

Company No 04216917

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**29 DECEMBER 2011**

THURSDAY



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## **SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

### **COMPANY INFORMATION**

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#### **DIRECTORS**

Subrata Roy Sahara  
Swapna Roy  
Om Prakash Srivastava  
Sushanto Roy  
Sandeep Wadhwa  
Vijay Singh Dogra

#### **SECRETARY**

Law Debenture Corporate Services Limited

#### **REGISTERED OFFICE**

c/o Law Debenture Corporate Services Limited  
Fifth Floor  
100 Wood Street  
London  
EC2V 7EX

#### **AUDITOR**

Baker Tilly UK Audit LLP  
The Clock House  
140 London Road  
Guildford  
Surrey  
GU1 1UW

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## **SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

### **DIRECTORS' REPORT**

The Directors present their Report and audited Financial Statements of the company (Company No 04216917) for the year ending 29 December 2011. The company is incorporated as a limited company and domiciled in England, and registered under Companies Act 2006.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is property investment. The investment property comprises the company's long leasehold interest in the Grosvenor House Hotel, Park Lane, London.

The Directors consider the principal place of business to be 42 Regal House, Lensbury Avenue, London, SW6 2GZ.

### **BUSINESS REVIEW**

The company's financial performance is presented in the Statement of Total Comprehensive Income on page 7. The profit for the year attributable to the owners of the company was £10,803,291 (2010: £18,497,774). At the end of the year, the Statement of Financial Position showed total assets of £531,820,436 (2010: £471,877,155) and equity of £30,716,867 (2010: £19,913,576).

The Directors are satisfied with the company's performance in the period and with the financial position at the year end. No dividends were paid during the year and the Directors do not recommend a dividend in respect of 2011 (2010: £Nil).

Rent receivable for the period amounted to £25,547,917 (2010: £25,042,302).

In August 2011, a valuation of the investment property was undertaken as part of a refinancing exercise. The property was valued on an open market basis at £480,000,000 by an independent firm of professional valuers. The property was previously valued at £470,000,000. The Directors have chosen to reflect the increase in fair value of the property in the financial statements for the year under review as they believe the valuation of the property carried out during the year provides the best approximation of fair value at the balance sheet date. There were no additions or disposals of investment property during the year.

### **KEY PERFORMANCE INDICATORS**

The board of directors reviews and monitors the following key performance indicators:

	2011 £	2010 £
Investment property valuation	480,000,000	470,000,000
Rental yield	5.3%	5.3%

The directors consider that performance against these areas was acceptable.

### **FUTURE DEVELOPMENTS**

The Directors remain alert to good business opportunities within their sector and will pursue any appropriate opportunities if it seems worthwhile to do so.

### **CHARITABLE DONATIONS**

During the year the company made charitable donations of £47,138 (2010: £Nil) to youth charities.

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## **SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

### **DIRECTORS' REPORT**

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#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The directors monitor potential business risk areas and address the risk wherever possible

The directors have assessed the key risks to the company and consider that it is exposed to interest rate risk, tenant credit risk, cash flow risk and market value risk, summarised as follows

##### Interest rate risk

The company is party to a variable rate loan and is therefore exposed to interest rate changes. The risk is mitigated by a review of interest rate expectations. The Directors would consider the implementation of hedging measures where beneficial; however, as at 29 December 2011, no such measures were considered necessary. The company does not use any other financial instruments to mitigate its risk.

##### Tenant credit risk

The company is exposed to tenant credit risk, that is the risk of their lessee not making agreed rental payments. The risk has been mitigated by the company obtaining, by way of the property lease agreement, a guarantee in respect of rental payments from the lessee's controlling party, Marriott International Inc.

##### Cash flow risk

The company is at risk of not making its interest payments or other loan repayments if it is unable to collect receivables when due. The company minimises the cash flow risk of non-performance on its loan agreements and other commitments by minimising its tenant credit risk and through the use of specialist managing agents to ensure collection of rent takes place on time.

##### Market value risk

The company is exposed to the risk of a drop in the market value of its investment property. The company's investment property value is determined by market forces outside of the company's control. The company is not exposed to loan default implications resulting from a fall in property values as the financing arrangements do not include any subsequent loan to value covenants other than on initial arrangement, which were satisfied in order to complete the initial loan agreement.

Further details of the company's risk and capital management policies can be found in note 16.

#### **DIRECTORS**

The following Directors have held office since 1 January 2011:

Subrata Roy Sahara  
Swapna Roy  
Om Prakash Srivastava  
Sushanto Roy  
Sandeep Wadhwa  
Vijay Singh Dogra

#### **POLICY ON PAYMENT OF SUPPLIERS**

Company supplier days based on trade payables at 29 December 2011 were 29 days (2010: Nil days).

