

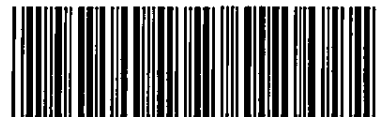
**VON ESSEN HOTELS 3  
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

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Company no 04502542

# **VON ESSEN HOTELS 3 LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2007

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Company registration number      04502542

Registered office                      Sixth Floor  
   90 Fetter Lane  
   London  
   EC4A 1PT

Director                                      A Davis

Secretary                                   G D Secretarial Services Limited

Solicitors                                   Goodman Derrick  
   Sixth Floor  
   90 Fetter Lane  
   London  
   EC4A 1PT

Kingsley Napley  
Knights Quarter  
14 St Johns Lane  
London  
EC1M 4AJ

Auditors                                      Grant Thornton UK LLP  
   Registered Auditors  
   Chartered Accountants  
   Grant Thornton House  
   Melton Street  
   Euston Square  
   London  
   NW1 2EP

# **VON ESSEN HOTELS 3 LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2007

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# **VON ESSEN HOTELS 3 LIMITED**

## **REPORT OF THE DIRECTOR**

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The director presents his report together with the audited financial statements for the year ended 31 December 2007

### **Principal activity**

The principal activity of the company is owning and operating hotels

### **Business review**

There was a loss after taxation, in the year amounting to £1,037,639 (2006 £300,945) The director does not recommend the payment of a dividend (2006 £nil)

### **Director**

Mr A Davis is the sole director of the company He has no interest in the share capital of the company His interest in the share capital of the parent undertaking is shown in that company's financial statements

### **Financial risk management objectives and policies**

The company uses various financial instruments These include loans to and from group undertakings, cash, loans and various items, such as trade debtors and trade creditors, which arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

The existence of these financial instruments exposes the company to a number of financial risks, the principal ones of which are liquidity risk and credit risk

### **Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably The company finances its operations primarily from retained profits and bank borrowings

### **Credit risk**

The company's principal credit risk relates to the recovery of trade debtors, although it is not considered significant due to the nature of the business Amounts owing from credit card companies represent a proportion of the group's trade debtors However, the director considers credit risk to be limited due to the terms of contract the group has with the credit card companies In order to manage credit risk relating to other trade debtors, subsidiary credit controllers and director reviews the aged debtors and collection history on a regular basis

# VON ESSEN HOTELS 3 LIMITED

## REPORT OF THE DIRECTOR

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### Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the director to prepare financial statements, 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 of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

In so far as the director is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that they ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

The director is responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

### Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



G D Secretarial Services Limited  
Secretary

31 OCTOBER 2008

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF VON ESSEN HOTELS 3 LIMITED**

We have audited the financial statements of von Essen Hotels 3 Limited, for the year ended 31 December 2007, which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total gains and losses, note of historical cost profits and losses and notes 1 to 15. These financial statements have been prepared under 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 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 director and auditors**

The director's responsibilities for preparing the Director's Report and the financial statements, in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements 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 Director's Report is not consistent with the financial statements, 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 director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**

### **VON ESSEN HOTELS 3 LIMITED**

#### **Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements for the year ended 31 December 2007

*Grant Thornton UK LLP*

**GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

**LONDON**

*31 OCTOBER*     **2008**

# **VON ESSEN HOTELS 3 LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the company remain unchanged from the previous year and are set out below

The company is exempt from the requirement to prepare group accounts on the basis that it is itself a wholly owned subsidiary of von Essen Mining & Development Corporation (UK) Limited. These financial statements therefore disclose information about the individual company and not about its group.

### **TURNOVER**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, by equal annual instalments over their expected useful lives. The rates generally applicable are

Freehold buildings	2% straight line
Leasehold land and buildings	2% straight line
Plant and machinery	10% - 20% straight line
Fixtures and fittings	2% - 10% straight line

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss reserve

### **INVESTMENTS**

Fixed asset investments are stated at cost less provision for diminution in value

### **DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured, on a non-discounted basis, using rates of tax that have been enacted or substantively enacted by the balance sheet date.



