

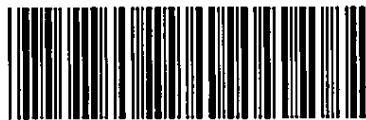
# **Thistle Marble Arch Limited**

Directors' report and financial statements

Registered number 4330117

For the period ended 28 June 2009

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## Directors' report

The directors present their directors' report and financial statements for the 52 weeks ended 28 June 2009.

### Company status and principal activities

Thistle Marble Arch Limited is a limited liability company domiciled and registered in England. The principal activity of the Company is the operation of a hotel in London.

### Business review

Despite very difficult trading and economic conditions during the year, the Company suffered only a small decline in revenue and profitability. Profit before tax for the 52 weeks ended 28 June 2009 was £1,399,000 (2008: £1,727,000).

The Key Performance Indicators used to measure trading performance of the hotel are occupancy percentage, average room rate (ARR) and revenue per available room (RevPar). The Company achieved an increase in average room rate during the year, but this was negated by a decline in occupancy:

Movement vs. prior year	52 weeks ended 28 June 2009	52 weeks ended 29 June 2008
	%	%
Occupancy	(2%)	1%
Average Room Rate	2%	12%
Revenue per Available Room	(1%)	13%

The Company is funded by its immediate parent company, Guoman Hotels Limited, which has a strong group balance sheet with net assets in excess of £425 million and gearing at 28 June 2009 of only 53%.

During the year, the Company increased its authorised share capital by £24,900 to £25,000 and issued 20,000 £1 shares. These were purchased by Guoman Hotels Limited at a premium of £6,199 per share. The £124 million raised was used to repay a portion of the Company's intra-group debt.

The financial period to 27 June 2010 is expected to be challenging with likely further decline in revenues and profitability. However, the directors remain confident about the long term prospects for the Company.

### Principal risks and uncertainties

The principal business risks and uncertainties facing the Company arise from economic conditions in the hotel market of London. Business and consumer confidence has a significant impact on the Company's levels of business and hence profitability.

### Result and dividends

The results for the 52 weeks ended 28 June 2009 are set out in the Income Statement on page 6. No interim dividends were paid during the financial period (2008: £nil). The directors do not recommend the payment of a final dividend (2008: £nil).

## **Directors' report (*continued*)**

### **Employee matters**

The Company's policy of providing employees with information about the Company and the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The Company gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

### **Directors and directors' interests**

The directors who held office during the financial period were as follows:

Tim Scoble  
Steven Bailey

No director in office at the balance sheet date had any interests in, or rights to subscribe for, shares or debentures in the Company or any group company during the financial period.

Both directors have been granted conditional options in respect of GuocoLeisure shares.

The directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**S Bailey**  
Director

Registered Office  
PO Box 909  
Bath Road  
Uxbridge  
Middlesex  
UB8 9FH

30 September 2009

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

## **Independent Auditors' Report to the Members of Thistle Marble Arch Limited**

We have audited the financial statements of Thistle Marble Arch Limited for the year ended 28 June 2009 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 set out on page 3, 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**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 28 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 Thistle Marble Arch 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.



**Jeremy Gledhill (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

30 September 2009

**Income Statement**  
**for the 52 weeks ended 28 June 2009**

	<i>Note</i>	<b>52 weeks ended 28 June 2009 £'000</b>	<b>52 weeks ended 29 June 2008 £'000</b>
<b>Revenue</b>	<b>1</b>	<b>29,246</b>	<b>29,486</b>
Cost of sales		<b>(18,703)</b>	<b>(18,391)</b>
<b>Operating profit</b>		<b>10,543</b>	<b>11,095</b>
<b>Finance costs</b>			
Financial expense	<b>4</b>	<b>(9,144)</b>	<b>(9,368)</b>
<b>Profit before taxation</b>	<b>2 - 4</b>	<b>1,399</b>	<b>1,727</b>
Tax credit	<b>5</b>	<b>19,290</b>	<b>55</b>
<b>Profit for the year</b>		<b>20,689</b>	<b>1,782</b>

The whole of the profit for each of the financial periods noted above derives from continuing operations.

There were no items of recognised income or expense other than as shown in the Income Statement above.



