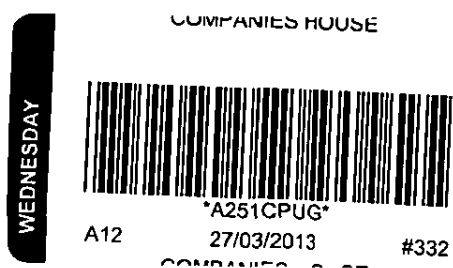


Guoman Hotel Holdings Limited

Directors' report and financial statements

Registered number 4560805

30 June 2012



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Directors' report

The directors present their directors' report and financial statements for the 52 weeks ended 30 June 2012

Company status and principal activities

Guoman Hotel Holdings Limited is a limited liability company domiciled and registered in England. The principal activity of the Company is the holding of investments in hotel operating entities in the UK.

Business review

The results for the 52 weeks ended 30 June 2012 showed an improvement in revenue, but an increase in costs. The group made a profit on disposal of the property plant and equipment of two of its hotels of £46.1 million. Further details of this transaction are shown in note 2.

These combined to give an improvement in profit before tax to £40,021,000 (2011: £8,186,000).

The Key Performance Indicators used to measure trading performance of the hotel are occupancy percentage, average room rate (ARR) and revenue per available room (RevPAR). Occupancy improved slightly and ARR improved during the year. These combined to give a decrease in RevPAR.

| Percentage movement on prior year | 30 June 2012 | 03 July 2011 |
|-------------------------------------|--------------|--------------|
| Occupancy | 1.90 | (2.20) |
| Average room rate | 1.00 | 15.70 |
| Revenue per available room (RevPAR) | 3.00 | 13.10 |

Result for year

| | | |
|-----------------------------------|-------|-------|
| Gross operating profit percentage | 11.50 | 19.70 |
|-----------------------------------|-------|-------|

The financial period to 30 June 2013 is expected to show improvements in both revenue and profitability and the directors remain confident about the long term prospects for the Group.

Principal risks and uncertainties

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

Result and dividends

The results for the 52 weeks ended 30 June 2012 are set out in the Statement of Comprehensive Income on page 6. £190 million interim dividends were paid during the financial period (2011: £Nil). The directors do not recommend the payment of a final dividend (2011: £Nil).

Employee matters

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

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

Directors and directors' interests

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

| | | |
|--------------------|-----------|------------------|
| Tim Scoble | Resigned | 30 April 2012 |
| Seok Hui Blackwell | Resigned | 30 December 2011 |
| Andrew Chew | Resigned | 27 July 2011 |
| Andy Hughes | | |
| Jocelyn Ng | Appointed | 3 January 2012 |
| Premod Paul Thomas | Appointed | 27 July 2011 |

No director had any interests in, or rights to subscribe for, shares or debentures in the Company or any fellow subsidiary during the financial period

Timothy Scoble, for the period of his office, was a director of the ultimate parent company, GuocoLeisure Limited, and his interests in its shares and share options are disclosed in that company's accounts

Timothy Scoble had been granted conditional options in respect of GuocoLeisure shares. The options required the employee to be in continued employment to enable the option to be exercised, and lapsed on his resignation

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

Disclosure of information to auditor

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

Auditor

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

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

By order of the board



Andy Hughes

Director

Registered Office
Stephenson House
75 Hampstead Road
London
United Kingdom
NW1 2PL

25 March 2013

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

Independent auditor's report to the members of Guoman Hotel Holdings Limited

We have audited the financial statements of Guoman Hotel Holdings Limited for the 52 weeks ended 30 June 2012 set out on pages 6 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2012 and of the group's profit for the 52 weeks then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Guoman Hotel Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Chris Hearld (Senior Statutory Auditor)

For and on behalf of

KPMG LLP
Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
West Yorkshire
LS1 4DW

25 March 2013

**Consolidated statement of comprehensive income
for the 52 weeks ended 30 June 2012**

| | <i>Note</i> | 52 Weeks Ended 30 June 2012 £000's | 53 Weeks Ended 03 July 2011 £000's |
|---|-------------|---|---|
| Revenue | 1 | 225,708 | 224,608 |
| Financial income | 4 | 4,468 | 3,897 |
| Other gains & losses | 2 | 46,114 | - |
| Depreciation and amortisation | 2 | (10,546) | (12,204) |
| Management fees & brand licence | 22 | (23,591) | (24,111) |
| Property rent | 2 | (55,961) | (41,678) |
| Employee benefits expense | 3 | (49,087) | (46,023) |
| Finance costs | 5 | (25,854) | (27,717) |
| Other costs | | (71,230) | (68,586) |
| Profit before tax | | <u>40,021</u> | <u>8,186</u> |
| Taxation | 6 | 13,405 | 5,803 |
| Profit for the year | | <u>53,426</u> | <u>13,989</u> |
| Attributable to | | | |
| Equity holders of the parent | | 53,858 | 14,498 |
| Non Controlling Interest | | (432) | (509) |
| | | <u>53,426</u> | <u>13,989</u> |
| Other comprehensive income | | | |
| Actuarial (losses) / gains on defined benefit pension plans | | (7,090) | 3,448 |
| Deferred tax on other comprehensive income | | 22 | (896) |
| Total comprehensive income for the year | | <u>46,358</u> | <u>16,541</u> |
| Attributable to | | | |
| Equity holders of the parent | | 46,790 | 17,050 |
| Non Controlling Interest | | (432) | (509) |
| | | <u>46,358</u> | <u>16,541</u> |

