

GuocoLeisure (UK) Limited

Directors' report and consolidated financial statements

Registered number 4560805

For the period ended 28 June 2009



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Directors' report

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

Company status and principal activities

GuocoLeisure (UK) Limited is a limited liability company domiciled and registered in England. The principal activity of the Company is the ownership and operation of hotels in the UK.

Business review

In the year to June 2009, the business continued to make progress in establishing and growing its two brands in their target markets: Guoman as deluxe properties competing globally with other international brands and Thistle as a strong UK-based brand delivering a four star guest experience.

The Group experienced a significant decline in revenue and profitability due mainly to the effect of economic downturn, which impacted room rate and occupancy adversely. Notwithstanding this, it continued to make good progress with various revenue enhancement initiatives resulting in additional revenue being generated. In addition, the Company increased operational efficiency through structural changes and process re-configuration, which translated into a significant reduction in operating expenses.

The net of lower revenue and reduced costs resulted in a reduction in operating profit for the 52 weeks ended 28 June 2009 to £23,625,000 (2008: £38,277,000). The Company's results for the 52 weeks ended 29 June 2008 were enhanced by a one-off £50,000,000 profit on disposal of intellectual property.

The Key Performance Indicators used to measure the trading performance of the Group's hotels are occupancy, average room rate (ARR), revenue per available room (RevPAR), gross operating profit percentage and return on shareholders funds. Occupancy and ARR both deteriorated, particularly over the second half of the year, and these combined to give a significant decrease in RevPAR:

	28 June 2009	29 June 2008
Movement vs prior year		
Occupancy	(4%)	5%
Average Room Revenue	(3%)	3%
Revenue per Available Room	(7%)	9%
Result for year		
Return on Shareholders' Funds	5.6%	4.6%
Gross Operating Profit Percentage	11.9%	17.3%

GuocoLeisure (UK) Limited has a strong group balance sheet with net assets in excess of £180 million and gearing at 28 June 2009 of only 41%.

The financial period to 27 June 2010 is expected to remain challenging. However, the directors continue to be confident about the long term prospects for the Group and Company.

Result and dividends

The results for the 52 weeks ended 28 June 2009 are set out in the Income Statement on page 7. No interim dividends were paid during the financial period (2008: £60,875,000). The directors do not recommend the payment of a final dividend (2008: £12,500,000).

Directors' report (*continued*)

Principal risks and uncertainties

Economic conditions in the London hotel market

The Group's income arises mainly from trading in London. Economic conditions in this market are a key factor in the Group's results. The Board's view is that the current economic uncertainty may reduce sales and profit.

Interest and exchange rates

The Group's debt is predominately fixed rate and its direct exposure to exchange rate movements is minimal. However, the Group will be affected by the impact of changes in interest and exchange rates on its customers.

Employee matters

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

The Group 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 Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Policy and practice on payment of creditors

The policy of the Group concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the standard payment terms applied by the Group and, in either case, to pay in accordance with its contractual or other legal obligations. The average trade creditor days of the Group during the period were 28 days (2008: 24) respectively.

Political and charitable contributions

During the financial period the Group contributed £25,000 (2008: £4,000) to UK charitable organisations. There were no political contributions in either period.

Directors' report (*continued*)

Directors and directors' interests

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

Sheena Hirani
Andrew Chew
Richard Lim

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

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

On 1st September 2009, Sheena Hirani and Richard Lim resigned as directors of the company. Steven Bailey, Tim Scoble and Seok Hui Blackwell were appointed in their place on the same date.

Disclosure of information to auditors

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

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.

Auditors

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

By order of the Board


J McGuirk
Company Secretary

Registered Office
PO Box 909
Bath Road
Uxbridge
UB8 9FH

30 September 2009

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company 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 their 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 the 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 parent company and enable them to ensure that its 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 group 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
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LS1 4DW
United Kingdom

Independent Auditors' Report to the Members of GuocoLeisure (UK) Limited

We have audited the financial statements of GuocoLeisure (UK) Limited for the year ended 28 June 2009 set out on pages 7 to 42. 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 sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 28 June 2009 and of the group's profit for the year 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 Auditors' Report to the Members of GuocoLeisure (UK) 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.