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**DIRECTORS' REPORT**

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**THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS**

Qualifying third party indemnity provision for the benefit of one or more directors was in existence during the year

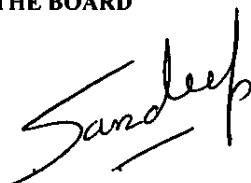
**AUDITOR**

The auditor, Baker Tilly UK Audit LLP, Statutory Auditor, has indicated its willingness to continue in office

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**ON BEHALF OF THE BOARD**



**Sandeep Wadhwa**  
**Director**

Dated 19 September 2012

## **SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

### **DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS**

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The Directors are responsible for preparing the Report of the Directors 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 of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Financial Statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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 the Financial Statements, the Directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether they have been prepared in accordance with IFRS as adopted by the EU,
- d prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

We have audited the financial statements on pages 6 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 (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 website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 29 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the provisions of the Companies Act 2006.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 11 of these financial statements concerning the company's ability to continue as a going concern. The company was technically in breach of the covenants governing its banking facilities by not providing audited financial statements to its bankers within 180 days of its year end and by not notifying its bankers of the breach within the required timescale. The company did not obtain a waiver in respect of this breach. As a result the bankers were technically able to foreclose on the loan amounting to £305m. This condition, along with the other matters explained in the accounting policies on page 11 of these financial statements, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

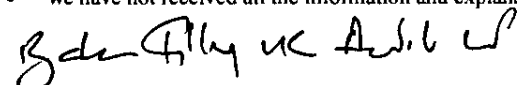
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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.



COLIN ROBERTS FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP Statutory Auditor

Chartered Accountants, The Clock House, 140 London Road, Guildford, Surrey GU1 1UW

19 SEP 2012

2012

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**STATEMENT OF FINANCIAL POSITION  
as at 29 December 2011**

Company No 04216917

	Note	2011 £	2010 £
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Investment property	9	480 000,000	470 000 000
Other financial assets	10,14,16	25,000,000	-
		<u>505,000,000</u>	<u>470,000 000</u>
<b>Current Assets</b>			
Trade and other receivables	11	18,498,705	13 937
Cash and cash equivalents		8,321,731	1 863 218
		<u>26 820,436</u>	<u>1,877,155</u>
<b>TOTAL ASSETS</b>		<u>531,820,436</u>	<u>471,877,155</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	770,001	770,001
Retained earnings		29,946 866	19,143,575
<b>TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		<u>30,716 867</u>	<u>19,913 576</u>
<b>Non-current liabilities</b>			
Long term borrowings	14	454,794 366	-
Deferred tax payable	15	9,993 150	9,258,950
<b>Total Non-current liabilities</b>		<u>464,787,516</u>	<u>9,258 950</u>
<b>Current liabilities</b>			
Trade and other payables	12	30,897,072	7 258 171
Short-term borrowings	13	5 401 181	435 437,000
Current tax payable		17,800	9 458
<b>Total current liabilities</b>		<u>36,316,053</u>	<u>442,704 629</u>
<b>TOTAL LIABILITIES</b>		<u>501,103,569</u>	<u>451,963,579</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>531,820,436</u>	<u>471,877 155</u>

The Financial Statements on pages 6 to 25 were approved by the Board of Directors and authorised for issue on 19. SKRIM 2012 and are signed on its behalf by

  
Sandeep Wadhwa  
Director



**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 29 December 2011**

	Notes	Year ended 29/12/2011 £	Period ended 29/12/2010 £
Revenue	3	26 149,111	25,198,932
Administrative expenses		(2,721,208)	(877,166)
Increase/(decrease) in fair value of investment property		10,000,000	(10,230,000)
<b>Profit from operations</b>		<b>33,427 903</b>	<b>14,091,766</b>
Finance income	4	3,992	3,346
Finance costs	5	(21,886,062)	(2,497,999)
<b>Profit before taxation</b>	6	<b>11,545,833</b>	<b>11,597,113</b>
Income tax expense/(credit)	8	742,542	(6,900,661)
<b>Profit for the year attributable to the owners of the company</b>		<b>10,803,291</b>	<b>18,497,774</b>
Other comprehensive income		-	-
<b>Total comprehensive income attributable to the owners of the company</b>		<b>10,803,291</b>	<b>18 497,774</b>

The profit for the year arises from the Company's continuing operations in the United Kingdom

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED****STATEMENT OF CHANGES IN EQUITY  
for the year ended 29 December 2011**

