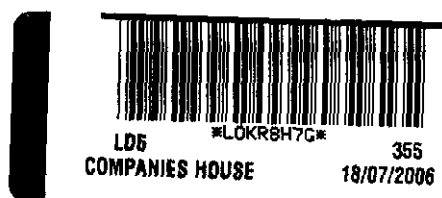


Registered number  
4013637

**LR (Economy) Hotels Limited**

**Report and Accounts**

**30 September 2005**



**LR (Economy) Hotels Limited**  
**Report and accounts**  
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**LR (Economy) Hotels Limited**  
**Company Information**

**Directors**

I M Livingstone  
C King

**Secretary**

R N Luck

**Auditors**

UHY Hacker Young  
168 Church Road  
Hove  
East Sussex  
BN3 2DL

**Registered office**

St Alphage House  
2 Fore Street  
London  
EC2Y 5DH

**Registered number**

4013637

**LR (Economy) Hotels Limited**  
**Directors' Report**

The directors present their report and accounts for the year ended 30 September 2005.

**Principal activities and review of the business**

The company's principal activity during the year was property investment.

**Results and dividends**

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend.

**Directors**

The directors who served during the year was as follows:

Mr I M Livingstone

Mr C King (appointed 17 December 2004)

The directors had no interest in the ordinary shares of the company at any time during the year.

**Post balance sheet event**

On 1 December 2005 the company sold all its investment properties for £70,250,000.

**Auditors**

A resolution to reappoint UHY Hacker Young as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 7 June 2006.

R N Luck  
Secretary



**LR (Economy) Hotels Limited**  
**Statement of Directors' Responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

**LR (Economy) Hotels Limited**  
**Auditors' Report**

**Independent auditors' report**  
**to the shareholder of LR (Economy) Hotels Limited**

We have audited the accounts of LR (Economy) Hotels Ltd for the year ended 30 September 2005 which comprise pages 5 to 13. These accounts have been prepared under the historical cost convention as modified to include the revaluation of fixed assets and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of opinion**

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

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

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



UHY Hacker Young  
Chartered Accountants and Registered Auditors  
168 Church Road  
Hove  
East Sussex  
BN3 2DL

7 June 2006

**LR (Economy) Hotels Limited**  
**Profit and Loss Account**  
**for the year ended 30 September 2005**

	Notes	2005 £	2004 £
<b>Turnover</b>	2	6,552,121	6,944,089
Administrative expenses		(230,347)	(263,414)
<b>Operating profit</b>	3	<u>6,321,774</u>	<u>6,680,675</u>
Exceptional items: profit on the disposal of tangible fixed assets	4	4,751,819	-
		<u>11,073,593</u>	<u>6,680,675</u>
Interest receivable		74,573	21,882
Interest payable	5	(10,495,233)	(5,673,586)
<b>Profit on ordinary activities before taxation</b>		<u>652,933</u>	<u>1,028,971</u>
Tax on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>		<u>652,933</u>	<u>1,028,971</u>
<b>Retained profit for the financial year</b>	14	<u>652,933</u>	<u>1,028,971</u>

**LR (Economy) Hotels Limited**  
**Statement of total recognised gains and losses**  
**for the year ended 30 September 2005**

	<b>Notes</b>	<b>2005 £</b>	<b>2004 £</b>
Profit for the financial year	14	652,933	1,028,971
Unrealised surplus on revaluation of properties	13	15,300,000	-
Total recognised gains and losses related to the year		<u>15,952,933</u>	<u>1,028,971</u>

**Note of historical cost profits and losses**  
**for the year ended 30 September 2005**

	<b>2005 £</b>	<b>2004 £</b>
Profit on ordinary activities before taxation	652,933	1,028,971
Realisation of prior year revaluation deficits of investment properties	(2,314,515)	-
Historical cost profit on ordinary activities before taxation	<u>(1,661,582)</u>	<u>1,028,971</u>