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

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

Statements of Financial Position at 30 June 2012

| | | Group | | Company | |
|--------------------------------|----|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
| | | 30 June 2012 £000's | 03 July 2011 £000's | 30 June 2012 £000's | 03 July 2011 £000's |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 7 | 605,434 | 733,064 | - | - |
| Investment in subsidiaries | 8 | - | - | 367,922 | 367,922 |
| Total non current assets | | <u>605,434</u> | <u>733,064</u> | <u>367,922</u> | <u>367,922</u> |
| Current assets | | | | | |
| Inventories | 9 | 474 | 489 | - | - |
| Trade and other receivables | 10 | 37,618 | 45,486 | - | - |
| Cash and cash equivalents | | - | 3,140 | - | - |
| Total current assets | | <u>38,092</u> | <u>49,115</u> | <u>-</u> | <u>-</u> |
| Total assets | | <u>643,526</u> | <u>782,179</u> | <u>367,922</u> | <u>367,922</u> |
| EQUITY AND LIABILITIES | | | | | |
| Shareholders' Equity | | | | | |
| Employee Compensation Reserve | 18 | (5,000) | (5,000) | - | - |
| Retained earnings | 19 | 67,044 | 210,284 | (2,556) | 133,370 |
| | | <u>62,044</u> | <u>205,284</u> | <u>(2,556)</u> | <u>133,370</u> |
| Non controlling interest | | <u>(941)</u> | <u>(509)</u> | <u>-</u> | <u>-</u> |
| Total equity | | <u>61,103</u> | <u>204,775</u> | <u>(2,556)</u> | <u>133,370</u> |
| Non-current liabilities | | | | | |
| Borrowings | 12 | 207,121 | 239,393 | - | - |
| Deferred tax | 13 | 18,719 | 31,841 | - | - |
| Retirement benefit obligations | 20 | 6,639 | 2,621 | - | - |
| Provisions | 14 | - | 317 | - | - |
| Total non current liabilities | | <u>232,479</u> | <u>274,172</u> | <u>-</u> | <u>-</u> |
| Current liabilities | | | | | |
| Bank overdrafts | | 301 | - | - | - |
| Trade and other payables | 11 | 349,643 | 303,232 | 370,478 | 234,552 |
| Total current liabilities | | <u>349,944</u> | <u>303,232</u> | <u>370,478</u> | <u>234,552</u> |
| Total liabilities | | <u>582,423</u> | <u>577,404</u> | <u>370,478</u> | <u>234,552</u> |
| Total equity and liabilities | | <u>643,526</u> | <u>782,179</u> | <u>367,922</u> | <u>367,922</u> |

These financial statements were approved by the board of directors on 25 March 2013 and were signed on its behalf by



Andy Hughes
Director

**Statements of Changes in Equity
for the 52 weeks ended 30 June 2012
Group**

| | Ordinary Shares | Employee Comp'n Reserve | Retained Earnings | Non - Controlling Interest | Total |
|---|--------------------|-------------------------------|----------------------|----------------------------------|----------------|
| | £000's | £000's | £000's | £000's | £000's |
| At 27 June 2010 | - | (5,000) | 193,066 | - | 188,066 |
| Profit attributable to equity holders of the parent | - | - | 14,498 | (509) | 13,989 |
| Other Comprehensive Income | - | - | 2,552 | - | 2,552 |
| Share based payment | - | - | 168 | - | 168 |
| At 03 July 2011 | <u>-</u> | <u>(5,000)</u> | <u>210,284</u> | <u>(509)</u> | <u>204,775</u> |
| Profit attributable to equity holders of the parent | - | - | 53,858 | (432) | 53,426 |
| Other Comprehensive Income | - | - | (7,068) | - | (7,068) |
| Share based payment | - | - | (30) | - | (30) |
| Dividends paid to equity holders of the parent | - | - | (190,000) | - | (190,000) |
| At 30 June 2012 | <u>-</u> | <u>(5,000)</u> | <u>67,044</u> | <u>(941)</u> | <u>61,103</u> |

Company

| | Ordinary Shares | Retained Earnings | Total |
|---|--------------------|----------------------|----------------|
| | £000's | £000's | £000's |
| At 27 June 2010 | - | 138,886 | 138,886 |
| Loss attributable to equity holders of the parent | - | (5,516) | (5,516) |
| At 03 July 2011 | <u>-</u> | <u>133,370</u> | <u>133,370</u> |
| Profit attributable to equity holders of the parent | - | 54,074 | 54,074 |
| Dividends paid to equity holders of the parent | - | (190,000) | (190,000) |
| At 30 June 2012 | <u>-</u> | <u>(2,556)</u> | <u>(2,556)</u> |

On 11 July 2011, the company received £60m of dividends from its subsidiaries, and on the same day it paid £190m of interim dividends

Cashflow Statements for the 52 weeks ended 30 June 2012

| | 30 June 2012 £'000 | Group 03 July 2011 £'000 | 30 June 2012 £'000 | Company 03 July 2011 £'000 |
|---|-----------------------------------|---|-----------------------------------|---|
| Cash flows from operating activities | | | | |
| Profit for the financial period | 53,426 | 13,989 | (5,926) | (5,516) |
| Adjustments for | | | | |
| Tax (credit) / charge | (13,405) | (5,803) | - | - |
| Share Options charge | (30) | 168 | - | - |
| Interest expense | 25,854 | 27,717 | 5,926 | 5,516 |
| Interest income | (4,468) | (3,897) | - | - |
| Depreciation | 10,546 | 12,204 | - | - |
| Payments to pension fund in excess of P&L charge | (2,638) | (2,380) | - | - |
| Profit on disposal of fixed assets | (46,114) | - | - | - |
| Changes in working capital | | | | |
| Decrease / (increase) in inventories | 15 | (138) | - | - |
| Decrease / (increase) in trade & other receivables | 7,868 | (5,753) | - | - |
| Increase in trade & other payables | 27,139 | 10,632 | - | - |
| Cash generated from / (used in) operations | 58,193 | 46,739 | - | - |
| Interest received | - | 62 | - | - |
| Interest paid | (29,042) | (28,521) | (5,926) | (5,516) |
| Tax paid | - | (132) | - | - |
| Net cash generated from operating activities | 29,151 | 18,148 | (5,926) | (5,516) |
| Cash flows from investing activities | | | | |
| Purchase of tangible fixed assets | (26,802) | (26,177) | - | - |
| Disposal of fixed assets | 190,000 | - | - | - |
| Net cash generated from/(used in) investing activities | 163,198 | (26,177) | - | - |
| Cash flows from financing activities | | | | |
| Dividends received from Subsidiaries | - | - | 60,000 | - |
| Dividends paid to shareholders | (190,000) | - | (190,000) | - |
| Debenture stocks redeemed | (25,716) | (4,000) | - | - |
| New Loan from group companies | 19,926 | 10,516 | 135,926 | 5,516 |
| Net cash (used in) / generated from financing activities | (195,790) | 6,516 | 5,926 | 5,516 |
| Net decrease in cash and cash equivalents | (3,441) | (1,513) | - | - |
| Cash and cash equivalent at the start of the period | 3,140 | 4,653 | - | - |
| Cash and cash equivalent at the end of the period | (301) | 3,140 | - | - |

1 - Accounting policies

Guoman Hotel Holdings Limited ("the company") is a company incorporated and domiciled in the UK

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

Basis of preparation

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

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

The financial statements have been prepared on the going concern basis which assumes that the company will be able to continue to trade for the foreseeable future. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 1 to 2. In addition note 15 to the financial statements includes the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The group has considerable financial resources together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

Accounting reference date

The accounting period of the Group has, for previous years, ended on the Sunday falling between 26 June and 4 July. In order to better align the Group with its parent entity, the Group has decided that, for the current year, and going forwards, the accounting period will end on 30th June each year.