	Attributable to the Owners of the Company		
	Share Capital £	Retained Earnings £	Total £
<b>Balance at 1 January 2010</b>	770,001	645,801	1,415,802
<i>Changes in equity for 2010</i>			
Profit for the period	-	18,497,774	18,497,774
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	18,497,774	18,497,774
<b>Balance at 29 December 2010</b>	770,001	19,143,575	19,913,576
<i>Changes in equity for 2011</i>			
Profit for the year	-	10,803,291	10,803,291
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	10,803,291	10,803,291
<b>Balance at 29 December 2011</b>	770,001	29,946,866	30,716,867

**Share Capital**

Share capital represents the par value of ordinary shares issued by the company

**Retained Earnings**

Retained earnings represent the cumulative profit and loss net of distributions to owners

# SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

## STATEMENT OF CASH FLOWS for the year ended 29 December 2011

	Notes	Year ended 29/12/2011 £	Period ended 29/12/2010 £
<b>Cash flows from operating activities</b>			
Profit for the year before tax		11,545,833	11,597,113
Finance income		(3,992)	(3,346)
Finance costs		21 886,062	2,497,999
(Increase)/decrease in fair value of investment property		(10 000,000)	10,230,000
Operating cash flows before movements in working capital		23,427,903	24,321,766
Increase in trade and other receivables		(18,484,768)	(13,937)
Increase/(decrease) in trade and other payables		1,875,347	(911,807)
Cash generated from operations		6,818,482	23,396,022
Income taxes paid		-	(5,155,528)
<i>Net cash generated from operating activities</i>		6,818,482	18,240,494
<b>Cash flows from investing activities</b>			
Restricted bank deposit		(25,000,000)	-
Interest received		3,992	3,346
<i>Net cash flow (used in)/from investing activities</i>		(24,996,008)	3,346
<b>Cash flows from financing activities</b>			
Net cash flows relating to borrowings from parent company including issuance of Eurobond loan notes		(275,290,500)	-
Repayment of bank borrowings		-	(16,322,075)
Interest paid		-	(2,497,999)
Proceeds from bank borrowings		305,000,000	-
Loan arrangement fees paid		(5,073,461)	
<i>Net cash flow from/(used in) financing activities</i>		24,636 039	(18,820,074)
Net increase/(decrease) in cash and cash equivalents		6,458,513	(576,234)
Cash and cash equivalents at beginning of the year		1,863,218	2,439,452
<b>Cash and cash equivalents at end of the year</b>		<b>8,321,731</b>	<b>1 863,218</b>

### Cash and cash equivalents

For the purposes of the statement of cash flows cash and cash equivalents comprise cash at bank and in hand and other short term, highly liquid investments with a maturity of less than three months. This is consistent with the presentation in the Statement of Financial Position. Included within cash and cash equivalents at the end of the year was an amount of £119 088 held in a bank account over which third parties for whom the company is acting as agent have signatory rights under the bank mandate for that account.

## SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 December 2011

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#### 1. PRINCIPAL ACCOUNTING POLICIES

##### **Basis of Preparation**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the EU ( 'IFRS ' ) and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of the investment property and certain financial instruments at fair value through the profit or loss

The preparation of financial statements in conformity with the IFRS require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2

##### **Adoption of new and revised standards and interpretations**

*Amendments to published standards effective for the period ended 29 December 2011*

The following standards have been adopted during the year

- IAS 1 (Revised) "Presentation of Financial Statements",
- IAS 7 (Revised) "Statement of Cash Flows",
- IAS 12 (Revised) "Income Taxes",
- IAS 17 (Revised) "Leases",
- IAS 24 (Revised) "Related Party Disclosures",
- IAS 32 (Revised) "Financial Instruments: Presentation",
- IAS 39 (Revised) "Financial Instruments: Measurement",
- IFRS 7 (Revised) "Financial Instruments: Disclosure", and
- IFRIC 9 (Revised) "Reassessment of Embedded Derivatives"

Although the adoption of these amendments has had no impact on the financial position and performance of the Company, additional disclosures have been provided to comply with the revised standards

*Standards adopted early by the Company*

The Company has not adopted any standards or interpretations early in either the current or the preceding financial year

*Adoption of standards and interpretations*

As at the date of authorisation of these financial statements, there were standards and interpretations in issue but that are not yet effective and have not been applied in these financial statements, as listed below

- IAS 1 (Revised) "Presentation of Financial Statements",
- IAS 32 (Revised) "Financial Instruments: Presentation",
- IFRS 7 (Revised) "Financial Instruments: Disclosure",
- IFRS 9 "Financial Instruments: Classification and Measurement", and
- IFRS 13 "Fair Value Measurement",