# VON ESSEN HOTELS 3 LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 DECEMBER 2007

	Note	2007 £	2006 £
Turnover	1	3,600,000	3,600,000
Administrative expenses		<u>(1,163,987)</u>	<u>(1,105,725)</u>
<b>Operating profit</b>		<b>2,436,013</b>	<b>2,494,275</b>
Other interest receivable and similar income	2	8,935	9,635
Interest payable and similar charges	3	<u>(3,135,904)</u>	<u>(2,611,839)</u>
<b>Loss on ordinary activities before taxation</b>	1	<b>(690,956)</b>	<b>(107,929)</b>
Tax on loss on ordinary activities	4	<u>(346,683)</u>	<u>(193,016)</u>
<b>Loss on ordinary activities after taxation</b>	10	<b><u>(1,037,639)</u></b>	<b><u>(300,945)</u></b>

All transactions arise from continuing operations

The accompanying accounting policies and notes form an integral part of these financial statements.

# VON ESSEN HOTELS 3 LIMITED

## BALANCE SHEET AT 31 DECEMBER 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	5	82,986,187	77,960,631
Investments	6	3	3
		<u>82,986,190</u>	<u>77,960,634</u>
<b>Current assets</b>			
Cash at bank and in hand		60,615	132,948
<b>Creditors: amounts falling due within one year</b>	7	<u>(37,120,821)</u>	<u>(34,476,642)</u>
<b>Net current liabilities</b>		<u>(37,060,206)</u>	<u>(34,343,694)</u>
<b>Total assets less current liabilities</b>		45,925,984	43,616,940
<b>Provisions for liabilities and charges</b>	8	<u>(1,290,737)</u>	<u>(944,054)</u>
		<u>44,635,247</u>	<u>42,672,886</u>
<b>Capital and reserves</b>			
Called up share capital	9	20,000,000	20,000,000
Revaluation reserve	10	27,287,691	24,287,691
Profit and loss account	10	<u>(2,652,444)</u>	<u>(1,614,805)</u>
<b>Shareholders' funds</b>	11	<u>44,635,247</u>	<u>42,672,886</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Director on 31 OCTOBER 2008

A Davis Director

*For GD Secretarial Services Ltd.*

The accompanying accounting policies and notes form an integral part of these financial statements

# VON ESSEN HOTELS 3 LIMITED

## OTHER PRIMARY STATEMENTS

For the year ended 31 DECEMBER 2007

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007 £	2006 £
Loss for the financial period	(1,037,639)	(300,945)
Unrealised surplus revaluation of properties	<u>3,000,000</u>	<u>2,000,000</u>
Total recognised gains and losses relating to the period	<u>1,962,361</u>	<u>1,699,055</u>

### NOTE OF HISTORICAL PROFITS AND LOSSES

	2007 £	2006 £
Reported loss on ordinary activities before taxation	(690,956)	(107,929)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>303,530</u> <u>(387,426)</u>	<u>299,976</u> <u>192,047</u>
Historical cost loss for the year retained after taxation	<u>(734,109)</u>	<u>(969)</u>

The accompanying accounting policies and notes form an integral part of these financial statements

# VON ESSEN HOTELS 3 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2007

### 1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

The loss on ordinary activities before taxation is stated after charging

	2007 £	2006 £
Auditors' remuneration	5,300	2,610
Depreciation	<u>809,381</u>	<u>792,682</u>

### 2 INTEREST RECEIVABLE

	2007 £	2006 £
Reallocation of bank interest	3,531	-
Bank interest	<u>5,404</u>	<u>9,635</u>
	<u>8,935</u>	<u>9,635</u>

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Reallocation of bank interest	3,135,280	-
On bank loans and overdrafts	<u>624</u>	<u>2,611,839</u>
	<u>3,135,904</u>	<u>2,611,839</u>

# VON ESSEN HOTELS 3 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2007

### 4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge is based on the loss for the year and represents

	2007 £	2006 £
Deferred tax adjustment due to change in tax rates	346,683	-
Deferred tax charge for the current year	-	193,016
	<u>346,683</u>	<u>193,016</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	(207,287)	(32,379)
Effect of		
Expenses not deductible for tax purposes	214,226	36,980
Capital allowances in excess of depreciation	(256,155)	(64,681)
Group relief surrendered	<u>249,216</u>	<u>60,080</u>
Current tax charge for year	<u>-</u>	<u>-</u>

