPITAL COMMITMENTS

	2007 £000	2006 £000
Committed but not provided	<u>169</u>	<u>42</u>

15. PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling party is LRG Holdings Limited. The immediate parent is LRG Hotels 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.