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Company when the relevant standards and interpretations come into effect although there may be a requirement for additional disclosures

## **SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 29 December 2011**

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#### **1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

##### **Going Concern**

The Directors have reviewed the expected cash flows of the company for a period of at least twelve months from the date of approval of these Financial Statements and consider that there is sufficient working capital for the company to meet its external liabilities as they fall due for the foreseeable future. In addition, the parent company has confirmed it will not seek payment of interest accruing on the £160m Eurobond loan note and it will continue to roll up the interest until such a time as the company's cash position allows the payments to be made. In the light of this, and taking all other factors into account, the Directors believe it is appropriate to prepare the Financial Statements on a going concern basis.

At the date of approval of these Financial Statements, the company is technically in breach of its covenant obligations under its loan agreement with the Bank of China in so much as signed audited accounts ought to have been supplied to the Bank of China within 180 days of the company's year end date. In the unlikely event that the Bank of China were to foreclose on their loan to the company as a result of the late provision of the company's accounts for the year ended 29 December 2011, the directors are confident that the Sahara Group has sufficient resource to repay to the Bank of China in full the loan amount of £305 million and will do so if the Bank of China foreclose on the loan to thereby ensure that there is no negative impact on the company's ability to continue in business and to meet all of its other obligations as they fall due.

##### **Foreign Currency Translation**

The functional and presentational currency of Sahara Grovenor House Hospitality Limited is Sterling. The Company does not have any transactions in currencies other than its functional currency.

##### **Revenue Recognition**

Rental income from the investment property represents amounts payable by tenants under operating leases. Such amounts are credited to the Income Statement on a straight line basis over the term of the lease agreement. Rental income received in advance is deferred to the future periods to which it relates.

Other income included within revenue represents insurance commissions receivable and lease premiums payable by tenants upon surrender of a lease. Insurance commissions are recognised as income on an accruals basis in the Income Statement based upon the effective commencement or renewal dates of the related policies. Any timing differences arising at the reporting date are recognised as either deferred or accrued income in the Statement of Financial Position as applicable.

##### **Finance Income and Finance Costs**

Finance income represents interest earned on financial assets that are classified as loans and receivables and finance costs represent interest expense incurred on financial liabilities held at amortised cost. These are determined using the effective interest rate method, which is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ending 29 December 2011**

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**I. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee

*The Company as a lessor*

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the relevant lease in the Income Statement. Rent free periods and other incentives given to tenants at the inception of the lease are spread on a straight-line basis over the relevant lease term and also recognised in the Income Statement

**Investment Property**

Investment property, which is property held either to earn rental income or for capital appreciation or both, is stated at its fair value at the reporting date. The method of establishing fair value is stated in note 9. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise

Gains or losses arising from disposal of investment property, being the difference between the net disposal proceeds and carrying value, are included in profit or loss in the year of the disposal

**Financial instruments**

Financial assets and liabilities are recognised on the Company's Statement of Financial Position when the Company has become party to the contractual provisions of the instrument

Financial assets

*Trade and other receivables*

Trade and other receivables and loans are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments) that amounts will not be recovered in accordance with the original terms of the agreement. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Income Statement

*Cash and Cash equivalents*

Cash and cash equivalents comprise cash at bank and other short-term investments held by the Company with maturities of less than three months. These are highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities

*Trade and other payables*

Trade and other payables are initially recognised at cost and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the Statement of Total Comprehensive Income. Cost approximates to fair value

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**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ending 29 December 2011**

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**1 PRINCIPAL ACCOUNTING POLICIES (Continued)**

*Borrowings*

Interest bearing loans are recorded initially at their fair value net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the Statement of Total Comprehensive Income over the term of the instrument using an effective rate of interest.

*Equity*

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

**Taxation**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available in the future against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to Other Comprehensive Income, in which case the deferred tax is also recognised in Other Comprehensive Income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either

- the same taxable entity, or
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled.