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**Balance Sheet**  
**At 28 June 2009**

	Note	28 June 2009 £'000	29 June 2008 £'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Intangible assets	6	-	443
Property, plant and equipment	7	161,864	163,332
		<u>161,864</u>	<u>163,775</u>
<b>Current Assets</b>			
Inventories	8	35	40
Trade and other receivables	9	3,619	3,478
Cash and cash equivalents		355	903
		<u>4,009</u>	<u>4,421</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	(43,591)	(171,313)
		<u>(43,591)</u>	<u>(171,313)</u>
<b>Non-Current Liabilities</b>			
Deferred tax	11	(16,725)	(36,015)
		<u>(16,725)</u>	<u>(36,015)</u>
<b>Net Assets / (Liabilities)</b>		<u>105,557</u>	<u>(39,132)</u>
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary shares	14	20	-
Share premium	15	123,980	-
Retained earnings	16	(18,443)	(39,132)
<b>Total Equity / (Deficit)</b>		<u>105,557</u>	<u>(39,132)</u>

These financial statements were approved by the board of directors on 30 September 2009 and were signed on its behalf by:

  
**S Bailey**  
Director

**Statement of Changes in Equity**  
*for the 52 weeks ended 28 June 2009*

	Ordinary Shares	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000
<b>At 1 July 2007</b>	-	-	(40,914)	(40,914)
Profit for the year	-	-	1,782	1,782
<b>At 29 June 2008</b>	-	-	(39,132)	(39,132)
Issue of ordinary share capital	20	123,980	-	124,000
Profit for the year	-	-	20,689	20,689
<b>At 28 June 2009</b>	<b>20</b>	<b>123,980</b>	<b>(18,443)</b>	<b>105,557</b>

During the year, the company increased its authorised share capital by £24,900 to £25,000 and issued 20,000 £1 shares. These were purchased by Guoman Hotels Limited at a premium of £6,199 per share. The £124 million raised was used to repay a portion of the company's intra-group debt.

**Cash Flow Statement**  
**for the 52 weeks ended 28 June 2009**

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
<b>Cash flows from operating activities</b>		
Profit for the year	20,689	1,782
Adjustments for:		
Tax credit	(19,290)	(55)
Interest expense	9,144	9,368
Depreciation	1,732	1,539
Amortisation	443	968
Changes in working capital:		
Decrease / (increase) in inventories	5	(9)
(Increase) / decrease in trade & other receivables	(141)	119
Decrease in trade & other payables	(3,645)	(2,647)
<b>Cash generated from operations</b>	<b>8,937</b>	<b>11,065</b>
Interest paid	(9,144)	(9,368)
<b>Net cash (used in) / generated from operating activities</b>	<b>(207)</b>	<b>1,697</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(341)	(1,380)
<b>Net cash used in investing activities</b>	<b>(341)</b>	<b>(1,380)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital to parent company	124,000	-
Repayment of loans made from parent company	(124,000)	-
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents	(548)	317
Cash and cash equivalent at the start of the period	903	586
<b>Cash and cash equivalents at the end of the period</b>	<b>355</b>	<b>903</b>

During the year, the company increased its authorised share capital by £24,900 to £25,000 and issued 20,000 £1 shares. These were purchased by Guoman Hotels Limited at a premium of £6,199 per share. The £124 million raised was used to repay a portion of the company's intra-group debt.

## Notes to the financial statements

### 1- Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### **Basis of preparation**

These financial statements have been prepared and approved by the directors under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU ("Adopted IFRSs").

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The financial statements have been prepared on the going concern basis which assumes that the company will be able to continue to trade for the foreseeable future. The validity of this basis is dependent on the continued support from the ultimate holding company.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Adoption of new standards**

In the current year, no new standards have been adopted by the company.

Two interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 12: Service Concession Arrangements and IFRIC 14: Limit of Defined Benefit Asset, Minimum Funding Requirements and Their Interaction. The adoption of these interpretations has not led to any changes in the Company's accounting policies.

#### **New IFRS and amendments to IAS and interpretations not applied**

There are a number of new and updated standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the company:

International Financial Reporting Standards	Effective for accounting period starting after
IAS 1 Presentation of financial statements: a revised presentation	1 January 2009
IFRS 2 Share based payment: vesting conditions and cancellations	1 January 2009
IFRS 8 Operating segments	1 January 2009
IAS 23 Borrowing costs	1 January 2009
IFRSs Annual improvements to IFRSs	1 January 2009
IAS 27 Consolidated and separate financial statements	1 July 2009
IFRS 3 Business combinations	1 July 2009

**Notes (continued)**

**1 - Accounting Policies (continued)**

***Property, plant and equipment***

All property, plant and equipment is stated at cost or deemed cost less depreciation and any necessary provision for impairment. No impairment provisions exist at the balance sheet date as there were no indications of impairment. No impairment provisions have been made or reversed during the current and previous financial periods.