Adoption of new standards

In the current year, the following new standards have been adopted by the group:

Improvements to IFRS issued in May 2010

Amendments to IAS 24 State-controlled entities and the definition of a "related party"

| | |
|----------|---|
| IFRIC 14 | Prepayments of a Minimum Funding Requirement |
| IFRIC 19 | Extinguishing financial liabilities with equity instruments |
| IFRIC 13 | Customer Loyalty Programmes – Fair value of award credit |
| IFRS 7 | Disclosures – Transfer of financial assets |

The adoption of these interpretations has not led to any changes in the Group's accounting policies or presentation of the financial statements.

Notes (continued)

1 – Accounting Policies (continued)

Future changes to accounting standards

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and has subsequently been updated and amended. The standard is effective for annual periods beginning on or after 1 January 2015 and has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets and the requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

The Group has not adopted the following pronouncements, which have been issued by the IASB or the IFRIC. These pronouncements have not yet been endorsed for use in the EU. The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group.

| International Financial Reporting Standard | Effective for annual periods beginning after |
|--|--|
| Amendments to IAS 1, "Presentation of items of other comprehensive income", | 1 July 2012 |
| Amendment to IAS 12, "Deferred tax – recovery of underlying assets", | 1 January 2012 |
| Amendments to IAS 32, "Offsetting financial assets and financial liabilities", | 1 January 2014 |
| Amendments to IFRS 7, "Financial Instruments – Disclosure", | 1 July 2011 |
| "Improvements to IFRS 2009 – 2011 Cycle", | 1 January 2013 |

The application of these standards and IFRIC interpretations are not anticipated to have a material effect on the Group's financial statements except for additional disclosure.

The Group has also not adopted the following pronouncements which are effective for annual periods beginning on or after 1 January 2013 and have not yet been endorsed for use in the EU. The Group has not completed its assessment of the impact of these pronouncements on the consolidated results, financial position or cash flows of the Group.

IFRS 10, "Consolidated Financial Statements", which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" and all of SIC-12, "Consolidation – Special Purpose Entities", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, "Separate Financial Statements", now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements.

IFRS 11, "Joint Arrangements", which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers", requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.

IFRS 12, "Disclosure of Interest in Other Entities", is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

IFRS 13, "Fair Value Measurement", provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

Amendments to IAS 19, "Employee benefits", require a revised allocation of costs for defined benefit pension schemes between the income statement and other comprehensive income and prohibit the use of the "corridor approach" to spread the recognition of actuarial gains and losses, which is not used by the Group, and require a different measurement basis for asset returns. The amendments also include a revised definition of short- and long-term benefits to employees and revised criteria for the recognition of termination benefits additional disclosure.

Notes (continued)

1 – Accounting Policies (continued)

Consolidation

The financial statements incorporate the accounts of the Company and all its subsidiaries for the 52 weeks ended 30 June 2012. The results of subsidiaries acquired or disposed of during the 52 weeks are included in the Group profit and loss account from or up to the effective date of acquisition or disposal.

Apart from Grand Imperial Restaurant LLP, all the Group's subsidiary undertakings are wholly owned companies. The parent company financial statements present information about the company as a separate entity and not about its group.

Inventories

Inventories comprise food and beverages for resale and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Note 9 shows further details of the charge to the statement of comprehensive income.

Property, plant and equipment

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

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

Freehold land is not depreciated. All other property, plant and equipment are depreciated to a residual value over their estimated useful lives. Residual value is reassessed annually.

The principal expected useful economic lives are:

| | |
|---|-----------------------------|
| Freehold land | Not depreciated |
| Core elements of freehold and long leasehold land and buildings | Up to 100 years |
| Integral plant and non-core elements of buildings | 15 to 30 years |
| Short leasehold property (less than 50 years remaining) | Remaining life of the lease |
| Plant and equipment | 5 to 15 years |

Repairs and maintenance costs are expensed as incurred.

Leased assets

Operating lease payments

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

Finance lease payments

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

Notes (continued)

1 – Accounting Policies (continued)

Classification of financial instruments issued by the Group

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

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

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

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

Intra-group financial instruments

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

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Investments in debt and equity securities

Debentures are stated at amortised cost less impairment

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Notes (continued)

1 – Accounting Policies (continued)

Provisions

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

Segmental reporting

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

At Guoman Hotel Holdings Limited the board is regarded as the Chief Operating Decision Maker ('CODM'). The board considers that Guoman Hotel Holdings Limited has one reportable segment. The turnover, operating profit and net assets are all attributable to the one class of business.

Impairment excluding inventories and deferred tax assets

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

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

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

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

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

Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes (continued)

1 – Accounting Policies (continued)

Reversals of impairment

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

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

An impairment loss in respect of goodwill is not reversed

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

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

Revenue

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

Taxation

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

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

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

Financing income and expenses

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

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

Foreign currency

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

Notes (continued)

1 – Accounting Policies (continued)

Employee benefits

Defined benefits

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income.

All actuarial gains and losses as at 4 July 2004, the date of transition to Adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 4 July 2004 in calculating the Group's obligation in respect of a plan, the actuarial gain or loss is immediately recognised in equity.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Defined contributions

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

Share based payments

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

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

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

Discontinued operations

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

Notes (continued)

2 - Expenses and Auditors' Remuneration

The Group's profit before tax is stated after charging -

| | 52 weeks ended 01 July 2012 £'000 | Group 53 weeks ended 03 July 2011 £'000 |
|--|--|--|
| Amounts payable to auditors | | |
| Audit of these financial statements | 10 | 10 |
| Audit of financial statements of subsidiaries pursuant to legislation | 103 | 103 |
| Pension scheme audit | 11 | 11 |
| Depreciation and other amounts written off tangible fixed assets | 10,546 | 12,204 |
| Equipment rentals payable under operating leases | 719 | 764 |
| Property rentals payable under operating leases | <u>55,961</u> | <u>41,678</u> |
| All fees payable to the auditors were incurred by Guoman Hotels Limited | | |
| <i>Exceptional items disclosed separately due to their size or incidence</i> | | |
| Profit on disposal of property, plant and equipment | <u>46,114</u> | <u>-</u> |

Profit on disposal of property, plant and equipment

On 11 July 2011, the group sold the property plant and equipment of the Royal Horseguards Hotel and Thistle Kensington Garden to related parties for £190 million, realising a profit on disposal of £46.1 million. On the same day, these companies signed 30 year lease agreements with the purchasers.

Guoman RHG Limited and Guoman KG Limited are domiciled in Jersey, and are subsidiaries of Guoman Hotels Group Limited, which is the immediate parent of the group.

These sales also resulted in a release of deferred tax provisions on the assets sold.