**2 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

Estimates and judgements are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future: the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

# SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 29 December 2011

3.	REVENUE	Year to	Period to
		29/12/2011	29/12/2010
		£	£
	Rental income	25 547 917	25,042,302
	Other property related income	601,194	156 630
		<u>26,149,111</u>	<u>25,198,932</u>
	All rental income is generated from the investment property in the United Kingdom		
4.	FINANCE INCOME	Year to	Period to
		29/12/2011	29/12/2010
		£	£
	Interest received from the parent company	-	3,346
	Bank interest received	3,992	-
		<u>3,992</u>	<u>3,346</u>
5.	FINANCE COSTS	Year to	Period to
		29/12/2011	29/12/2010
		£	£
	Bank charges	1,075	-
	Interest payable on transactions with the parent company including Eurobond loan note	19,861,929	2,497,999
	Interest payable on bank loan	1,874 989	-
	Amortisation of loan arrangement fees	148,069	-
		<u>21,886 062</u>	<u>2,497,999</u>
6	PROFIT BEFORE TAXATION	Year to	Period to
		29/12/2011	29/12/2010
		£	£
	The profit before taxation is stated after charging		
	Amounts payable to Baker Tilly UK Audit LLP for audit services	15,000	15,000
	Amounts payable to associates of Baker Tilly UK Audit LLP for other services		
	- Taxation and other advice	31 900	-
	- Accountancy	12 700	-
	Rentals under operating leases	1 103 416	30 000
		<u></u>	<u></u>
7.	STAFF COSTS		

The Directors received no emoluments for their services as Directors of the company during the current year (2010 £Nil) The Company has no employees (2010 none)



**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 29 December 2011**

<b>8</b>	<b>TAXATION</b>	<b>Year to 29/12/2011 £</b>	<b>Period to 29/12/2010 £</b>
	<b>Current taxation</b>		
	Tax charge for the year	17,800	4,588,082
	Adjustments in respect of prior periods	(9,458)	(4,996)
	Current tax charge for the year	<u>8,342</u>	<u>4,583,086</u>
	<b>Deferred taxation (note 15)</b>		
	Origination and reversal of temporary differences	1,080,805	(11,483,747)
	Adjustments in respect of prior periods	338,960	-
	Effect of changes in rates and laws	(685,565)	-
	Deferred tax charge/(credit) for the year	<u>734,200</u>	<u>(11,483,747)</u>
	Total income tax expense/(credit)	<u><u>742,542</u></u>	<u><u>(6,900,661)</u></u>

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 26% (2010 28%) as follows

	<b>Year to 29/12/2011 £</b>	<b>Period to 29/12/2010 £</b>
Profit before taxation	<u>11,545,833</u>	<u>11,597,113</u>
Profit before taxation, multiplied by standard rate of UK corporation tax of 26% (2010 28%)	3,001,917	3,247,192
Effects of		
Interest on subordinated debt not allowable for tax	-	57,780
Non-deductible items	2,716	3,032,352
Capital allowances	(346,605)	(645,825)
Adjustment in respect of prior periods	(9,458)	(4,996)
Revaluation of investment properties	(2,600,000)	(12,587,164)
Transfer pricing adjustments	751,346	-
Other tax adjustments	(57,374)	-
	<u>(2,259,375)</u>	<u>(10,147,853)</u>
Total income tax expense/(credit)	<u><u>742,542</u></u>	<u><u>(6,900,661)</u></u>

# SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 29 December 2011

9	INVESTMENT PROPERTY	Year to 29/12/2011 £	Period to 29/12/2010 £
	Fair value		
	Opening balance for the year	470,000 000	480 230 000
	Fair value adjustment	10,000,000	(10,230,000)
	Closing balance for the year	<u>480,000,000</u>	<u>470,000,000</u>

The investment property comprises a long leasehold over the Grosvenor House Hotel, Park Lane, London, expiring in 2104

The fair value of the investment property at 29 December 2011 has been arrived at using a professional valuation carried out by an independent firm of professional valuers on 12 August. The valuation is on an open market basis and was arrived at by reference to market evidence and discounted cashflows. The directors have considered market changes in the intervening period and do not believe any material adjustment to the valuation of the property is needed at the year end.

The property rental income earned by the Company from its investment property amounted to £25,547,917 (2010 £25,042,302)

The lessee, Marriott International Inc, bears the contractual obligation to maintain the investment property. Neither the company nor the lessee has a contractual obligation to purchase or develop the property.

10.	OTHER FINANCIAL ASSETS	2011 £	2010 £
	Restricted bank deposit	<u>25,000,000</u>	<u>-</u>

As part of the terms of the loan (disclosed in note 14) from the Bank of China, an amount of £25 000,000 must be kept on restricted deposit for the full term of the 7 year loan as security against the amount borrowed. This has been classed as an Other Financial Asset in the statement of financial position in accordance with IAS 32. In accordance with the contractual terms of the Bank of China loan, the deposit does not attract any interest.