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

30 September 2009

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

	Note	52 weeks ended 28 June 2009		52 weeks ended 29 June 2008	
		£'000	£'000	£'000	£'000
Revenue	1		198,612		220,432
Cost of sales			(158,071)		(164,578)
Gross profit			<u>40,541</u>		<u>55,854</u>
Administrative income and expenditure					
Reorganisation costs	2	-		(4,793)	
Loss on disposal of plant and equipment	2	-		(88)	
Other administrative expenses	2	(16,916)		(12,696)	
			<u>(16,916)</u>		<u>(17,577)</u>
Operating profit			<u>23,625</u>		<u>38,277</u>
Profit on disposal of Intellectual Property	2		-		50,000
Finance costs					
Financial income	5		3,676		4,592
Financial expense	6		(36,735)		(34,281)
(Loss) / profit before taxation			<u>(9,434)</u>		<u>58,588</u>
Tax credit / (charge)	7		19,475		(1,864)
Profit from continuing operations			<u>10,041</u>		<u>56,274</u>
Profit for the year from discontinued operations	3		-		218
Profit for the year			<u><u>10,041</u></u>		<u><u>59,942</u></u>

The whole of the profit for the financial period to 28 June 2009 noted above derives from continuing operations.

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

REGISTERED NO 4560805

**Balance Sheets
at 28 June 2009**

	Note	28 June 2009 £'000	Group 29 June 2008 £'000	28 June 2009 £'000	Company 29 June 2008 £'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	9	726,407	719,554	-	-
Investment in subsidiaries	10	-	-	367,922	367,922
Deferred tax	15	9,473	10,821	-	-
		<u>735,880</u>	<u>730,375</u>	<u>367,922</u>	<u>367,922</u>
Current Assets					
Inventories	11	302	433	-	-
Trade and other receivables	12	30,417	29,731	-	-
Cash and cash equivalents		3,178	13,950	-	-
		<u>33,897</u>	<u>44,114</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Current liabilities					
Trade and other payables	13	(45,568)	(35,616)	-	-
		<u>(45,568)</u>	<u>(35,616)</u>	<u>-</u>	<u>-</u>
Non-current liabilities					
Borrowings	14	(256,444)	(261,540)	-	-
Trade and other payables	13	(223,112)	(208,203)	(223,112)	(208,203)
Deferred tax	15	(60,822)	(81,645)	-	-
Retirement benefit obligations	22	(2,906)	(5,656)	-	-
Provisions	16	(596)	(3,538)	-	-
		<u>(543,880)</u>	<u>(560,582)</u>	<u>(223,112)</u>	<u>(208,203)</u>
Net Assets		<u>180,329</u>	<u>178,291</u>	<u>144,810</u>	<u>159,719</u>
SHAREHOLDERS' EQUITY					
Ordinary shares	18	-	-	-	-
Employee compensation reserve	19	(5,000)	(10,000)	-	-
Retained earnings	20	185,329	188,291	144,810	159,719
Total equity		<u>180,329</u>	<u>178,291</u>	<u>144,810</u>	<u>159,719</u>