Notes (continued)

3 - Employee, Directors and Key Management information

| | 52 weeks ended 30 June 2012 £'000 | Group 53 weeks ended 03 July 2011 £'000 |
|--|---|---|
| Employee costs during the period | | |
| Agency wages | 14,144 | 13,346 |
| Employee wages and salaries | 31,657 | 29,380 |
| Share based remuneration | (30) | 168 |
| Employer's social security costs | 2,922 | 2,705 |
| Employer's pension costs | 394 | 424 |
| | <u>49,087</u> | <u>46,023</u> |
| | | |
| | 52 weeks ended 30 June 2012 Number | Group 53 weeks ended 03 July 2011 Number |
| Average monthly staff employed | | |
| Hotel operating staff | 1,457 | 1,534 |
| Management, administration and support staff | 48 | 48 |
| | <u>1,505</u> | <u>1,582</u> |

All employees are employed by Guoman Hotels Limited or Guoman Hotels HR Limited and a recharge is made by these Companies in respect of the persons employed each hotel

Both defined benefit and defined contribution costs are included within the employers' pension costs

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

One director, Timothy Scoble received share options during the financial year. One tranche of these options vested in December 2011, and the remainder lapsed on his resignation. A full charge has been taken for the vested options, and a full refund taken for the lapsed tranches.

Further details of the options are shown in Note 21.

Notes (continued)

4 Financial Income

| | 52 weeks ended 01 July 2012 £'000 | Group 52 weeks ended 03 July 2011 £'000 |
|--|--|--|
| Bank interest receivable | 54 | 62 |
| Expected return on pension schemes' assets | 4,414 | 3,835 |
| | <u>4,468</u> | <u>3,897</u> |

5 - Financial Expenses

| | 52 weeks ended 30 June 2012 £000's | Group 53 weeks ended 03 July 2011 £000's |
|--|---|---|
| Bank overdrafts | 41 | 41 |
| Debenture stock interest | 19,888 | 23,225 |
| Release of fair value unwind | (6,593) | (5,182) |
| Premium paid on redemption of debentures | 2,077 | 290 |
| Interest paid to related parties | 6,760 | 5,790 |
| Interest on pension schemes' liabilities | 3,681 | 3,553 |
| | <u>25,854</u> | <u>27,717</u> |

During the financial year the company repurchased 25,716,000 of the 2014 debentures for £27,793,000

The debentures were then cancelled by the company. This premium is shown as a charge to interest payable.

Full details of the purchases are shown in note 12.

Details of fair value unwind are shown in note 12.

Notes (continued)

6 - Taxation

| | Group | |
|---|---|--|
| | 52 weeks ended 30 June 2012 | 53 weeks ended 03 July 2011 |
| | £'000 | Restated £'000 |
| <i>Recognised in the Income Statement</i> | | |
| UK corporation tax at 25.5% / 27.5% | | |
| Current Period tax charge | 587 | 507 |
| Adjustments in respect of previous years | (845) | - |
| Current tax charge | (258) | 507 |
| Deferred taxation | | |
| Current Period tax credit | (14,466) | (6,950) |
| Adjustments in respect of previous years | 1,319 | 640 |
| Deferred tax credit recognised in the income statement | (13,147) | (6,310) |
| Actual tax credit recognised in the income statement | (13,405) | (5,803) |
| Deferred tax on pension deficit | (22) | 896 |
| Actual tax (credit) / charge recognised in other comprehensive income | (22) | 896 |
| Total recognised in statement of comprehensive income | (13,427) | (4,907) |
| <i>Reconciliation of effective tax rate</i> | | |
| | 52 weeks ended 30 June 2012 | 53 weeks ended 03 July 2011 |
| | % £000's | % £000's |
| Profit for the year | 100 40,021 | 100 8,186 |
| Expected tax charge at 25.5% / 27.5% | 25.5 10,205 | 27.5 2,251 |
| Items not subject to tax or deductible for tax purposes | 0.8 303 | 26.0 2,131 |
| Tax exposures | 12.9 5,145 | (83.8) (6,856) |
| Group relief receivable for nil consideration | (1.2) (493) | (1.6) (129) |
| Movement in unprovided losses | (0.4) (163) | 6.6 540 |
| Unrecognised deferred tax on temporary differences and accelerated capital allowances | 0.5 202 | (1.3) (102) |
| Deferred tax rate change | (5.3) (2,135) | (36.2) (2,967) |
| Movement of provision on capital gains | (37.9) (15,184) | (16.0) (1,311) |
| Non taxable income on disposal of property | (29.4) (11,759) | 0.0 - |
| Adjustments in respect of previous years | 1.2 474 | 7.8 640 |
| Deferred tax on pension deficit | (0.1) (22) | 10.9 896 |
| Actual tax credit | (33.5) (13,427) | (60.1) (4,907) |

The UK corporation tax rate reduced from 1 April 2012 from 26% to 24%, which gave a deferred tax credit of £2,135,000

Notes (continued)

7 - Property, Plant and Equipment

As at 30 June 2012

| | Land and Buildings | Fit out costs, plant and equipment | Group Total |
|--|-----------------------|--|----------------|
| | £000's | £000's | £000's |
| Cost | | | |
| At the beginning of the financial period | 693,458 | 237,360 | 930,818 |
| Additions | 206 | 26,596 | 26,802 |
| Disposals | (134,598) | (44,735) | (179,333) |
| At the end of the financial period | <u>559,066</u> | <u>219,221</u> | <u>778,287</u> |
| Depreciation | | | |
| At the beginning of the financial period | 20,089 | 177,665 | 197,754 |
| Charge for the financial period | 2,278 | 8,268 | 10,546 |
| Disposals | (3,929) | (31,518) | (35,447) |
| At the end of the financial period | <u>18,438</u> | <u>154,415</u> | <u>172,853</u> |
| Net book value | | | |
| As at 30 June 2012 | <u>540,628</u> | <u>64,806</u> | <u>605,434</u> |

As at 03 July 2011

| | Land and Buildings | Fit out costs, plant and equipment | Group Total |
|--|-----------------------|--|----------------|
| | £000's | £000's | £000's |
| Cost | | | |
| At the beginning of the financial period | 689,453 | 215,188 | 904,641 |
| Additions | 4,005 | 22,172 | 26,177 |
| At the end of the financial period | <u>693,458</u> | <u>237,360</u> | <u>930,818</u> |
| Depreciation | | | |
| At the beginning of the financial period | 16,799 | 168,751 | 185,550 |
| Charge for the financial period | 3,290 | 8,914 | 12,204 |
| At the end of the financial period | <u>20,089</u> | <u>177,665</u> | <u>197,754</u> |
| Net book value | | | |
| As at 03 July 2011 | <u>673,369</u> | <u>59,695</u> | <u>733,064</u> |

Full details of the disposals in the year are shown in Note 2

Notes (continued)

7 – Property, Plant and equipment (continued)

Three (2011 three) properties with aggregate carrying values of £387 million (2011 £383 million) have been charged as security for the Group's debenture borrowing facilities

One property previously charged with a carrying value of £161.1 million (2011 £162.2 million) has been released from charge as security for the Group's other borrowing facilities. The borrowing facilities expired on 3 April 2012, and this property was released from this charge on 1 August 2012.