Under the transitional provisions of IFRS 1 land and buildings which were previously stated at cost or valuation under UK GAAP are stated at deemed cost being their UK GAAP carrying values as at 4 July 2004.

Depreciation and amortisation are provided in equal instalments to write off property, plant and equipment to their estimated residual value over their expected useful economic lives. The principal expected useful economic lives are:

Core elements of long leasehold land and buildings	Up to 100 years
Integral plant and non-core elements of buildings	15 to 30 years
Plant and equipment	5 to 15 years

***Leased assets***

***Operating lease payments***

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

***Finance lease payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

***Inventories***

Inventories comprise food and beverages for resale and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Note 8 shows further details of the charge to the income statement.

**Notes (continued)**

**1 - Accounting Policies (continued)**

***Classification of financial instruments issued by the company***

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

1. they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
2. where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

***Trade and other receivables***

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

***Trade and other payables***

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

***Investments in debt and equity securities***

Debentures are stated at amortised cost less impairment.

Investments in subsidiaries are carried at cost less impairment in the parent company accounts.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Notes (continued)**

**1 - Accounting Policies (continued)**

***Intra-group financial instruments***

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

***Provisions***

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

***Impairment excluding inventories and deferred tax assets***

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

***Calculation of recoverable amount***

The recoverable amount of the company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less 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 current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Notes (continued)**

**1 - Accounting Policies (continued)**

***Reversals of impairment***

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Revenue***

Revenue comprises income from the ownership and operation of hotels, excluding VAT, and is recognised as the related services are provided.

***Taxation***

Taxation comprises corporation tax and deferred tax and is recognised solely in the Income Statement.

Corporation tax is the expected tax payable or recoverable on the taxable income for the period together with any adjustments to tax payable in respect of previous periods.

Deferred taxation is provided using the balance sheet liability method providing for differences between the carrying amounts of assets and liabilities and their equivalent amounts used for tax purposes. The deferred tax provision is calculated using tax rates in force at the balance sheet date.

***Financing income and expenses***

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.



**Notes (continued)**

**1 - Accounting Policies (continued)**

**Foreign currency**

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

**Employee benefits**

**Defined benefits**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group. The Company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on the following basis: For each employee who benefits from a defined benefit plan, who is employed by a Company within the Group, that Company will be charged the average current service cost of all employees in the scheme.

**Defined contributions**

Contributions payable to defined contribution pension schemes are charged to profit and loss as they accrue.

**Notes (continued)**

**1 - Accounting Policies (continued)**

***Segmental reporting***

Substantially all of the operations of the company occur in the United Kingdom and are regarded as a single business segment.

***Share based payments***

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company's parent grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled.

***Discontinued operations***

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

**Notes (continued)**

**2 - Operating profit**

The Company's operating profit is stated after charging:

	<b>52 weeks ended 28 June 2009 £'000</b>	<b>52 weeks ended 29 June 2008 £'000</b>
Depreciation and other amounts written off tangible fixed assets	1,732	1,539
Amortisation of intangible assets	443	968
Equipment rentals payable under operating leases	67	51
Property rentals payable under operating leases	86	96
	<u>          </u>	<u>          </u>

Amounts paid to the company's auditors and their associates in respect of services to the company have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

**3 - Employee, Directors and Key Management information**

	<b>52 weeks ended 28 June 2009 £'000</b>	<b>52 weeks ended 29 June 2008 £'000</b>
Employee costs during the period:		
Agency wages	2,162	2,481
Employee wages and salaries	3,707	3,476
Employer's social security costs	305	287
Employer's pension costs	74	133
	<u>6,248</u>	<u>6,377</u>
	<u>          </u>	<u>          </u>
	<b>52 weeks ended 28 June 2009</b>	<b>52 weeks ended 29 June 2008</b>
Average monthly staff employed:	<b>Number</b>	<b>Number</b>
Hotel operating staff	<b>149</b>	<b>175</b>
	<u>          </u>	<u>          </u>

All employees are employed by a group company, Guoman Hotels HR Limited, and a recharge is made to the Company in respect of the persons employed at the Marble Arch Hotel. The details of this recharge are disclosed above, by expense category.