**LR (Economy) Hotels Limited**  
**Balance Sheet**  
**as at 30 September 2005**

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	7	70,250,000	87,950,000
<b>Current assets</b>			
Debtors	8	6,585,804	33,619
Cash at bank and in hand		<u>1,203,057</u>	<u>3,192</u>
		7,788,861	36,811
<b>Creditors: amounts falling due within one year</b>	9	(3,572,383)	(6,972,482)
<b>Net current assets/(liabilities)</b>		<u>4,216,478</u>	<u>(6,935,671)</u>
<b>Total assets less current liabilities</b>		<u>74,466,478</u>	<u>81,014,329</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(54,559,583)	(77,060,367)
		<u>19,906,895</u>	<u>3,953,962</u>
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Revaluation reserve	13	18,992,236	1,377,721
Profit and loss account	14	914,658	2,576,240
Shareholder's funds:			
Equity		<u>19,906,895</u>	<u>3,953,962</u>
	15	<u>19,906,895</u>	<u>3,953,962</u>



Mr C King  
Director

Approved by the board on 7 June 2006

**LR (Economy) Hotels Limited**  
**Cash Flow Statement**  
**for the year ended 30 September 2005**

	Notes	2005 £	2004 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		6,321,774	6,680,675
(Increase)/decrease in debtors		(6,552,185)	996,945
Decrease in creditors		(2,399,691)	(1,568,107)
<b>Net cash (outflow)/inflow from operating activities</b>		<u>(2,630,102)</u>	<u>6,109,513</u>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash (outflow)/inflow from operating activities</b>		(2,630,102)	6,109,513
<b>Returns on investments and servicing of finance</b>	16	(9,855,918)	(5,571,230)
<b>Capital expenditure</b>	16	<u>37,751,819</u> 25,265,799	<u>-</u> 538,283
<b>Financing</b>	16	(24,065,934)	(949,072)
<b>Increase/(decrease) in cash</b>		<u>1,199,865</u>	<u>(410,789)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the period</b>		1,199,865	(410,789)
Decrease in debt financing		23,501,192	868,598
<b>Change in net debt</b>	17	<u>24,701,057</u>	<u>457,809</u>
<b>Net debt at 1 October</b>		<u>(78,137,583)</u>	<u>(78,595,392)</u>
<b>Net debt at 30 September</b>		<u>(53,436,526)</u>	<u>(78,137,583)</u>

**LR (Economy) Hotels Limited**  
**Notes to the Accounts**  
**for the year ended 30 September 2005**

**1 Accounting policies**

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies which have been consistently applied are given below:

***Accounting convention***

The accounts have been prepared under the historical cost convention as modified to include the revaluation of fixed assets and in accordance with applicable accounting standards.

***Finance costs***

Finance costs are amortised over the period of the loans in accordance with FRS4.

***Depreciation***

Compliance with Statement of Standard Accounting Practice 19 (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation for the departure is given below.

***Investment properties***

In accordance with SSAP 19, investment properties are revalued annually and the surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with SSAP 19 and the director considers that to depreciate would not give a true and fair view.

***Deferred taxation***

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

***Turnover***

Turnover comprises rental income net of value added tax.

**2 Turnover**

The total turnover of the company for the year has been derived from its principal activity, wholly undertaken in the UK.

**3 Operating profit**

<b>2005</b>	<b>2004</b>
<b>£</b>	<b>£</b>

This is stated after charging:

Auditors' remuneration	<u>1,750</u>	<u>1,650</u>
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**LR (Economy) Hotels Limited**  
**Notes to the Accounts**  
**for the year ended 30 September 2005**

<b>4 Exceptional items</b>	<b>2005</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit on disposal of land and buildings	<u>4,751,819</u>	<u>-</u>

<b>5 Interest payable</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank loan	5,255,491	5,593,112
Swap break costs	4,675,000	-
Amortisation of loan fees	564,742	80,474
	<u>10,495,233</u>	<u>5,673,586</u>

**6 Taxation**

No taxation is considered payable on the year's profit due to the availability of tax losses for group relief.

**7 Tangible fixed assets**

	<b>Freehold land and buildings £</b>
<b>Valuation</b>	
At 1 October 2004	87,950,000
Surplus on revaluation	15,300,000
Disposals	(33,000,000)
At 30 September 2005	<u>70,250,000</u>
At cost	<u>51,257,764</u>

The investment properties were valued by the directors on an open market value basis at 30 September 2005.