At 30 June 2012, certain of the Group's properties were tested for impairment.

The recoverable amounts of the properties are determined from value in use calculations based on the Group's five year plan and then a long run growth rate of 3.5%. The key assumptions used are in relation to discount and growth rates. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Management used pre-tax discount factors between 10% & 13% over the forecast period.

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

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

At the beginning and end of the financial period the value in use of all properties exceeded their book value and therefore no hotels needed to be impaired.

The net book value of land and buildings comprises -

| <i>Group</i> | 30 June 2012 £'000 | 03 July 2011 £'000 |
|--------------------|-----------------------------------|-----------------------|
| Freehold land | 140,396 | 157,968 |
| Freehold buildings | 72,019 | 81,632 |
| Long leasehold | 316,544 | 421,466 |
| Short leasehold | 11,669 | 12,303 |
| | <u>540,628</u> | <u>673,369</u> |

In accordance with the Group's accounting policy, freehold land is not depreciated.

Notes (continued)

8 - Investment in subsidiaries

| Cost and net book value | 30 June 2012 | Company 03 July 2011 |
|--|---------------------|---------------------------------|
| | £'000 | £'000 |
| At the beginning and end of the financial period | 367,922 | 367,922 |

The Company holds 100% of the shares in Guoman Hotels Limited

Guoman Hotels Limited holds 100% of the shares in the following companies -

| | | |
|--|--------------------------------------|-----------------------------------|
| The Cumberland Guoman Limited | The Tower Guoman Limited | Thistle Barbican Tenant Limited |
| Thistle Bloomsbury Park Tenant Limited | Charing Cross Guoman Limited | Thistle Edinburgh Tenant Limited |
| Thistle Euston Tenant Limited | Thistle Heathrow Limited | Guoman Hotels HR Limited |
| Thistle Hotels & Restaurants Limited | Thistle Westminster Limited | Thistle Trafalgar Limited |
| Thistle Kensington Gardens Limited | Thistle Marble Arch Limited | Thistle Hyde Park Tenant Limited |
| The Royal Horseguards Hotel Limited | The Grosvenor Hotel Victoria Limited | Thistle Piccadilly Tenant Limited |

All of the companies are registered and incorporated in the United Kingdom

The Company is a 50% member of the limited liability partnership in the Grand Imperial Restaurant LLP, but holds a casting vote. This has been consolidated as a subsidiary in the group accounts.

9 - Inventories

As at 30 June 2012

| | Food Stock | Beverage Stock | Other Stock | Total |
|--|-----------------------|---------------------------|--------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At the beginning of the financial period | 145 | 273 | 71 | 489 |
| Purchases | 6,254 | 1,910 | 74 | 8,238 |
| Utilised during the period | (6,245) | (1,937) | (71) | (8,253) |
| At the end of the financial period | 154 | 246 | 74 | 474 |

As at 03 July 2011

| | Food Stock | Beverage Stock | Other Stock | Total |
|--|-----------------------|---------------------------|--------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At the beginning of the financial period | 107 | 179 | 65 | 351 |
| Purchases | 6,552 | 1,926 | 356 | 8,834 |
| Utilised during the period | (6,514) | (1,832) | (313) | (8,659) |
| Stocks written off during period | - | - | (37) | (37) |
| At the end of the financial period | 145 | 273 | 71 | 489 |

All stock held is expected to be utilised within 12 months.
Other stock comprises retail vouchers for sale to hotel guests.

Notes (continued)

10 - Trade and other receivables

| | 30 June 2012 £'000 | Group 03 July 2011 £'000 | 30 June 2012 £'000 | Company 03 July 2011 £'000 |
|--------------------------------|-----------------------------------|---|-----------------------------------|---|
| Current assets | | | | |
| Trade debtors | 14,317 | 17,868 | - | - |
| Provision for bad debt | (190) | (132) | - | - |
| Net trade debtors | 14,127 | 17,736 | - | - |
| Other debtors | 2,647 | 8,883 | - | - |
| Prepayments and accrued income | 20,844 | 18,867 | - | - |
| | <u>37,618</u> | <u>45,486</u> | <u>-</u> | <u>-</u> |

Trade debtors that are not impaired

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

| | 30 June 2012 £'000 | Group 03 July 2011 £'000 | 30 June 2012 £'000 | Company 03 July 2011 £'000 |
|-------------------------------|-----------------------------------|---|-----------------------------------|---|
| Neither past due nor impaired | 10,261 | 13,870 | - | - |
| Less than 1 month past due | 3,557 | 3,557 | - | - |
| 1 to 3 months past due | 309 | 309 | - | - |
| | <u>14,127</u> | <u>17,736</u> | <u>-</u> | <u>-</u> |

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

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

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

Notes (continued)

11 - Trade and other payables

| | Group | | Company | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | 30 June 2012 | 03 July 2011 | 30 June 2012 | 03 July 2011 |
| | £'000 | £'000 | £'000 | £'000 |
| Current liabilities | | | | |
| Trade creditors | 17,884 | 15,064 | - | - |
| Other taxation and social security | 4,577 | 5,716 | - | - |
| Other creditors | 14,286 | 13,912 | - | - |
| Deposits from customers | 10,773 | 1,925 | - | - |
| Amounts owed to parent company of the group | 259,797 | 239,552 | 240,478 | 234,552 |
| Amounts owed to related parties | 30,329 | 17,209 | 130,000 | - |
| Accruals and deferred income | 11,997 | 9,854 | - | - |
| | 349,643 | 303,232 | 370,478 | 234,552 |

The contractual cashflows of trade creditors and accruals will see these liabilities settled in the next six months. Amounts owed to related parties and to the parent company of the group are not expected to be settled within 12 months as demonstrated in prior periods.

12 - Debentures

| | 30 June 2012 | Group 03 July 2011 |
|--|-------------------------|-------------------------------|
| | £'000 | £'000 |
| 10 75% fixed rate debenture stock - repayable 2014 | 147,841 | 180,015 |
| 7 875% fixed rate debenture stock - repayable 2022 | 59,280 | 59,378 |
| | 207,121 | 239,393 |

The valuation of the debentures as shown above includes a fair value uplift of £14,033,000 (2011: £20,629,000) that was created on the acquisition of Guoman Hotels Limited by Guoman Hotel Holdings Limited. The fair value uplift is being unwound over the maturity of the debenture instruments.

During the financial year the company repurchased 25.7 million of the 2014 debentures for £27.8 million.

The debentures were then cancelled by the company. This premium is shown as a charge to interest payable.