The expenses for employer's pension cost include defined benefit and defined contribution schemes.

None of the Directors or Key Management received any emoluments in respect of their services to the Company in either period. They are remunerated in respect of their services to the Company and other group companies by a related party Guoman Hotel Management (UK) Limited, with no specific recharge being made to the Company.

**Notes (continued)**

**4 - Financial expenses**

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Bank and other interest	5	2
Loans from group companies	9,139	9,366
	<u>9,144</u>	<u>9,368</u>

**5 - Taxation**

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
<i>Recognised in the Income Statement</i>		
UK Corporation tax at 28%		
Current period tax charge	-	-
Adjustments in respect of previous years	-	-
Deferred taxation		
Current period tax (credit) / charge	(20,535)	134
Adjustments in respect of previous years	1,245	(189)
<b>Total tax credit</b>	<u>(19,290)</u>	<u>(55)</u>

*Reconciliation of effective tax rate*

	52 weeks ended 28 June 2009 %	£'000	52 weeks ended 29 June 2008 %	£'000
Profit before taxation	100%	1,399	100%	1,727
Expected tax charge at 28%	28.0%	392	28.0%	484
Items not subject to tax or deductible for tax purposes	1.4%	20	15.8%	273
Abolition of HBA's from 2011	112.2%	1,570	0.0%	-
Group relief receivable for nil consideration	(25.2%)	(353)	(36.1%)	(623)
Recognition of residual values of properties	(1584.3%)	(22,164)	0.0%	-
Adjustments in respect of previous years	89.0%	1,245	(10.9%)	(189)
<b>Actual tax credit</b>	<u>(1,378.8%)</u>	<u>(19,290)</u>	<u>(3.2%)</u>	<u>(55)</u>

**Notes (continued)**

**6 – Intangible Assets**

**52 Weeks ended 28 June 2009**

**Cost**

At the beginning of the financial period

Disposals

At the end of the financial period

**Amortisation**

At the beginning of the financial period

Charge for the financial period

Disposals

At the end of the financial period

**Net book value**

At 28 June 2009

**Intellectual Property Licence**

£'000

4,840

(4,840)

-

4,397

443

(4,840)

-

-

**52 Weeks ended 29 June 2008**

**Cost**

At the beginning and end of the financial period

**Amortisation**

At the beginning of the financial period

Charge for the financial period

At the end of the financial period

**Net book value**

At 29 June 2008

£'000

4,840

3,429

968

4,397

443

An intellectual property licence in respect of the Thistle brand was acquired from Guoman Hotels Limited and the cost of that licence was amortised over five years being the term of the licence. The licence expired in October 2008, and was deemed to be disposed. Subsequent to this date, use of the intellectual property is charged within the management fee from Guoman Hotels Management (UK) Limited, a company with common shareholders.

**Notes (continued)**

**7 - Property, Plant and Equipment**

<b>52 Weeks ended 28 June 2009</b>	<b>Land and buildings</b>	<b>Fit out costs, plant and equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At the beginning of the financial period	162,061	29,997	192,058
Additions	52	212	264
At the end of the financial period	162,113	30,209	192,322
<b>Depreciation</b>			
At the beginning of the financial period	1,474	27,252	28,726
Charge for the financial period	465	1,267	1,732
At the end of the financial period	1,939	28,519	30,458
<b>Net book value</b>			
At 28 June 2009	160,174	1,690	161,864
<b>52 Weeks ended 29 June 2008</b>	<b>Land and buildings</b>	<b>Fit out costs, plant and equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At the beginning of the financial period	162,061	28,540	190,601
Additions	-	1,457	1,457
At the end of the financial period	162,061	29,997	192,058
<b>Depreciation</b>			
At the beginning of the financial period	1,314	25,873	27,187
Charge for the financial period	160	1,379	1,539
At the end of the financial period	1,474	27,252	28,726
<b>Net book value</b>			
At 29 June 2008	160,587	2,745	163,332

The company's property has been charged as security for the banking facilities of Guoman Hotels Limited.

At 28<sup>th</sup> June 2009, the Company's property was tested for impairment.