11.	TRADE AND OTHER RECEIVABLES	2011 £	2010 £
	Trade receivables	15,120	-
	Related party receivables	18 111 500	-
	Prepayments	312 487	13 937
	Other receivables	59,598	-
		<u>18 498,705</u>	<u>13 937</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. All receivables are denominated in Sterling.

At 29 December 2011 £Nil (2010 £Nil) trade receivables were past due or impaired.

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 29 December 2011**

<b>12</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Trade payables	178,767	-
	Related party payables	20 996 156	-
	VAT payable	908,341	732,030
	Other liabilities	119 088	-
	Accruals and deferred income	8 694 720	6 526,141
		<u>30,897,072</u>	<u>7,258,171</u>

The directors consider that the carry amount of trade and other payables approximates to their fair value. All payables are denominated in Sterling.

<b>13.</b>	<b>SHORT-TERM BORROWINGS</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Loan from ultimate parent company	-	435 437,000
	Bank loan (see note 14)	5,401,181	-
		<u>5,401,181</u>	<u>435 437 000</u>

In the previous year, loan from ultimate parent company referred to a loan from Royal Bank of Scotland Plc, who was the parent company until change of ownership on 30 December 2010. On change of ownership the loan was transferred to the new parent company Aamby Valley Mauritius Limited, and repaid during the current year.

<b>14</b>	<b>LONG TERM BORROWINGS</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Eurobond loan note	160 087,283	-
	Bank loan (see below)	294 707,083	-
		<u>454,794 366</u>	<u>-</u>

During the year under review, the loan from the ultimate parent company was repaid in full and replaced by a bank loan from the Bank of China of £305 million and quoted Eurobond loan notes of £160 million.

The bank loan from the Bank of China is a floating rate loan, maturing quarterly. The rate fluctuates with 3 month LIBOR + 2.5% margin. Interest is payable quarterly in arrears on the 20 January, 20 April, 20 July and 20 October every year. The loan is for a period of 7 years.

The loan was initially recognised at fair value, net of transaction costs of £5 007,784. The loan is subsequently measured at amortised cost, and finance charges are recognised in the Statement of Comprehensive Income over the term of the loan. To fulfil the condition of the loan, the company is holding a deposit of £25,000,000 in a non-interest bearing account (see note 10).

The loan is secured with fixed and floating charges over the assets of the company.

## SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 29 December 2011

#### 14. LONG TERM BORROWINGS (Continued)

The Eurobond loan note is held by Aamby Valley Mauritius Limited the parent company, and was issued on 13 December 2011. The loan note is quoted on the Channel Islands Stock exchange. The loan note bears interest at 5.15% per annum until 31 December 2011 thereafter 8.75% per annum. Interest accrues daily and is payable on 31 December each year. The loan note is redeemable in full on 30 December 2025. The loan note was initially recognised at fair value, net of transaction costs of £65,677 and is subsequently measured at amortised cost. Finance charges are recognised in the Statement of Comprehensive Income over the term of the loan.

The Eurobond loan note is unsecured.

#### 15. DEFERRED TAX PAYABLE

Provision for deferred taxation has been made as follows

	Accelerated tax depreciation	Valuation of investment properties	Total
	£	£	£
At 1 January 2010	8,155,533	12,587,164	20,742,697
Charge/(credit) to Income Statement	1,103,417	(12,587,164)	(11,483,747)
At 29 December 2010	9,258,950	-	9,258,950
Charge to Income Statement	734,200	-	734,200
At 29 December 2011	9,993,150	-	9,993,150

In accordance with IAS 12 'Income Taxes' the measurement of the above deferred tax liability relating to the investment property held at fair value has been calculated to reflect the tax consequences that would follow the manner in which the Company expects to recover the carrying value of the asset. Accordingly, the calculation of the deferred tax liability arising on the valuation of the investment property includes provision for indexation allowances on the basis that, as at 29 December 2011, it was the intention of the directors that the investment property asset will be recovered entirely from sale.

