

Company Registration No. 4721028

HI (Reading South) Limited

Annual report and financial statements

for the year ended 31 December 2012



HI (Reading South) Limited

Annual report and financial statements 2012

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HI (Reading South) Limited

Annual report and financial statements 2012

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

Auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

London

United Kingdom

HI (Reading South) Limited

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2012

Principal activities and review of the business

The company's principal activity is the ownership of hotels in the UK and to provide operating leases to other Group companies operating 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 2012 was £2,138,000 (2011 loss £1,235,000)

The directors do not propose a dividend for this year (2011 nil)

Directors

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

R Prince
P Ekas

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under part 15 of the Companies Act 2006

Auditor

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 auditor is unaware, and
- the directors have taken all the steps that he/she ought to have taken as a director in order 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

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

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

R Prince
Director

19/6/2013



HI (Reading South) Limited

Directors' responsibilities statement

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 auditor's report to the members of HI (Reading South) Limited

We have audited the financial statements of HI (Reading South) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 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 2012 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 HI (Reading South) 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

- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report, or
- 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 Auditor
London, United Kingdom
20 June 2013

HI (Reading South) Limited

Profit and loss account Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	750	750
Operating costs			
Depreciation of tangible fixed assets		(304)	(309)
Operating profit before impairments		446	441
Reversal/(impairment) of tangible fixed assets		1,759	(1,616)
Operating profit/(loss) after impairments	3	2,205	(1,175)
Profit/(loss) on ordinary activities before taxation		2,205	(1,175)
Tax charge on loss on ordinary activities	5	(67)	(60)
Profit/(loss) on ordinary activities after taxation		2,138	(1,235)

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.

HI (Reading South) Limited

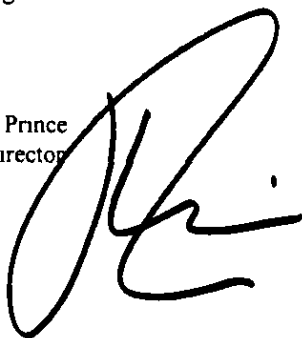
Balance sheet 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	6	8,386	6,852
Current assets			
Debtors amounts falling due within one year	7	4,311	4,196
Creditors' amounts falling due within one year	8	(1,261)	(1,688)
Net current assets		3,050	2,508
Total assets less current liabilities		11,436	9,360
Provision for liabilities and charges			
Deferred taxation	9	(415)	(477)
Net assets		11,021	8,883
Capital and reserves			
Called-up share capital	10	100	100
Share premium account	11	24,162	24,162
Profit and loss account	11	(13,241)	(15,379)
Shareholders' funds	11	11,021	8,883

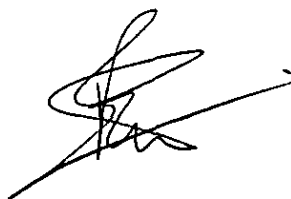
The financial statements of HI (Reading South) Limited, (registered number 4721028) were approved by the Board of Directors and authorised for issue on 19/6/2013

Signed on behalf of the Board of Directors

R Prince
Director



P Ekas
Director



HI (Reading South) Limited

Notes to the financial statements Year ended 31 December 2012

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 part of the LRG Holdings Limited group ("the 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

In May 2013, agreement was reached with a consortium of lenders whereby new senior debt of £585m and additional junior debt of £35m were secured and the existing senior debt was redeemed. The new senior debt term is for five years maturing in August 2018 and the new junior debt ranks equally with the existing junior debt maturing in September 2018

At the same time as the agreement was reached with the consortium of lenders, new interest rate swap and cap agreements were put in place to limit the risk of higher interest rates being payable on the Group's loans. As a result 100% of the Group's debt subsequent to the refinancing is at a rate which is either fixed, swapped into a fixed rate or capped

The Group's financial forecasts, taking account of the revised loan terms and current 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

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

Tangible fixed assets

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

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 an income-generating unit basis

HI (Reading South) Limited

Notes to the financial statements (continued) Year ended 31 December 2012

1 Accounting policies (continued)

Impairment (continued)

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 income-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or income-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 income-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 income-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:

Non core assets (including building surface finishes and services)	- up to 25 years
Leasehold buildings	- over the shorter of 50 years and their remaining lease periods
Plant and machinery	- between 5 and 15 years
Furniture and equipment	- between 3 and 20 years

Operating leases

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

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 24.5% of the losses surrendered.

HI (Reading South) Limited

Notes to the financial statements (continued) Year ended 31 December 2012

1. Accounting policies (continued)

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.

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:

	2012 £'000	2011 £'000
United Kingdom	750	750

Rents receivable under operating leases in the year ended 31 December 2012 amounted to £750,000 (2011 £750,000).

