

Registration number: 04721028

HI (Reading South) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2014

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HI (Reading South) Limited

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HI (Reading South) Limited

Company Information

Directors	P Ekas R Prince
Company secretary	HaysMacintyre Company Secretaries Limited
Registered office	26 Red Lion Square London WC1R 4AG
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom

HI (Reading South) Limited

Directors' Report for the Year Ended 31 December 2014

The directors present their annual report and the financial statements for the year ended 31 December 2014.

Principal activity and review of the business

The principal activity of the company 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 expectation 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.

The parent group is currently in the process of selling some of its hotels and the directors expect that this company will be sold as part of that process. No binding agreement has been made at the date of signing.

Results

The profit on ordinary activities after taxation for the year ended 31 December 2014 was £3,561,000 (2013: £2,770,000).

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 expected net realisable value. 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 above historic cost.

Going concern

The directors' assessment of the company's ability to adopt the going concern basis of accounting is set out further in note 1 on page 9.

Directors

The directors who served throughout the year were as follows:

P Ekas

R Prince

Small company provisions statement

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

HI (Reading South) Limited

Directors' Report for the Year Ended 31 December 2014 (continued)

Auditor

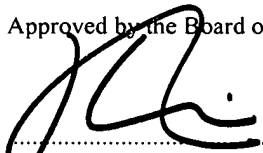
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as 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 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 on 2/3/15 and signed on its behalf by:



R Prince
Director

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 apply them consistently;
- make judgements and accounting 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 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.

HI (Reading South) Limited

Independent Auditor's Report

We have audited the financial statements of HI (Reading South) Limited for the year ended 31 December 2014, which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2014 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.

HI (Reading South) Limited

Independent Auditor's Report (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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report or from preparing the Strategic Report.



Timothy Steel ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor

London
United Kingdom

Date: 2/3/15

HI (Reading South) Limited

Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Turnover	2	750	750
Depreciation costs		(225)	(271)
Impairment reversal of tangible fixed assets		3,154	2,347
Operating profit	3	3,679	2,826
Profit on ordinary activities before taxation		3,679	2,826
Tax on profit on ordinary activities	5	(118)	(56)
Profit for the financial year	11	3,561	2,770

Turnover and operating profit derive wholly from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

HI (Reading South) Limited

Balance Sheet as at 31 December 2014

	Note	2014 £ 000	2013 £ 000
Fixed assets			
Tangible assets	6	13,653	10,526
Current assets			
Debtors: amounts falling due within one year	7	6,090	6,090
Creditors: amounts falling due within one year	8	<u>(2,060)</u>	<u>(2,487)</u>
Net current assets		<u>4,030</u>	<u>3,603</u>
Total assets less current liabilities		17,683	14,129
Provisions for liabilities	9	<u>(331)</u>	<u>(338)</u>
Net assets		<u>17,352</u>	<u>13,791</u>
Capital and reserves			
Called-up share capital	10	100	100
Share premium reserve	11	24,162	24,162
Profit and loss account	11	<u>(6,910)</u>	<u>(10,471)</u>
Shareholder's funds	12	<u>17,352</u>	<u>13,791</u>

The financial statements of HI (Reading South) Limited, (registration number: 04721028) were approved by the Board of Directors on 2/3/15 and signed on its behalf by:


P Ekas
Director


R Prince
Director

HI (Reading South) Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

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

Going concern disclosure in accounting policy

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 40 hotels (2013: 61 hotels). The existing debt facility is secured until 2018, with 100% of the Group's debt being either at a fixed rate, swapped into a fixed rate or capped. The Group's financial forecasts, taking account of the existing 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.

At the year end, the Group was actively marketing a number of hotels and it is the intention of the parent to dispose of this entity as part of that sale. As at the date of the financial statements, the sales process is on-going, with no binding contracts agreed.

The company has received a letter from its parent company confirming that it will provide continuing support, for at least 12 months or to the date the company is sold if earlier, in which case the directors will procure the settlement of its intercompany liabilities. The directors have made enquiries to form a reasonable expectation that the parent company has adequate resources to continue in operational existence and provide this support.

In the event the company is sold, although there is inherent uncertainty around a purchaser's future actions, given the underlying profitability of the company and the value of its assets, the directors believe that there are no material uncertainties that may cast doubt over the ability of the company to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Cash flow statement

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group and its ultimate parent publishes consolidated financial statements.

Tangible fixed assets

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

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

HI (Reading South) Limited

Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

1 Accounting policies (continued)

Asset class	Depreciation method and rate
Leasehold buildings	over the shorter of 50 years and their remaining lease periods
Non core assets (including building surface finishes and services)	periods up to 25 years
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.

Assets held for use in operating leases are included as a separate category in fixed assets at cost and depreciated over their useful life.