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


S Bailey
Director

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

Group	Ordinary Shares	Employee Comp'n Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000
At 1 July 2007	-	-	191,721	191,721
Profit for the year	-	-	56,942	56,942
Share based payment	-	-	503	503
Dividends paid	-	-	(60,875)	(60,875)
Purchase of shares in parent company	-	(10,000)	-	(10,000)
At 29 June 2008	-	(10,000)	188,291	178,291
Profit for the year	-	-	10,041	10,041
Share based credit	-	-	(503)	(503)
Dividends paid	-	-	(12,500)	(12,500)
Sale of shares in parent company	-	5,000	-	5,000
At 28 June 2009	-	(5,000)	185,329	180,329
Company	Ordinary Shares	Employee Comp'n Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000
At 1 July 2007	-	-	173,313	173,313
Profit for the year	-	-	47,281	47,281
Dividends paid	-	-	(60,875)	(60,875)
At 29 June 2008	-	-	159,719	159,719
Loss for the year	-	-	(14,909)	(14,909)
Dividends received	-	-	12,500	12,500
Dividends paid	-	-	(12,500)	(12,500)
At 28 June 2009	-	-	144,810	144,810

During the financial year the Group sold £5m of GuocoLeisure Limited shares to its parent company, GuocoLeisure Limited. No profit or loss arose on the transaction.

Cash Flow Statements
for the 52 weeks ended 28 June 2009

	Group	
	52 weeks ended 28 June 2009	52 weeks ended 29 June 2008
	£'000	£'000
Cash flows from operating activities		
Profit for the financial period from continuing activities	10,041	56,724
Impact of discontinued operations		
Proceeds from sale	-	10,875
Profit for the year from discontinued operations	-	218
Loss on disposal of net assets	-	190
Net impact of discontinued operations	-	11,283
Adjustments for:		
Tax (credit) / charge	(19,475)	1,864
Share options (credit) / charge	(503)	503
Interest expense	36,735	34,281
Interest income	(3,676)	(4,592)
Depreciation	10,775	9,745
Loss on disposal of tangible fixed assets	-	88
Profit on disposal of intangible asset	-	(50,000)
Changes in working capital:		
Decrease / (increase) in inventories	131	(35)
(Increase) / decrease in trade & other receivables	(686)	5,652
Increase / (decrease) in trade & other payables	10,980	(10,285)
Cash generated from operations	44,322	55,228
Interest received	397	1,318
Interest paid	(38,572)	(36,238)
Net cash generated from operating activities	6,147	20,308
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	-	2,472
Purchase of tangible fixed assets	(19,328)	(17,718)
Proceeds from sale of intangible asset	-	50,000
Net cash (used in) / generated from investing activities	(19,328)	34,754
Cash flows from financing activities		
Purchase of shares in parent company	-	(5,000)
Loan from parent	14,909	13,594
Dividends paid to shareholders	(12,500)	(60,875)
Net cash generated from / (used in) financing activities	2,409	(52,281)
Net (decrease) / increase in cash and cash equivalents	(10,772)	2,781
Cash and cash equivalent at the start of the period	13,950	11,169
Cash and cash equivalents at the end of the period	3,178	13,950

Cash Flow Statements (continued)
for the 52 weeks ended 28 June 2009

	Company	
	52 weeks ended 28 June 2009	52 weeks ended 29 June 2008
Cash flows from operating activities	£'000	£'000
(Loss) / profit for the financial period	(14,909)	47,281
Adjustments for:		
Interest expense	14,909	13,594
Cash generated from operations	-	60,875
Interest paid	(14,909)	(13,594)
Net cash (used in) / generated from operating activities	(14,909)	47,281
Net cash generated from investing activities	-	-
Cash flows from financing activities		
Dividends received from Subsidiaries	12,500	-
Dividends paid to shareholders	(12,500)	(60,875)
Loans from parent company	14,909	13,594
Net cash generated from / (used in) financing activities	14,909	(47,281)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalent at the start of the period	-	-
Cash and cash equivalents at the end of the period	-	-

Notes to the financial statements

1 - Accounting policies

GuocoLeisure (UK) 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 3. In addition note 17 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 income statement and related notes that form a part of these approved financial statements.

Notes (continued)

1 - Accounting Policies (continued)

Adoption of new standards

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

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

New IFRS and amendments to IAS and interpretations not applied

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

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

Consolidation

The financial statements incorporate the accounts of the Company and all its subsidiaries for the 52 weeks ended 28 June 2009. 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. All the Group's subsidiary undertakings are companies. The parent company financial statements present information about the company as a separate entity and not about its group.