<b>8 Debtors</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts owed by group undertakings	6,071,888	-
Other debtors	381,031	33,619
Prepayments and accrued income	132,885	-
	<u>6,585,804</u>	<u>33,619</u>

**LR (Economy) Hotels Limited**  
**Notes to the Accounts**  
**for the year ended 30 September 2005**

<b>9 Creditors: amounts falling due within one year</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (see note 11)	80,000	1,080,408
Trade creditors	-	8,812
Amounts owed to group undertakings	1,113,827	4,743,971
Other creditors	30	19,017
Accruals and deferred income	2,378,526	1,120,274
	<u>3,572,383</u>	<u>6,972,482</u>

<b>10 Creditors: amounts falling due after one year</b>	<b>£</b>	<b>£</b>
Bank loans (see note 11)	55,056,000	77,568,132
Finance costs	(496,417)	(507,765)
	<u>54,559,583</u>	<u>77,060,367</u>

The bank loan is secured by charges over the company's assets and is repayable from surplus rents with a final repayment date of 15 January 2012. Interest rate swaps have been entered into which effectively fix the interest at a rate of 6.9% per annum.

<b>11 Loans</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<i>Analysis of maturity of debt:</i>		
Within one year or on demand	80,000	1,080,408
Between one and two years	420,000	1,140,676
Between two and five years	1,552,500	3,996,364
After five years	53,083,500	72,431,092
	<u>55,136,000</u>	<u>78,648,540</u>

<b>12 Share capital</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Authorised:		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>No</b>	<b>No</b>	<b>£</b>	<b>£</b>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

<b>13 Revaluation reserve</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
At 1 October	1,377,721	1,377,721
Arising on revaluation during the year	15,300,000	-
Realised on disposals during the year	2,314,515	-
	<u>18,992,236</u>	<u>1,377,721</u>
At 30 September 2005		

**LR (Economy) Hotels Limited**  
**Notes to the Accounts**  
**for the year ended 30 September 2005**

<b>14 Profit and loss account</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
At 1 October	2,576,240	1,547,269
Retained profit	652,933	1,028,971
Transfer from revaluation reserve	(2,314,515)	-
At 30 September 2005	<u>914,658</u>	<u>2,576,240</u>

<b>15 Reconciliation of movement in shareholder's funds</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
At 1 October	3,953,962	2,924,991
Profit for the financial year	652,933	1,028,971
Other recognised gains and losses	15,300,000	-
At 30 September 2005	<u>19,906,895</u>	<u>3,953,962</u>

<b>16 Gross cash flows</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	74,573	21,882
Interest paid	(9,930,491)	(5,593,112)
	<u>(9,855,918)</u>	<u>(5,571,230)</u>
<b>Capital expenditure</b>		
Receipts from sales of tangible fixed assets	<u>37,751,819</u>	<u>-</u>
<b>Financing</b>		
Loan repayments	(23,512,540)	(928,603)
Financing costs	(553,394)	(20,469)
	<u>(24,065,934)</u>	<u>(949,072)</u>

<b>17 Analysis of changes in net debt</b>	<b>At 1 Oct</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>At 30 Sep</b>
	<b>2004</b>		<b>changes</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	3,192	<u>1,199,865</u>		1,203,057
Debt due within 1 year	(1,080,408)	<u>1,000,408</u>		(80,000)
Debt due after 1 year	(77,568,132)	<u>22,512,132</u>		(55,056,000)
Unamortised loan fees	507,765	<u>553,394</u>	(564,742)	496,417
		<u>24,065,934</u>		
Total	<u>(78,137,583)</u>	<u>25,265,799</u>	<u>(564,742)</u>	<u>(53,436,526)</u>

**LR (Economy) Hotels Limited**  
**Notes to the Accounts**  
**for the year ended 30 September 2005**

**18 Post balance sheet event**

On 1 December 2005 the company sold all its investment properties for £70,250,000.

**19 Related party transactions**

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

**20 Parent undertaking**

The company is a wholly owned subsidiary of London & Regional Hotel Holdings Ltd, a company incorporated and registered in England and Wales. The ultimate parent undertaking is Loopsign Limited, a company incorporated in England and Wales. The ultimate controlling parties are I M Livingstone and R J Livingstone through their joint ownership of Loopsign Ltd.