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 29 December 2011**

**16 FINANCIAL INSTRUMENTS**

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows

	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 29 December 2011</b>			
<b>Non-current assets</b>			
Investment property	-	480,000,000	480,000,000
Other financial assets (note 10)	25 000,000	-	25,000,000
	<u>25,000,000</u>	<u>480,000,000</u>	<u>505,000,000</u>
<b>Current assets</b>			
Trade and other receivables	18,186,218	312,487	18,498,705
Cash and cash equivalents	8 321,731	-	8,321,731
	<u>26,507,949</u>	<u>312,487</u>	<u>26,820,436</u>
	<u>51,507,949</u>	<u>480,312,487</u>	<u>531 820,436</u>
	<b>Financial liabilities at amortised cost</b>	<b>Non-financial liabilities</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 29 December 2011</b>			
<b>Current financial liabilities</b>			
Trade and other payables	23,169,002	7,728,070	30 897,072
Short-term borrowings	5,401 181	-	5,401 181
Current tax payable	-	17,800	17 800
	<u>28,570 183</u>	<u>7,745,870</u>	<u>36,316 053</u>
<b>Non-current financial liabilities</b>			
Long term borrowings	454,794,366	-	454,794 366
Deferred tax payable	-	9,993,150	9 993 150
	<u>454 794,366</u>	<u>9,993,150</u>	<u>464 787 516</u>
	<u>483,364 549</u>	<u>17,739,020</u>	<u>501,103 569</u>

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 29 December 2011

16	FINANCIAL INSTRUMENTS (Continued)	Loans and receivables £	Non-financial assets £	Total £
	<b>At 29 December 2010</b>			
	<b>Non-current assets</b>			
	Investment property	-	470,000,000	470,000 000
		-	470,000,000	470 000,000
	<b>Current assets</b>			
	Trade and other receivables	-	13,937	13,937
	Cash and cash equivalents	1 863,218	-	1,863 218
		1,863,218	13,937	1,877,155
		1,863,218	470,013,937	471,877,155
		<b>Financial liabilities at amortised cost £</b>	<b>Non-financial liabilities £</b>	<b>Total £</b>
	<b>At 29 December 2010</b>			
	<b>Current financial liabilities</b>			
	Trade and other payables	-	7 258 171	7,258,171
	Short-term borrowings	435,437,000	-	435,437,000
	Current tax payable	-	9,458	9,458
		435,437,000	7,267,629	442,704,629
	<b>Non-current financial liabilities</b>			
	Deferred tax liabilities	-	9,258,950	9,258,950
		-	9,258 950	9 258,950
		435,437,000	16 526 579	451 963,579

The company holds no financial instruments carried at fair value. The Directors consider the book value of all financial instruments to equate to their fair value.

Financial risk management policies

The Directors monitor the company's financial risk management policies and exposure and approve financial transactions. The Director's overall risk management strategy seeks to assist the company in meeting its financial targets whilst minimising potential adverse effects on financial performance.

Specific financial risk exposures and management

The company's activities expose it to a variety of financial risks, including interest rate risk, liquidity risk and credit risk. Details of these risks and the company's policies for managing these risks are included below.

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 29 December 2011**

**16 FINANCIAL INSTRUMENTS (Continued)**

Interest rate risk

The company's interest rate risk exposure arises from its variable interest bearing borrowing from The Bank of China

The company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities and limiting any re-pricing mismatches

The following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates

	As at 29/12/2011 £ Total	As at 29/12/2010 £ Total
<i>Maturity date or contractual repricing date</i>		
Exposed to cash flow interest rate risk		
Loan from parent company (note 13)	-	435 437 000
Loan from Bank of China (note 13 & 14)	300,108,264	-
	As at 29/12/2011	As at 29/12/2010
<i>Interest rate</i>	% Interest rate range	% Interest rate range
Loan from parent company	-	0.50% - 0.63%
Loan from Bank of China	3.48% - 3.49%	-

An increase or decrease in interest rates of 1%, would result in an increase or decrease of £3 001,083 respectively to the interest charge for the year

Credit risk

The objective of credit risk management is to enable the company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with the approved appetite for the risk that tenants will be unable to meet their obligations to the company

Tenant credit risk is mitigated as rental payments are due on the first day of each rental quarter and the tenant's rental commitments are supported by a guarantee provided by its controlling party, Marriott International Inc. The property lease can be terminated if rent becomes more than 14 days overdue, or if the guarantor fails to provide the agreed rental guarantee

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The company only deposits cash with well-established financial institutions of high quality credit standing

**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 29 December 2011**

**16 FINANCIAL INSTRUMENTS (Continued)**

*Credit risk (Continued)*

The company has deposited £25,000,000 cash as security for its borrowings with the Bank of China (see note 10)

The following table analyses the credit exposure of the company by type of asset

	As at 29/12/2011 £	As at 29/12/2010 £
<b>Loans and receivables</b>		
Trade and other receivables	18,186,218	-
Other financial assets	25,000,000	-
Cash and cash equivalents	8,321,731	1,863,218
	<u>51,507,949</u>	<u>1,863,218</u>

*Liquidity risk*

Liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due. The company seeks to minimise liquidity risk on refinancing by borrowing for as long as possible and at the lowest acceptable cost. Efficient cash management, strict credit control and the company's low cost base minimise liquidity risk and ensure that funds are available to meet commitments as they fall due.