Property, plant and equipment

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

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

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

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	Remaining life of the lease
Plant and equipment	5 to 15 years

Notes (continued)

1 - Accounting Policies (continued)

Leased assets

Operating lease payments

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

Finance lease payments

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

Inventories

Inventories comprise food and beverages for resale and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Note 11 shows further details of the charge to the income statement.

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.

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.

Notes (continued)

1 - Accounting Policies (continued)

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.

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.

Notes (continued)

1 - Accounting Policies (continued)

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 income statement.

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

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

Calculation of recoverable amount

The recoverable amount of the 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, management and operation of hotels, excluding VAT, and is recognised as the related services are provided.

Taxation

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

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

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

Financing income and expenses

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

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

Notes (continued)

1 - Accounting Policies (continued)

Foreign currency

Transactions in foreign currencies are translated to 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 income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Employee benefits

Defined benefits

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

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 income statement 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 income statement.

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, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and 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.

Notes (continued)

1 - Accounting Policies (continued)

Segmental reporting

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

Share based payments

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

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

Where the Company's parent grants rights to its equity instruments to the Group's or 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 income statement 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 operating profit is stated after charging / (crediting):

	Group	
	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Amounts payable to auditors:		
Audit of these financial statements	10	10
Audit of financial statements of subsidiaries pursuant to legislation	92	82
Services relating to corporate finance transactions entered into by the company or the group	-	164
Pension scheme audit	11	11
Depreciation and other amounts written off tangible fixed assets	10,775	9,745
Equipment rentals payable under operating leases	702	690
Property rentals payable under operating leases	38,852	38,105
<i>Exceptional items disclosed separately due to their size or incidence</i>		
Profit from sale of intellectual property	-	(50,000)
Reorganisation costs	-	4,793
Loss on disposal of property, plant and equipment	-	88
	<hr/>	<hr/>

All fees payable to the auditors were incurred by Guoman Hotels Limited.

Notes (continued)

3 - Discontinued Operations

On 1st January 2008, the group sold Guoman Hotel Management (UK) Limited to Guoman Hotel Management (Singapore) Limited for £10.875m.

The results from these operations, which have been included in the consolidated income statement, are as follows

	26 weeks ended 30 December 2007 £'000
Revenue	9,711
Operating expenses	(9,303)
Operating profit	408
Loss on disposal of net assets	(190)
Profit for the year from discontinued operations	218

Cash generated by discontinued operation

	26 weeks ended 30 December 2007 £'000
Net cash generated by operating activities	408
Net cash generated by investing activities	10,875
Net cash generated by discontinued operations	11,283

Effect of disposal on financial position of the group

	At 30 December 2007 £'000
Property, plant and equipment	10,423
Deferred tax assets	135
Trade and other receivables	927
Intercompany balance	6,970
Trade and other payables	(50)
Retained losses	(7,340)
Net Assets	11,065
Consideration received	(10,875)

Notes (continued)

4 - Employee, Directors and Key Management information

	Group	
	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Employee costs during the period:		
Agency wages	13,155	13,988
Employee wages and salaries	28,355	40,679
Share based remuneration (credit) / expense	(503)	503
Employer's social security costs	2,649	3,788
Employer's pension costs	351	97
	<u>44,007</u>	<u>59,055</u>
	Group	
	52 weeks ended 28 June 2009 Number	52 weeks ended 29 June 2008 Number
Average monthly staff employed:		
Hotel operating staff	1,263	1,624
Management, administration and support staff	47	296
	<u>1,310</u>	<u>1,920</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.

The Remuneration committee regularly reviews the likelihood of share options that have been granted will vest. At 28 June 2009 their view was that the outstanding options are highly unlikely to vest, and accordingly the accumulated charge to the income statement has been reversed. Further details of the options are shown in note 22.