When performing the impairment review the relevant retraction and growth rates included therein vary between -10% and 15% reflecting the current volatility of the UK market.

The recoverable amount of the property is determined from value in use calculations, the key assumptions are those regarding discount and growth rates. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Management used pre-tax discount factors between 10.1% & 12.8% over the forecast period.

This analysis took into account external views of the London hotel market and the likely time of recovery from the current economic environment

At the beginning and end of the financial period the value in use of the property exceeded the book value and therefore no impairment was required.

**Notes (continued)**

**8 - Inventories**

**52 Weeks ended 28 June 2009**

	<b>Food Stock</b>	<b>Beverage stock</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At the beginning of the financial period	17	23	40
Purchases	868	167	1,035
Utilised during the period	(869)	(171)	(1,040)
At the end of the financial period	16	19	35

**52 Weeks ended 29 June 2008**

	<b>Food Stock</b>	<b>Beverage stock</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At the beginning of the financial period	13	18	31
Purchases	907	204	1,111
Utilised during the period	(903)	(199)	(1,102)
At the end of the financial period	17	23	40

All stocks held are expected to be utilised within 12 months.

**Notes (continued)**

**9 - Trade and other receivables**

	28 June 2009	29 June 2008
	£'000	£'000
<b>Current assets</b>		
Trade debtors	2,350	2,455
Provision for bad debt	(54)	-
Net trade debtors	2,296	2,455
Other debtors	4	4
Prepayments and accrued income	1,319	1,019
	3,619	3,478

**Trade debtors that are not impaired**

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	28 June 2009	29 June 2008
	£'000	£'000
Neither past due nor impaired	1,476	1,976
Less than 1 month past due	725	370
1 to 3 months past due	95	109
	2,296	2,455

Trade debtors that are not impaired refer to debtors where no provision of doubtful debts is provided and ageing is past credit term.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these are considered fully recoverable. The Group does not hold any collateral over these balances.

All trade and other receivables are expected to be recovered in less than 12 months.



**Notes (continued)**

**10 - Trade and other payables**

	28 June 2009 £'000	29 June 2008 £'000
<b>Current liabilities</b>		
Trade creditors	1,784	2,231
Other creditors	473	722
Amounts owed to group undertakings	41,334	168,360
	<u>43,591</u>	<u>171,313</u>

Included within trade and other payables is £41,334,000 (2008: £168,360,000) which is expected to be settled in more than 12 months.

**11 - Deferred tax**

The movements in deferred tax liabilities were as follows:

	1 July 2007 £'000	Income Statement credit £'000	29 June 2008 £'000	Income Statement credit £'000	28 June 2009 £'000
<b>Liabilities</b>					
Property assets	36,070	(55)	36,015	(19,290)	16,725
	<u>36,070</u>	<u>(55)</u>	<u>36,015</u>	<u>(19,290)</u>	<u>16,725</u>

Deferred tax assets and liabilities are offset when there is a right to set off current tax assets and liabilities which relate to the same taxation jurisdiction. Deferred tax assets are recognised on the basis that they will be absorbed by forecast future taxable profits.

**12 - Retirement Benefit Obligations**

**Defined benefit pension schemes**

Costs in respect of defined benefit pension schemes operated by the Guoman Hotels Group are treated by the Company as if they relate to defined contribution schemes. The information available regarding the assets and liabilities of the schemes is not sufficient to allow the Company to account for the schemes as defined benefit schemes in its financial statements.

Full details of the assets and liabilities of the defined benefit pension schemes operated by the Guoman Hotels Group are shown in the financial statements of Guoman Hotels Limited.

**Defined contribution pension schemes**

The Company also operates defined contribution pension schemes for certain employees.

**Notes (continued)**

**13 - Financial instruments**

**a) Financial risk management policies and objectives**

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. The Company manages financial risk within its general risk management philosophy and framework.

Throughout both financial periods the Company's policy has been that trading in financial instruments is not undertaken.

**b) Liquidity risk**

Liquidity is managed on a daily basis by the treasury and finance departments of the Group. They are responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk on behalf of the Company by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

**c) Credit Risk**

The Company's credit risks are primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Company's bank deposits are managed by the Group and are only deposited in, and debt securities are only purchased from, counterparties who have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The hotel business has its own credit policy to allow credit period of 14 days for its customers. The Company has no significant concentrations of credit risks and does not obtain any collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance.