The details of these purchases are as follows:

| Date of Purchase | Nominal Amount of Stock purchased | Purchase Price per £1 nominal |
|-------------------------|--|--------------------------------------|
| 11 July 2011 | £1,000,000 | 107.25 pence |
| 04 August 2011 | £13,716,263 | 107.25 pence |
| 08 August 2011 | £1,000,000 | 107.25 pence |
| 15 May 2012 | £10,000,000 | 109.375 pence |

In accordance with the conditions of the stock, all of the stock purchased has been cancelled and is not available for re-issue. Following these purchases, the nominal amount of the outstanding 2014 stock is £138,106,737.

Notes (continued)

13- Deferred tax

The movements in deferred tax assets and liabilities during the financial year were as follows -

| | 03 July 2011 | Recognised in income statement | Recognised in other comprehensive income | 30 June 2012 |
|--------------------|----------------|--------------------------------------|---|----------------|
| Group | £000's | £000's | £000's | £000's |
| Assets | | | | |
| Employee benefits | (681) | 703 | (22) | - |
| Other | (5,364) | 2,091 | - | (3,273) |
| | <u>(6,045)</u> | <u>2,794</u> | <u>(22)</u> | <u>(3,273)</u> |
| Liabilities | | | | |
| Property assets | 37,793 | (16,982) | - | 20,811 |
| Other | 93 | 1,088 | - | 1,181 |
| | <u>37,886</u> | <u>(15,894)</u> | <u>-</u> | <u>21,992</u> |
| Total | <u>31,841</u> | <u>(13,100)</u> | <u>(22)</u> | <u>18,719</u> |

The movements in deferred tax assets and liabilities during the previous financial year were as follows -

| | 27 June 2010 | Recognised in statement of comprehensive income | Recognised in other comprehensive income | 03 July 2011 |
|--------------------|----------------|--|---|----------------|
| Group | £000's | £000's | £000's | £000's |
| Assets | | | | |
| Employee benefits | (2,352) | 775 | 896 | (681) |
| Other | (7,225) | 1,861 | - | (5,364) |
| | <u>(9,577)</u> | <u>2,636</u> | <u>896</u> | <u>(6,045)</u> |
| Liabilities | | | | |
| Property assets | 40,221 | (2,428) | - | 37,793 |
| Other | 6,611 | (6,518) | - | 93 |
| | <u>46,832</u> | <u>(8,946)</u> | <u>-</u> | <u>37,886</u> |
| Total | <u>37,255</u> | <u>(6,310)</u> | <u>896</u> | <u>31,841</u> |

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

Included in the above is a provision for potential tax liabilities of £5.1 million (2011: £1.2 million) that may arise in the future as a result of past events within the group.

In line with the principle of prudence, the Group has provided for this liability even though the Group had obtained independent professional advice that the possibility of this liability materialising is low.

Notes (continued)

14 - Provisions

| | 30 June 2012 £'000 | Group 03 July 2011 £'000 |
|--|-----------------------------------|---|
| At the beginning of the financial period | 317 | 544 |
| Utilised | (317) | (476) |
| Charged to Income Statement | - | 249 |
| At the end of the financial period | <u>-</u> | <u>317</u> |

The onerous lease provision related to a lease with break clause of 6 April 2013. The potential liability under this lease is fully extinguished.

15 - Financial instruments

a) Financial risk management policies and objectives

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

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

b) Liquidity risk

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

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

Notes (continued)

15 - Financial instruments (continued)

| As at 30 June 2012 | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
|---|--------------------|---|----------------------------------|---|--|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Group | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Bank overdraft | 301 | 301 | 301 | - | - | - |
| Amounts owed to parent company | 259,797 | 259,958 | 259,958 | - | - | - |
| Secured debenture stocks | 207,121 | 274,205 | 19,208 | 19,208 | 158,611 | 77,178 |
| Trade and other payables | 89,846 | 89,846 | 89,846 | - | - | - |
| | 557,065 | 624,310 | 369,313 | 19,208 | 158,611 | 77,178 |
| | | | | | | |
| As at 03 July 2011 | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Group | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Unsecured medium term notes | 239,552 | 239,677 | 239,677 | - | - | - |
| Secured debenture stocks | 239,393 | 319,997 | 21,972 | 21,972 | 194,515 | 81,538 |
| Trade and other payables | 63,680 | 63,680 | 63,680 | - | - | - |
| | 542,625 | 623,354 | 325,329 | 21,972 | 194,515 | 81,538 |

c) Credit Risk

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

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

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

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

d) Interest rate risk

The Group's debt comprises fixed rate debenture stocks. The Group uses interest rate swaps to manage interest rates wherever there is a perceived foreseeable long term cash benefit available. No swaps were used during either period.

e) Currency risk

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

Notes (continued)

15 - Financial instruments (continued)

f) Financial assets

The Group's financial assets as at 30 June 2012 comprised interest bearing cash balances of £nil (2011 £3,140,000) and debtors of £37,618,000 (2011 £45,486,000). There was no difference between the carrying value and the fair value of financial assets at 30 June 2012 (2011 no difference).

The Company's financial assets as at 30 June 2012 comprised receivables of £nil (2011 £nil). There was no difference between the carrying value and the fair value of financial assets at 30 June 2012 (2011 no difference).

g) Capital Management

The Group defines the capital that it manages as the Group's total equity and net debt balances.

The Group's objectives are to safeguard its ability to continue as a going concern providing returns to shareholders, through the optimization of the debt and equity balances, and to maintain a strong credit rating and headroom. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

There has been no change in the objectives, policies or processes with regards to capital management during the years ended 03 July 2011 and 30 June 2012.

16 - Ordinary Shares

| | 30 Jun 2012 | Number of shares | 30 Jun 2012 | Nominal Value |
|--|-------------|---------------------|-------------|---------------|
| | No | 03 Jul 2011 | £ | 03 Jul 2011 |
| | No | No | £ | £ |
| Ordinary shares of £1 each | | | | |
| Issued and fully paid | | | | |
| At the beginning and end of the financial period | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

17 - Share premium

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

18 - Employee compensation reserve

The employee compensation reserve comprises the costs of shares in GuocoLeisure Limited held by the ESOP trust, to the extent that they have not become realised losses. When they become realised losses, they are transferred to retained earnings.

19 - Retained earnings

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

The non controlling interest balance of £941,000 relates to the loss attributable to the other members of the Grand Imperial Restaurant LLP.

Notes (continued)

20 - Retirement Benefit Obligations

The Group operates two Schemes covering 53 (2011 68) employees. The Schemes, both of which are closed to new members, are of the funded defined benefit type and their assets are held in separate funds administered by Trustees.