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2012 £'000	2011 £'000
Depreciation of tangible fixed assets	304	309
(Reversal)/Impairment of owned fixed assets	(1,759)	1,616

Auditors' remuneration of £2,600 (2011 £2,600) 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.

HI (Reading South) Limited

Notes to the financial statements (continued) **Year ended 31 December 2012**

5 Tax charge on profit/(loss) on ordinary activities

(a) Analysis of tax charge in the year

	2012 £'000	2011 £'000
Current tax		
UK corporation tax based on the results for the year	132	131
Adjustment in respect of prior years	(3)	-
Total current tax	<u>129</u>	<u>131</u>
Deferred tax		
Origination and reversal of timing differences	(28)	(21)
Increase/decrease in tax rate	(37)	(39)
Adjustment in respect of prior periods	3	(11)
Total deferred tax	<u>(62)</u>	<u>(71)</u>
Tax charge on profit/(loss) on ordinary activities	<u>67</u>	<u>60</u>

(b) Factors affecting current tax charge

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before taxation	<u>2,205</u>	<u>(1,175)</u>
Tax on profit/(loss) at standard UK rate of 24.5% (2011: 26.5%)	540	(311)
Effects of		
Net expenses not deductible for tax purposes	(437)	420
Capital Allowances for year in excess of depreciation	29	22
Adjustments to tax charge in respect of previous periods	(3)	-
Current tax charge for year	<u>(129)</u>	<u>131</u>

HI (Reading South) Limited

Notes to the financial statements (continued) Year ended 31 December 2012

6. Tangible fixed assets

	Land and buildings long leasehold £'000	Plant and machinery £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 January 2012	20,111	2,723	3,253	26,087
Additions	-	-	79	79
	<u>20,111</u>	<u>2,723</u>	<u>3,332</u>	<u>26,166</u>
At 31 December 2012	20,111	2,723	3,332	26,166
Depreciation				
At 1 January 2012	16,444	688	2,103	19,235
Charge for the year	12	50	242	304
Reversal on Impairment for the year	(1,759)	-	-	(1,759)
	<u>14,697</u>	<u>738</u>	<u>2,345</u>	<u>17,780</u>
At 31 December 2012	14,697	738	2,345	17,780
Net book value				
At 31 December 2012	<u>5,414</u>	<u>1,985</u>	<u>987</u>	<u>8,386</u>
At 31 December 2012	3,667	2,035	1,150	6,852

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.

Fixed assets were reviewed for impairment in accordance with the company's accounting policy. As a result, a reversal of impairment was made in the year for £1,759,000 (2011: charge of £1,616,000). The recoverable amount was based on the greater of net realisable value and value in use and was determined using a pre-tax discount rate of 10% (2011: 11.0%) based on the estimate of the current market's assessment of the time value of money for an investment of equivalent risk. Net realisable value was determined based on valuations provided by an independent valuer.

7. Debtors – amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by group undertakings	4,309	4,191
Corporation tax	2	5
	<u>4,311</u>	<u>4,196</u>

There are no specific repayment terms on amounts owed by fellow group undertakings and no interest is charged.

HI (Reading South) Limited

Notes to the financial statements (continued) Year ended 31 December 2012

8 Creditors amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	-	47
Amounts owed to group undertakings	1,261	1,641
	<u>1,261</u>	<u>1,688</u>

There are no specific repayment terms on amounts owed by fellow group undertakings and no interest is charged

9 Deferred taxation

The movement in the deferred taxation provision was during the year

	2012 £'000	2011 £'000
Provision brought forward	477	548
Credit to the profit and loss account	(62)	(60)
Prior period adjustment	-	(11)
Provision carried forward	<u>415</u>	<u>477</u>

	2012 £'000	2011 £'000
Analysed as tax on timing difference related to Fixed assets	<u>415</u>	<u>477</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 £nil (2011: £nil). It is not anticipated that any tax will be payable in the foreseeable future.

10 Called-up share capital

	2012 £'000	2011 £'000
Allotted, called-up and fully paid 100,001 ordinary shares of £1 each	<u>100</u>	<u>100</u>

HI (Reading South) Limited

Notes to the financial statements (continued) Year ended 31 December 2012

11. Reconciliation of shareholders' funds and movement on reserves

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2012	100	24,162	(15,379)	8,883
Retained profit for the year	-	-	2,138	2,138
At 31 December 2012	<u>100</u>	<u>24,162</u>	<u>(13,241)</u>	<u>11,021</u>

12. Capital commitments

	2012 £'000	2011 £'000
Committed but not provided	<u>26</u>	<u>65</u>

13. 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.

14. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is LRG Holdings Limited. The immediate parent undertaking 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 LRG Holdings Limited may be obtained from the registered office located at 10 Bishops Square, 8th Floor, London, E1 6EG.