**d) Interest rate risk**

The Company's debt comprises intra-group balances. Interest is charged on these on an annual basis in accordance with Group policies.

**e) Currency risk**

The Company's net monetary assets and liabilities are denominated in sterling and therefore are not subject to currency risk.

**f) Financial assets**

The Company's financial assets as at 28 June 2009 comprised interest bearing cash balances of £335,000 (2008: £903,000). There was no difference between the carrying value and the fair value of financial assets at 28 June 2009 (2008: no difference).

**Notes (continued)**

**14 - Ordinary shares**

	Number of shares		Nominal Value	
	52 weeks ended 28 June 2009 No.	52 weeks ended 29 June 2008 No.	52 weeks ended 28 June 2009 £	52 weeks ended 29 June 2008 £
Ordinary shares of £1 each				
Authorised:				
At the beginning of the financial period	100	100	100	100
Issued during the year	24,900	-	24,900	-
At the end of the period	25,000	100	25,000	100
Issued and fully paid:				
At the beginning of the financial period	1	1	1	1
Issued during the year	20,000	-	20,000	-
At the end of the period	20,001	1	20,001	1

During the year, the company increased its authorised share capital by £24,900 to £25,000 and issued 20,000 £1 shares. These were purchased by Guoman Hotels Limited at a premium of £6,199 per share. The £124 million raised was used to repay a portion of the company's intra-group debt.

**15 - Share premium**

The share premium reserve comprises the amount subscribed for share capital in excess of nominal value, and deduction of costs of raising equity.

**16 - Retained earnings**

The retained earnings reserve comprises the cumulative net gains and losses recognised earnings in the consolidated income statement.

**17 - Related party transactions**

The parent company, Guoman Hotels Limited, operates a central treasury function to which the Company transfers its cash receipts and which settles all the Company's trading liabilities. It is not practicable to quantify the gross amounts of these transactions. The net movements from these transactions are accumulated in the amounts owed to group companies shown in note 10.

In addition, the Company entered into the following aggregate transactions with Guoman Hotels Limited and its subsidiaries:

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Interest expense on group balances	(9,139)	(9,366)
Management fees & brand licence	(2,788)	(1,852)
Operating expenses recharged to the Company	(3,707)	(3,898)

**Notes (continued)**

**18 - Financial commitments**

The total amounts payable over the remainder of the life of non-cancellable operating leases is as follows:

	<b>28 June 2009</b>		<b>29 June 2008</b>	
	<b>Property</b>	<b>Plant and Equipment</b>	<b>Property</b>	<b>Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payments which fall due				
Within one year	<b>86</b>	<b>56</b>	86	25
In the second to fifth years inclusive	<b>197</b>	<b>46</b>	342	20
After five years	<b>1,253</b>	<b>-</b>	1,194	-
Total payable over the life of the leases	<b>1,536</b>	<b>102</b>	1,622	45

	<b>28 June 2009</b>	<b>29 June 2008</b>
	<b>£'000</b>	<b>£'000</b>
<i>Capital expenditure commitments</i>		
Contracted for but not provided in the accounts	<b>111</b>	137

**19 - Parent and ultimate parent undertakings and controlling parties**

The immediate parent undertaking is Guoman Hotels Limited, a company registered in England. Copies of the financial statements of Guoman Hotels Limited, which consolidate the results of the Group, are available from Companies House, Cardiff.

Guoman Hotels Limited is a wholly owned subsidiary of GuocoLeisure Limited, a company registered in Bermuda and listed on the Singapore Stock Exchange. Copies of the accounts of GuocoLeisure Limited can be obtained from its website [www.guocoleisure.com](http://www.guocoleisure.com) or from its offices at 9 Temasek Boulevard, #11-01 Suntec Tower Two, Singapore.

GuocoLeisure Limited is both controlled and its financial results consolidated by Guoco Group Limited, a company registered in Hong Kong and listed on the Hong Kong Stock Exchange. Copies of the accounts of Guoco Group Limited are available from its website [www.guoco.com](http://www.guoco.com). The directors of Guoco Group Limited consider its ultimate controlling party to be Hong Leong Company (Malaysia) Berhad, a private company registered in Malaysia. The financial statements of Hong Leong Company (Malaysia) Berhad are not available to the public.