The amounts recognised in the balance sheet have been determined by a qualified independent actuary by updating the latest full actuarial assessments of the schemes as at 1 May 2011 to 30 June 2012 and comprise

| | 30 June 2012 £'000 | 03 July 2011 £'000 | 27 June 2010 £'000 | 28 June 2009 £'000 | 29 June 2008 £'000 | 01 July 2007 £'000 | 02 July 2006 £'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fair value of scheme's investment assets | 70,421 | 65,050 | 57,760 | 47,524 | 48,302 | 48,935 | 43,030 |
| Present value of unfunded obligations | (77,060) | (67,671) | (66,491) | (55,500) | (55,150) | (56,905) | (56,036) |
| Net deficit in schemes | <u>(6,639)</u> | <u>(2,621)</u> | <u>(8,731)</u> | <u>(7,976)</u> | <u>(6,848)</u> | <u>(7,970)</u> | <u>(13,006)</u> |

The principal assumptions used by the actuary in deriving the above net liabilities were as follows

| | 30 June 2012 % | 03 July 2011 % |
|---|----------------------|-------------------|
| Discount rate | 4.25 | 5.50 |
| Inflation assumption (RPI) | 2.90 | 3.70 |
| Inflation assumption (CPI) | 2.20 | 2.80 |
| Rate of increase in salaries | 3.40 | 4.70 |
| Rate of increase to pensions in payment (RPI maximum 5% pa) | 2.90 | 3.70 |
| Rate of increase to pensions in payment (RPI maximum 3% pa) | N/A | N/A |
| Rate of increase to pensions in payment (RPI maximum 2.5% pa) | N/A | N/A |
| Rate of increase to pensions in payment (CPI maximum 3% pa) | 2.20 | 2.80 |
| Rate of increase to pensions in payment (CPI maximum 2.5% pa) | 2.20 | 2.50 |
| Expected returns on Schemes' assets | | |
| Equities | 8.00 | 8.00 |
| Bonds | 4.00 | 5.20 |
| Cash | 0.50 | 0.50 |
| Other (including "Diversified Growth Fund") | 8.00 | 8.00 |
| Life expectancy at age 65 of male member aged 65 at year-end | 22 years | 21.4 years |
| Life expectancy at age 65 of male member aged 45 at year-end | 23.4 years | 23.2 years |

Notes (continued)

20 - Retirement Benefit Obligations (continued)

In valuing the liabilities of the pension schemes at £77.1 mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the schemes were one year younger, the value of the reported liabilities at 30 June 2012 would have increased by increase by £1.9 to £79.0 before deferred tax. This approximately equates to members living one year longer.

The expected return on the Schemes' assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation. The actual returns on the Schemes' assets for the period were an increase of increase by £4.5m (2011: increase by £6.4m).

The Schemes' investment assets comprised

| | 30 June 2012 | 03 July 2011 |
|------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Equities / Diversified Growth Fund | 36,870 | 36,056 |
| Bonds | 33,036 | 28,830 |
| Cash | 515 | 164 |
| Total market value of assets | <u>70,421</u> | <u>65,050</u> |

No amounts are included in the Schemes' assets in respect of the shares of the Company or its ultimate parent company.

Changes in the fair value of the Schemes' assets were as follows

| | 30 June 2012 | 03 July 2011 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Fair value of Schemes' assets at start of the financial period | 65,050 | 57,760 |
| Expected return on Schemes' assets | 4,414 | 3,835 |
| Contributions from the Company | 2,614 | 2,665 |
| Contributions from members | 27 | 26 |
| Benefits paid | (1,805) | (1,811) |
| Actuarial gain on Schemes' assets | 121 | 2,575 |
| Fair value of Schemes' assets at end of the financial period | <u>70,421</u> | <u>65,050</u> |

Changes in the present value of the Schemes' funded obligations were as follows

| | 30 June 2012 | 03 July 2011 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Present value of the Schemes' obligation at the start of the financial period | 67,671 | 66,491 |
| Current service cost | 275 | 285 |
| Interest cost | 3,681 | 3,553 |
| Actuarial loss/(gain) on Schemes' liabilities | 7,211 | (873) |
| Contributions from members | 27 | 26 |
| Benefits paid | (1,805) | (1,811) |
| Present value of the Schemes' obligation at the end of the financial period | <u>77,060</u> | <u>67,671</u> |

Notes (continued)

20 - Retirement Benefit Obligations (continued)

The history of the actuarial gains and losses for the Schemes has been as follows

| | 30 June 2012 £000's | 03 July 2011 £000's | 27 June 2010 £000's | 28 June 2009 £000's | 29 June 2008 £000's | 01 July 2007 £000's | 02 July 2006 £000's |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Actuarial gains / (losses) on the Schemes' assets | 121 | 2,575 | 5,879 | (5,756) | (5,439) | 895 | 2,658 |
| Percentage of the Schemes' assets | 0.2% | 4.0% | 10.2% | (12.1%) | (11.3%) | 1.8% | 6.2% |
| Actuarial (losses) / gains on the Scheme's funded obligations | (7,211) | 873 | 8,943 | 1,878 | (3,924) | (1,609) | 4,127 |
| Percentage of the Schemes' funded obligations | (9.4%) | 1.3% | 13.4% | 3.4% | (7.1%) | (2.8%) | 7.4% |

The total expense recognised in the Statement of Comprehensive Income in respect of the Schemes is as follows

| | 52 weeks ended 30 June 2012 £'000 | 53 weeks ended 03 July 2011 £'000 |
|---|---|---|
| Current service cost Charged to cost of sales | 275 | 285 |
| Expected return on the Schemes' assets | (4,414) | (3,835) |
| Interest payable on the Schemes' funded obligations | 3,681 | 3,553 |
| Net cost of defined benefit Schemes | (458) | (282) |

Defined contribution pension schemes

The Group operates defined contribution pension schemes for certain employees. Costs for the financial period amounted to £119,000 (2011: £139,000).

Notes (continued)

21 - Share based payments

During the year, the group parent company has run the GuocoLeisure Limited Executives' Share Option Scheme 2008 ("ESOS 2008")

A credit of £30,000 (2011 charge of £168,000) has been recognised during the period in respect of share based payments in the ESOS 2008 scheme

The scheme relates to shares in GuocoLeisure, and the valuation of the benefit is calculated in Singapore dollars, which have been translated at S\$1 = £ 0.4862

The GuocoLeisure Limited Executives' Share Option Scheme 2008 ("ESOS 2008")

The ESOS 2008 was approved by the shareholders of the Company on 17 October 2008 and further approved by the shareholders of Guoco Group Limited on 21 November 2008 ("ESOS Effective Date"). The ESOS 2008 allows the grant of options over newly issued and / or existing shares of the Company to eligible participants including employees and executive directors of the Group who are not controlling shareholders of the Company.

The ESOS 2008 provides an opportunity for the employees of the Group who have contributed to the growth and development of the Group to participate in the equity of the Company.

