

COMPANY REGISTRATION NUMBER 4721028

HI (READING SOUTH) LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2009

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COMPANIES HOUSE

HI (READING SOUTH) 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

HI (READING SOUTH) 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'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 2009 was £5,255,000 (year ended 31 December 2008 – loss of £9,376,000)

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 do not propose a dividend for this year (year ended 31 December 2008 – nil)

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)

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

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

HI (READING SOUTH) LIMITED

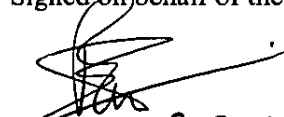
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

AUDITORS

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

HI (READING SOUTH) 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 HI (READING SOUTH) LIMITED

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of HI (Reading South) Limited for the year ended 31 December 2009 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 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 HI
(READING SOUTH) 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

- 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 Auditors
London, United Kingdom

12/7/10

HI (READING SOUTH) 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	750	750
OPERATING COSTS:			
Costs and overheads (net of impairment provision reversal/charge)		4,589	(10,074)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,339	(9,324)
Tax on profit/(loss) on ordinary activities	5	(84)	(52)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		5,255	(9,376)

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 15 form part of these financial statements.

HI (READING SOUTH) LIMITED


BALANCE SHEET

31 DECEMBER 2009

	Notes	£000	2009 £000	2008 £000
FIXED ASSETS				
Tangible fixed assets	6		<u>9,750</u>	<u>5,039</u>
CURRENT ASSETS				
Debtors	7	2,926		2,189
CREDITORS: Amounts falling due within one year	8	<u>(1,192)</u>		<u>(976)</u>
NET CURRENT ASSETS			<u>1,734</u>	<u>1,213</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,484</u>	<u>6,252</u>
PROVISIONS FOR LIABILITIES				
Deferred taxation	9		<u>(604)</u>	<u>(627)</u>
NET ASSETS			<u>10,880</u>	<u>5,625</u>
CAPITAL AND RESERVES				
Called-up share capital	11		100	100
Share premium account	12		24,162	24,162
Profit and loss account	12		<u>(13,382)</u>	<u>(18,637)</u>
SHAREHOLDERS' FUNDS	12		<u>10,880</u>	<u>5,625</u>

These financial statements were approved by the directors and authorised for issue on and are signed on their behalf by

9-7-10 ..



Director P. EKAS R. PRINCE

Company Registration Number 4721028

The notes on pages 9 to 15 form part of these financial statements

HI (READING SOUTH) 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.

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 a cash-generating unit basis.

HI (READING SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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 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:

Non core assets (including building surface finishes and services)	-	periods 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.

HI (READING SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

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 Statements'. 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/(loss) before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below.

	Year to 31 Dec 09	Year to 31 Dec 08
	£000	£000
United Kingdom	<u>750</u>	<u>750</u>

Rents receivable under operating leases in the year ended 31 December 2009 amounted to £750,000 (Year ended 31 December 2008 - £750,000).

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

	Year to 31 Dec 09	Year to 31 Dec 08
	£000	£000
Depreciation of owned fixed assets	437	488
Impairment of owned fixed assets	<u>(5,026)</u>	<u>9,586</u>

Auditors' remuneration of £2,600 (year ended 31 December 2008 - £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
YEAR ENDED 31 DECEMBER 2009

5. 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		
UK Corporation tax based on the results for the year at 28% (to 31 Dec 2008 – 28.5%)		
Current year	111	95
Adjustment in respect of prior periods	(4)	-
Total current tax	<u>107</u>	<u>95</u>
Deferred tax		
Origination and reversal of timing differences	(42)	(33)
Increase/decrease in rate of tax	-	1
Adjustment in respect of prior periods	19	(11)
Total deferred tax	<u>(23)</u>	<u>(43)</u>
Tax on profit/(loss) on ordinary activities	<u>84</u>	<u>52</u>

(b) Factors affecting current tax charge

	Year to 31 Dec 09 £000	Year to 31 Dec 08 £000
Profit/(loss) on ordinary activities before taxation	<u>5,339</u>	<u>(9,324)</u>
	%	%
UK corporation tax standard rate	28.0	28.5
Permanent differences	(26.9)	(29.2)
Depreciation in excess of/(less than) capital allowances	<u>0.7</u>	<u>(0.4)</u>
Effective current tax rate on ordinary activities	<u>1.8</u>	<u>(1.1)</u>

HI (READING SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

6. TANGIBLE FIXED ASSETS

	Land and buildings: Freehold £000	Plant and Machinery £000	Furniture and equipment £000	Total £000
COST				
At 1 January 2009	20,111	2,589	2,848	25,548
Additions	-	24	98	122
At 31 December 2009	20,111	2,613	2,946	25,670
DEPRECIATION				
At 1 January 2009	18,816	404	1,289	20,509
Charge for the year	7	93	337	437
Impairment for the year	(5,026)	-	-	(5,026)
At 31 December 2009	13,797	497	1,626	15,920
NET BOOK VALUE				
At 31 December 2009	6,314	2,116	1,320	9,750
At 31 December 2008	1,295	2,185	1,559	5,039

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, £5,026,000 of the provision made in 2008 was reversed. 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.

7. DEBTORS

	2009 £000	2008 £000
Amounts owed by fellow group undertakings	2,925	2,188
Other debtors	1	1
	2,926	2,189

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

YEAR ENDED 31 DECEMBER 2009

8. CREDITORS: Amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	3	-
Amounts owed to fellow group undertakings	1,188	976
Other creditors	1	-
	<u>1,192</u>	<u>976</u>

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

9. 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	627	670
Prior period adjustment	19	-
Current year movement	(42)	(43)
Provision carried forward	<u>604</u>	<u>627</u>

Analysed as tax on timing differences related to

	2009 £000	2008 £000
Fixed assets	604	627
	<u>604</u>	<u>627</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 (31 December 2008 - £35,000). It is not anticipated that any tax will be payable in the foreseeable future.

10. 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.

HI (READING SOUTH) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

11. SHARE CAPITAL

Authorised share capital:

	2009	2008
	£000	£000
50,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2009		2008	
	No	£000	No	£000
Ordinary shares of £1 each	<u>100,001</u>	<u>100</u>	<u>100,001</u>	<u>100</u>

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Share premium	Profit and loss	Total shareholders' funds
	£000	£000	£000	£000
Balance brought forward at 1 Jan 09	100	24,162	(18,637)	5,625
Retained profit for the year	-	-	5,255	5,255
Balance carried forward at 31 Dec 09	<u>100</u>	<u>24,162</u>	<u>(13,382)</u>	<u>10,880</u>

13. CAPITAL COMMITMENTS

	2009	2008
	£000	£000
Committed but not provided	<u>44</u>	<u>125</u>

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 both companies may be obtained from the registered office located at 10 Bishops Square, 8th Floor, London, E1 6EG.