Notes (continued)

5 - Financial income

	Group	
	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Bank and other interest receivable	364	1,319
Expected return on defined benefit pension schemes' assets	3,312	3,273
	<u>3,676</u>	<u>4,592</u>

6 - Financial expenses

	Group	
	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Debenture stock interest	17,407	17,530
Interest paid to related parties	16,109	13,594
Interest on defined benefit pension schemes' liabilities	3,219	3,157
	<u>36,735</u>	<u>34,281</u>

Notes (continued)

7 - Taxation

	Group	
	52 weeks ended	52 weeks ended
	28 June 2009	29 June 2008
	£'000	£'000
<i>Recognised in the Income Statement</i>		
UK Corporation tax at 28%		
Current period tax charge	-	-
Adjustments in respect of previous years	-	-
Deferred taxation		
Current period tax (credit) / charge	(37,797)	2,534
Adjustments in respect of previous years	18,322	(670)
Total tax (credit) / charge	(19,475)	1,864

	52 weeks ended 28 June 2009		52 weeks ended 29 June 2008	
	%	£'000	%	£'000
<i>Reconciliation of effective tax rate</i>				
Profit before taxation	100%	(9,434)	100%	58,588
Expected tax (credit) / charge at 28%	28.0%	(2,642)	28.0%	16,405
Items not subject to tax or deductible for tax purposes	(47.7%)	4,503	(17.5%)	(10,243)
Abolition of HBA's	(110.4%)	10,419	0.4%	230
Group relief receivable for nil consideration	22.6%	(2,132)	(2.0%)	(1,184)
Recognition of residual values of properties	508.2%	(47,945)	0.0%	-
Losses brought forward	0.0%	-	(4.6%)	(2,674)
Adjustments in respect of previous years	(194.2%)	18,322	(1.1%)	(670)
Actual tax (credit) / charge	206.4%	(19,475)	3.2%	1,864

8 - Dividends Payable

Group and Company	52 weeks ended	52 weeks ended
	28 June 2009	29 June 2008
	£'000	£'000
Interim dividend paid in cash	-	60,875
Final dividend paid in cash	12,500	-

Dividends paid during the year comprise a final dividend of 40.2 pence per share in respect of the previous year ended June 2008. No interim dividend has been declared for the year ended June 2009, and no final dividend has been proposed.

Notes (continued)

9 - Property, Plant and Equipment

52 Weeks ended 28 June 2009

	Land and buildings	Fit out costs, plant and equipment	Group Total
Cost	£'000	£'000	£'000
At the beginning of the financial period	678,260	205,230	883,490
Additions	10,714	6,914	17,628
Disposals	-	(80)	(80)
At the end of the financial period	<u>688,974</u>	<u>212,064</u>	<u>901,038</u>
Depreciation			
At the beginning of the financial period	9,482	154,454	163,936
Charge for the financial period	3,479	7,296	10,775
Disposals	-	(80)	(80)
At the end of the financial period	<u>12,961</u>	<u>161,670</u>	<u>174,631</u>
Net book value			
At 28 June 2009	<u>676,013</u>	<u>50,394</u>	<u>726,407</u>

52 Weeks ended 29 June 2008

	Land and buildings	Fit out costs, plant and equipment	Group Total
Cost	£'000	£'000	£'000
At the beginning of the financial period	680,894	217,407	898,301
Additions	6,880	12,538	19,418
Disposals	(9,514)	(24,715)	(34,229)
At the end of the financial period	<u>678,260</u>	<u>205,230</u>	<u>883,490</u>
Depreciation			
At the beginning of the financial period	14,687	160,751	175,438
Charge for the financial period	2,040	7,705	9,745
Disposals	(7,245)	(14,002)	(21,247)
At the end of the financial period	<u>9,482</u>	<u>154,454</u>	<u>163,936</u>
Net book value			
At 29 June 2008	<u>668,778</u>	<u>50,776</u>	<u>719,554</u>

Three (2008: three) properties with aggregate carrying values of £377,749,000 (2008: £379,236,000) have been charged as security for the Group's debenture borrowing facilities. One (2008: one) property with a carrying value of £161,863,000 (2008: £163,255,000) has been charged as security for the Group's other borrowing facilities.