### 5 TANGIBLE FIXED ASSETS

	Freehold buildings £	Leasehold land and buildings £	Art and antiques £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>					
At 1 January 2007	23,453,069	46,278,418	8,088,225	2,121,997	79,941,709
Additions	1,177,337	1,687,600	-	-	2,864,937
Disposals	-	-	-	(30,000)	(30,000)
Revaluation	3,000,000	-	-	-	3,000,000
At 31 December 2007	<u>27,630,406</u>	<u>47,966,018</u>	<u>8,088,225</u>	<u>2,091,997</u>	<u>85,776,646</u>
<b>Depreciation</b>					
At 1 January 2007	40,386	440,096	1,188,396	312,200	1,981,078
Reallocation	-	-	(1,188,396)	1,188,396	-
Charge for year	35,941	501,970	-	271,470	809,381
At 31 December 2007	<u>76,327</u>	<u>942,066</u>	<u>-</u>	<u>1,772,066</u>	<u>2,790,459</u>
<b>Net book value</b>					
31 December 2007	<u>27,554,079</u>	<u>47,023,952</u>	<u>8,088,225</u>	<u>319,931</u>	<u>82,986,187</u>
Net book value					
31 December 2006	<u>23,412,683</u>	<u>45,838,322</u>	<u>6,899,829</u>	<u>1,809,797</u>	<u>77,960,631</u>

# VON ESSEN HOTELS 3 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2007

### TANGIBLE FIXED ASSETS (CONTINUED)

The freehold and leasehold properties were valued in December 2007 by Messrs Knight Frank Chartered Surveyors, on the basis of the open market value for existing use

**Comparable historical cost for the freehold and leasehold land and buildings included at valuation:**

	<b>£</b>
<b>Cost</b>	
At 1 January 2007	26,950,856
Additions	2,864,937
At 31 December 2007	<u>29,815,793</u>
<b>Depreciation based on cost</b>	
At 1 January 2007	1,608,399
Provided in year	234,381
At 31 December 2007	<u>1,842,780</u>
<b>Net book value</b>	
At 31 December 2007	<u>27,973,013</u>
At 31 December 2006	<u>25,342,457</u>

### 6 FIXED ASSET INVESTMENTS

	<b>Shares in subsidiary undertakings £</b>
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	<u>3</u>

The company holds 100% of the share capital of the following subsidiary companies registered in England and Wales, which are hotel operating companies

Cliveden Country House Hotel Limited  
The Royal Crescent Hotel Limited

# VON ESSEN HOTELS 3 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2007

### 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Amounts owed to parent and fellow subsidiary undertakings	36,907,044	34,402,321
Taxation and social security	208,775	44,319
Other creditors	-	30,000
Director's current account	2	2
Accruals and deferred income	5,000	-
	<u>37,120,821</u>	<u>34,476,642</u>

Bank facilities have been put in place in the sub-group holding company, von Essen Hotels Limited, with charges over the assets in this company as part of the overall security to the sub-group's bankers

### 8 PROVISIONS FOR LIABILITIES AND CHARGES

	£
<b>Deferred tax</b>	
At 1 January 2007	944,054
Profit and loss account	346,683
At 31 December 2007	<u>1,290,737</u>

The deferred tax liability is made up as follows

	2007 £	2006 £
Accelerated capital allowances	<u>1,290,737</u>	<u>944,054</u>

### 9 SHARE CAPITAL

	2007 £	2006 £
<b>Authorised</b>		
40,000,000 Ordinary shares of £1 each	<u>40,000,000</u>	<u>40,000,000</u>
<b>Allotted, called up and fully paid</b>		
20,000,000 Ordinary share of £1	<u>20,000,000</u>	<u>20,000,000</u>

### 10 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2007	24,287,691	(1,614,805)
Loss for the financial year	-	(1,037,639)
Revaluation	3,000,000	-
At 31 December 2007	<u>27,287,691</u>	<u>(2,652,444)</u>

# VON ESSEN HOTELS 3 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2007

### 11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Loss for the financial year	(1,037,639)	(300,945)
Other recognised gains and losses	<u>3,000,000</u>	<u>2,000,000</u>
Net addition to shareholders' funds	1,962,361	1,699,055
Opening shareholders' funds	<u>42,672,886</u>	<u>40,973,831</u>
Closing shareholders' funds	<u>44,635,247</u>	<u>42,672,886</u>

### 12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2007 or 31 December 2006

### 13 CONTINGENT LIABILITIES

The company has no contingent liabilities at 31 December 2007 or 31 December 2006

### 14 TRANSACTIONS WITH RELATED PARTIES

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings

There are no other related party transactions

### 15 CONTROLLING RELATED PARTY

The immediate parent undertaking is von Essen Hotels Limited and the ultimate parent undertaking is von Essen Mining and Development Corporation (UK) Limited, both of which are registered in England and Wales. The registered office is situated at 90 Fetter Lane, London EC4A 1PT

The ultimate parent undertaking is owned by Mr A Davis

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by von Essen Mining and Development Corporation (UK) Limited