There were no derivative financial liabilities held by the company.

The table below analyses the company's non-derivative financial liabilities on a contractual gross undiscounted cash flow basis into their relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
<b>At 29 December 2011</b>				
Loan from Bank of China	5,384,602	5,384,602	16,153,807	273,185,253
Eurobond loan note	-	-	-	160,087,283
Trade and other payables	30,897,072	-	-	-
	<u>36,281,674</u>	<u>5,384,602</u>	<u>16,153,807</u>	<u>433,272,536</u>
<b>At 29 December 2010</b>				
Loan from parent company	435,437,000	-	-	-
Trade and other payables	7,258,171	-	-	-
	<u>442,695,171</u>	<u>-</u>	<u>-</u>	<u>-</u>



# SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 29 December 2011

### 16 FINANCIAL INSTRUMENTS (Continued)

#### Capital management

The company is a member of The Sahara India Pariwar Group and capital is managed at group level. No changes were made to the group's capital management policies or processes during the year ended 29 December 2011. At a company level, capital is monitored using a gearing ratio which is calculated as net debt (bank borrowings and loan notes less cash and cash equivalents) over capital (equity attributable to owners of the company) plus net debt.

	As at 29/12/2011 £	As at 29/12/2010 £
Parent company loan including Eurobond loan note	160,087,283	435,437,000
Bank borrowings	300,108,264	-
Cash and cash equivalents	(8,321,731)	(1,863,218)
Net debt	<u>451,873,816</u>	<u>433,573,782</u>
Equity	30,716,867	19,913,576
Equity plus net debt	482,590,683	453,487,358
Gearing ratio	<u>93.6%</u>	<u>95.6%</u>

### 17 SHARE CAPITAL

	As at 29/12/2011 £	As at 29/12/2010 £
Issued and fully paid 770,001 ordinary shares of £1 each	<u>770,001</u>	<u>770,001</u>

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**SAHARA GROVENOR HOUSE HOSPITALITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 29 December 2011**

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**18. OPERATING LEASE COMMITMENTS**

Company as a lessee

The company holds the long leasehold on its investment property, Grosvenor House Hotel Park Lane, London which expires in 2104

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	As at 29/12/2011 £	As at 29/12/2010 £
No later than 1 year	1,374,200	30,000
Later than 1 year and no later than 5 years	6,871,000	150,000
Later than 5 years	6,612,600	2,610,000
	<u>14,857,800</u>	<u>2 790,000</u>

Company as a lessor

The Company has contracted with a tenant, under a non-cancellable operating lease arrangement for a term of 30 years, expiring on 30 January 2034

Rental income earned in the year under this agreement amounted to £25,547,917 (2010 £25,042,304)

**19. CONTROL**

The Company's immediate parent company is Aamby Valley Mauritius Limited a company incorporated and registered in Mauritius. The Company's ultimate holding company is Aamby Valley Limited, a company incorporated and registered in India, and is part of the Sahara India Pariwar Group, which is ultimately controlled by members of the Roy family

# SAHARA GROVENOR HOUSE HOSPITALITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 29 December 2011

### 20. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties, which are related by virtue of being under common ownership by Aamby Valley Mauritius Limited, the immediate parent company. Due to the purchase of the Company during the year by Aamby Valley Mauritius Limited, there are no comparative figures to disclose.

(a) <i>Purchases of goods and services</i>	2011	2010
	£	£
Purchases of goods and services from other related parties	1,677,449	-
<hr/>		
(b) <i>Amounts owed to related parties</i>	As at	As at
	29/12/2011	29/12/2010
	£	£
Amounts owed to parent undertaking	19,864,652	-
Amounts owed to other related parties arising from the purchase of goods and services	1,131,504	-
	<hr/>	<hr/>
	20,996,156	-
	<hr/>	<hr/>

The payables bear no interest and all are unsecured. No guarantees have been given in respect of these amounts.

(c) <i>Loans to related parties</i>	As at	As at
	29/12/2011	29/12/2010
	£	£
Advance to parent undertaking	17,000,000	-
Advances to other related parties	1,111,500	-
	<hr/>	<hr/>
	18,111,500	-
	<hr/>	<hr/>

No provisions have been made in respect of the amounts owed by related parties. None of the amounts outstanding bear any interest and all are unsecured.

After change of ownership during the year, the company entered into a finance agreement with its parent company, Aamby Valley Mauritius Limited. During the year the Company refinanced and paid back the parent company loan of £435,437,000. Interest of £19,861,929 was charged on transactions with the parent company during the year.