Notes (continued)

9 - Property, Plant and Equipment (continued)

At 28th June 2009, the Group's properties were tested for impairment.

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

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

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

At the beginning and end of the financial period the value in use of 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>	28 June 2009	29 June 2008
	£'000	£'000
Freehold	240,618	241,899
Long leasehold	422,284	414,953
Short leasehold	13,111	11,926
	<u>676,013</u>	<u>668,778</u>

Notes (continued)

10 - Investment in subsidiaries

Shares in subsidiary undertakings

	Group		Company	
	52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended
	28 June	29 June	28 June	29 June
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
At the beginning and end of the financial period	-	-	367,922	367,922

The principal subsidiary companies at 29 June 2008 were as follows:

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

The Company owns 100% of the share capital of Guoman Hotels Limited. All the other subsidiaries are 100% owned by either Guoman Hotels Limited or its subsidiary undertakings. All the above subsidiaries operate in Great Britain and are registered in England.

The principal activity of Guoman HR Limited is to provide staff to the group's hotel operations.

The principal activity of the remaining companies is the ownership and operation of hotels.

Notes (continued)

11 - Inventories

52 Weeks ended 28 June 2009

	Food stock	Beverage stock	Total
Cost	£'000	£'000	£'000
At the beginning of the financial period	142	291	433
Purchases	6,092	1,986	8,078
Utilised during the period	(6,137)	(2,072)	(8,209)
	<hr/>	<hr/>	<hr/>
At the end of the financial period	97	205	302
	<hr/>	<hr/>	<hr/>

52 Weeks ended 29 June 2008

	Food stock	Beverage stock	Total
Cost	£'000	£'000	£'000
At the beginning of the financial period	131	268	399
Purchases	6,682	2,191	8,873
Utilised during the period	(6,671)	(2,168)	(8,839)
	<hr/>	<hr/>	<hr/>
At the end of the financial period	142	291	433
	<hr/>	<hr/>	<hr/>

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

Notes (continued)

12 - Trade and other receivables

	Group		Company	
	28 June 2009	29 June 2008	28 June 2009	29 June 2008
	£'000	£'000	£'000	£'000
Non-current assets				
Amounts owed by group undertakings	-	-	261,183	780,106
Current assets				
Trade debtors	14,659	17,604	-	-
Provision for bad debt	(214)	(197)	-	-
Net trade debtors	14,445	17,407	-	-
Amounts owed by Related parties	436	675	436	675
Other debtors	5,952	2,406	3,637	2,619
Prepayments and accrued income	9,584	9,243	287	915
	30,417	29,731	4,360	4,209

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:

	Group		Company	
	28 June 2009	29 June 2008	28 June 2009	29 June 2008
	£'000	£'000	£'000	£'000
Neither past due nor impaired	10,184	11,867	-	-
Less than 1 month past due	3,817	1,848	-	-
1 to 3 months past due	444	3,692	-	-
	14,445	17,407	-	-

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

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

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

Notes (continued)

13 - Trade and other payables

	Group		Company	
	28 June 2009 £'000	29 June 2008 £'000	28 June 2009 £'000	29 June 2008 £'000
Current liabilities				
Trade creditors	22,078	21,681	-	-
Other taxation and social security	3,339	3,135	-	-
Other creditors	575	669	-	-
Amounts owed to parent company of the group	10,000	5,284	-	-
Amounts owed to related parties	2,902	-	-	-
Accruals and deferred income	6,674	4,847	-	-
	45,568	35,616	-	-
Non-current liabilities				
Amounts owed to group undertakings	223,112	208,203	223,112	208,203
	223,112	208,203	223,112	208,203

The contractual cashflows of trade creditors and other creditors will see these liabilities settled in the next six months.