Deferred tax

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 21.49% of the losses surrendered.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as 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. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

HI (Reading South) Limited

Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

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 and all within the United Kingdom.

Rents receivable under operating leases in the year ended 31 December 2014 amounted to £750,000 (2013: £750,000).

3 Operating profit

Operating profit is stated after charging/(crediting):

	2014	2013
	£ 000	£ 000
Depreciation of tangible fixed assets	225	271
Impairment reversal of tangible fixed assets	(3,154)	(2,347)

Auditor's remuneration of £2,600 (2013: £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 for the Year Ended 31 December 2014 (continued)

5 Taxation

Tax on profit on ordinary activities

	2014 £ 000	2013 £ 000
Current tax		
UK corporation tax on profits for the year	125	133
Deferred tax		
Origination and reversal of timing differences	(7)	(28)
Deferred tax adjustment relating to previous years	-	1
Effect of changes in tax rates	-	(50)
Total deferred tax	(7)	(77)
Total tax on profit on ordinary activities	118	56

Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2013: lower than the standard rate of corporation tax in the UK) of 21.49% (2013: 23.25%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
Profit on ordinary activities before tax	3,679	2,826
Corporation tax at standard rate	791	657
Effects of:		
Expenses not deductible for tax purposes	5	-
Capital allowances in excess of depreciation	7	28
Non-taxable income	(678)	(552)
Total current tax	125	133

HI (Reading South) Limited

Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

6 Tangible fixed assets

	Freehold land and buildings £ 000	Plant and machinery £ 000	Fixtures and fittings £ 000	Total £ 000
Cost				
At 1 January 2014	20,111	2,755	3,363	26,229
Additions	-	105	93	198
At 31 December 2014	20,111	2,860	3,456	26,427
Depreciation				
At 1 January 2014	12,326	810	2,567	15,703
Charge for the year	-	57	168	225
Impairment reversal	(3,154)	-	-	(3,154)
At 31 December 2014	9,172	867	2,735	12,774
Net book value				
At 31 December 2014	10,939	1,993	721	13,653
At 31 December 2013	7,785	1,945	796	10,526

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 provision was made in the year for £3,154,000 (2013: £2,347,000). The recoverable amount was based on the greater of net realisable value and value in use in 2013 and indicative net realisable value in 2014. Value in use was determined using a pre-tax discount rate of 10.3% based on the estimate of the current market's assessment of the time value of money of an investment of equivalent risk. Net realisable value was determined by the directors informed by a desktop valuation of a sample of hotels by an independent valuer in 2013 and indicative pricing from ongoing sales process referred to in the Directors' Report in 2014.

7 Debtors: amounts falling due within one year

	2014 £ 000	2013 £ 000
Amounts owed by fellow group undertakings	6,087	6,087
Other debtors	3	3
	6,090	6,090

HI (Reading South) Limited

Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

7 Debtors: amounts falling due within one year (continued)

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

8 Creditors: amounts falling due within one year

	2014 £ 000	2013 £ 000
Amounts owed to fellow group undertakings	<u>2,060</u>	<u>2,487</u>

There are no specific repayment terms on amounts owed to fellow group undertakings and no interest is charged on the intercompany balance at LIBOR + 1% (2013: LIBOR + 1%).

9 Provisions for liabilities

	Deferred tax £ 000
At 1 January 2014	338
Credited to the profit and loss account	<u>(7)</u>
At 31 December 2014	<u>331</u>

Analysis of deferred tax

	2014 £ 000	2013 £ 000
Difference between accumulated depreciation and capital allowances	<u>(331)</u>	<u>(338)</u>

10 Called-up share capital

Allotted, called-up and fully paid shares

	No.	2014 £ 000	No.	2013 £ 000
Ordinary shares of £1 each	<u>100,001</u>	<u>100,001</u>	<u>100,001</u>	<u>100,001</u>

HI (Reading South) Limited

Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

11 Reserves

	Share premium reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	24,162	(10,471)	13,691
Profit for the year	-	3,561	3,561
At 31 December 2014	<u>24,162</u>	<u>(6,910)</u>	<u>17,252</u>

12 Reconciliation of movement in shareholder's funds

	2014 £ 000	2013 £ 000
Profit attributable to the members of the company	<u>3,561</u>	<u>2,770</u>
Shareholder's funds at 1 January	<u>13,791</u>	<u>11,021</u>
Shareholder's funds at 31 December	<u>17,352</u>	<u>13,791</u>

13 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £9,000 (2013: £116,000).

14 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group on the basis that the company is a wholly owned subsidiary and that the ultimate parent company's accounts are publically available.

15 Ultimate parent undertaking and controlling party

The company is controlled by LRG Hotels Limited. The ultimate parent undertaking and controlling party is LRG Holdings Limited.

Consolidated financial statements of LRG Holdings Limited are available from:
26 Red Lion Square, London, WC1R 4AG.