The Company's Remuneration Committee ("RC") currently comprising Mr Philip Burdon, Mr Quek Leng Chan, Mr Reggie Thein and Ms Jennie Chua (appointed on 1 August 2012), who are not participants of the ESOS 2008, will administer the ESOS 2008 and select confirmed employees (including executive directors) of the Group to become participants in the ESOS 2008.

The number of shares over which the RC may grant options under the ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of the Company on the day preceding that date, provided that the maximum aggregate number of new shares over which the ESOS Committee may grant options, when added to the number of new shares issued and issuable in respect of all options granted under the ESOS 2008, shall not exceed 10% of the issued share capital of the Company as at the ESOS Effective Date.

The maximum entitlement of any participant in respect of the total number of new shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of the Company in issue as at any date of grant. The grant of an option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration.

As at 30 June 2012, no options have been granted pursuant to the ESOS 2008 since the ESOS Effective Date.

As at 30 June 2012, the total number of GuocoLeisure shares comprised in the options granted under the ESOS 2008 was 210,000.

Details of the movements in the ESOS Options during the financial year are as follows:

| | 30 June 2012 | 03 July 2011 |
|--|-------------------------|-------------------------|
| Outstanding at the beginning of the financial period | 5,300,000 | - |
| Options granted during the year | - | 5,300,000 |
| Options lapsed during the year | (5,090,000) | - |
| Outstanding at the end of the financial period | <u>210,000</u> | <u>5,300,000</u> |

All of the 210,000 options under the scheme have been issued to employees of a fellow UK company within the GuocoLeisure group.

Notes (continued)

21 - Share based payments (continued)

With regards to directors and employees of the Guoman Hotels Limited group, 5,000,000 share options have been granted during the financial year. The table below shows the details of those options

| Tranche | Dec 2011 | Dec 2012 | Dec 2013 | Scheme |
|-----------------------------------|-------------|-------------|-------------|-----------|
| Grant date | 16 Dec 2010 | 16 Dec 2010 | 16 Dec 2010 | Average |
| Share price at Grant date (pence) | 34.75 | 34.75 | 34.75 | 34.75 |
| Option Strike price (pence) | 34.65 | 34.65 | 34.65 | 34.65 |
| Shares under scheme | 1,500,000 | 1,750,000 | 1,750,000 | 5,000,000 |
| Vesting period | 0.5 Years | 1.25 Years | 2.25 Years | |
| Expected volatility | 56.74% | 56.74% | 56.74% | 56.74% |
| Risk free rate | 2.04% | 2.04% | 2.04% | 2.04% |
| Expected dividend yield | 1.99% | 1.99% | 1.99% | 1.99% |
| Fair Value (pence) | 9.2 | 11 | 12.78 | 11.083 |
| Vesting date | 31-Dec-11 | 31-Dec-12 | 31-Dec-13 | |
| Exercise date | 30-Jun-12 | 31-Mar-13 | 31-Mar-14 | |
| Weighted average contractual life | 0.99 | 1.75 | 2.75 | |

The December 2011 tranche expired unexercised, and the remaining tranches lapsed when Timothy Scoble resigned. A full credit has been taken for the charges previously taken for these tranches.

22 - Related party transactions

Group

Management fees of £449,000 (2011: £632,000) are payable to GuoLine Group Management Co. Limited (GGMC), a company controlled by Tan Sri Quek Leng Chan. The amount accrued but unpaid at the year end amounted to £308,000 (2011: £501,000).

Management fees of £690,000 (2011: £245,000) are payable to GuocoLeisure Limited. The amount accrued but unpaid at the year end amounted to £690,000 (2011: £245,000).

Purchases of £230,000 (2011: £383,000) furniture from Hume Furniture Sdn Bhd, a company controlled by Tan Sri Quek Leng Chan.

Income of £865,000 (2011: £412,000) from Guoman Hotel Management (UK) Limited in respect of rent and services charges for office space.

On 11 July 2011, the Group sold the property plant and equipment of the Royal Horseguards Hotel and Thistle Kensington Garden to related parties, Guoman RHG Limited and Guoman KG Limited respectively, for £190 million, realising a profit on disposal of £46.1 million. On the same day, these subsidiary companies signed 30 year lease agreements with the purchasers.

Rent of £13.9 million was paid to Guoman RHG Limited and Guoman KG Limited in respect of these leases.

Interest of £5,926,000 (2011: £5,516,000) was paid to Guoman Hotels Group Limited.

Company

Interest of £5,926,000 (2011: £5,516,000) was paid to Guoman Hotels Group Limited.

Notes (continued)

23 - Financial commitments

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

| | 30 Jun 2012 | | 03 Jul 2011 | |
|---|-------------------|---------------------------------|-------------------|---------------------------------|
| | Property £'000 | Plant and Equipment £'000 | Property £'000 | Plant and Equipment £'000 |
| Payments which fall due | | | | |
| Within one year | 57,107 | 962 | 41,378 | 631 |
| In the second to fifth years inclusive | 227,644 | 789 | 165,615 | 518 |
| After five years | 1,151,645 | - | 805,311 | - |
| Total payable over the life of the leases | <u>1,436,396</u> | <u>1,751</u> | <u>1,012,304</u> | <u>1,149</u> |

| | 30 Jun 2012 £'000 | 03 Jul 2011 £'000 |
|---|-------------------------|----------------------|
| <i>Capital Commitments</i> | | |
| Contracted for but not provided in the accounts | <u>12,105</u> | <u>11,661</u> |

24 - Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Consideration of impairment to the carrying values of assets has been made and we concluded that the individual carrying values of operating assets are supportable by value in use. The impact of the current economic conditions on the assessment of going concern has been considered.
- Note 7 – Property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment and intangible assets. The selection of these residual values and estimated lives requires the exercise of judgement. The Company is required to assess whether there is indication of impairment to the carrying value of assets. In making that assessment, judgements are made in estimating value in use. The directors consider that the individual carrying values of assets are supportable by value in use.
- Note 10 - Deferred income - Relates to sales invoiced for which the revenue has yet to be recognised. These are recognised over the life of the agreement with the customer.
- Note 13 - Deferred tax assets – Represents the extent to which future profits are expected to be offset by losses in the foreseeable future. The Company recognises expected liabilities and assets for tax based on an estimation of the likely taxes affect, which requires judgement as to the ultimate tax determination of certain items.
- Note 14 - Provisions and contingencies (onerous leases) – the estimate of excess charges due to non-utilisation of property. This provision is an estimate based on the condition of the property and local market conditions. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.
- Note 21 - Measurement of share-based payments - The fair value of employee share options is measured using the Black Scholes model.

Notes (continued)

25 - Non adjusting post balance sheet event

During August 2012, the Group received £817,000 refund from HMRC in respect of overpaid VAT

On 21 September 2012, the Group closed its hotel at Thistle Westminster, as the landlord exercise a break clause within the lease

26 - Parent and ultimate parent undertakings and controlling parties

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

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

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