14 - Debentures

	Nominal Value		Book Value	
	28 June 2009 £'000	29 June 2008 £'000	28 June 2009 £'000	29 June 2008 £'000
10.75% fixed rate debenture stock - repayable 2014	167,825	167,825	193,898	198,643
7.875% fixed rate debenture stock - repayable 2022	57,697	58,200	62,546	62,897
	225,522	226,025	256,444	261,540

The debenture stocks are stated after fair value adjustments on acquisition and are secured by fixed charges over hotel properties as disclosed in note 10.

Notes (continued)

15 - Deferred tax

The movements in deferred tax assets and liabilities were as follows:

Group	1 July 2007	Impact of discontinued operation	Income Statement charge / (credit)	29 June 2008	Income Statement charge / (credit)	28 June 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Employee benefits	(2,322)	-	738	(1,584)	771	(813)
Other	(11,600)	-	2,363	(9,237)	577	(8,660)
	<u>(13,922)</u>	<u>-</u>	<u>3,101</u>	<u>(10,821)</u>	<u>1,348</u>	<u>(9,473)</u>
Liabilities						
Property assets	82,747	135	(1,237)	81,645	(37,325)	44,320
Other	-	-	-	-	16,502	16,502
	<u>82,747</u>	<u>135</u>	<u>(1,237)</u>	<u>81,645</u>	<u>(20,823)</u>	<u>60,822</u>
Total	<u>68,825</u>	<u>135</u>	<u>(1,864)</u>	<u>70,824</u>	<u>(19,475)</u>	<u>51,349</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 £20.165 million (2008: £ nil) 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)

16 - Provisions

	Group		Company	
	28 June 2009	29 June 2008	28 June 2009	29 June 2008
	£'000	£'000	£'000	£'000
Onerous lease provisions	596	568	596	568
Restructuring costs	-	2,970	-	2,970
	<u>596</u>	<u>3,538</u>	<u>596</u>	<u>3,538</u>

	Group		Company	
	52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended
	28 June 2009	29 June 2008	28 June 2009	29 June 2008
	£'000	£'000	£'000	£'000
<i>Onerous lease provisions</i>				
At the beginning of the financial period	568	1,268	568	1,268
Utilised	(442)	(930)	(442)	(930)
Charged to income statement	470	230	470	230
At the end of the financial period	<u>596</u>	<u>568</u>	<u>596</u>	<u>568</u>

	Group		Company	
	52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended
	28 June 2009	29 June 2008	28 June 2009	29 June 2008
	£'000	£'000	£'000	£'000
<i>Restructuring costs</i>				
At the beginning of the financial period	2,970	644	2,970	644
Utilised	(2,464)	(1,075)	(2,464)	(1,075)
(Released) / charged to income statement	(506)	3,401	(506)	3,401
At the end of the financial period	<u>-</u>	<u>2,970</u>	<u>-</u>	<u>2,970</u>

Notes (continued)

17 - 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.

52 Weeks ended 28 June 2009	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						
Secured debenture stocks	256,444	384,814	22,644	22,644	67,932	271,594
Trade and other payables	45,568	45,568	45,568	-	-	-
	302,012	430,382	68,212	22,644	67,932	271,594

52 Weeks ended 29 June 2008	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						
Secured debenture stocks	261,540	407,458	22,644	22,644	67,932	294,238
Trade and other payables	35,616	35,616	35,616	-	-	-
	297,156	443,074	58,260	22,644	67,932	294,238

Notes (continued)

17 - Financial instruments (continued)

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 which 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.

f) Financial assets

The Group's financial assets as at 28th June 2009 comprised interest bearing cash balances of £3,178,000 (2008: £13,950,000). There was no difference between the carrying value and the fair value of financial assets at 28th June 2009 (2008: no difference).

The Company's financial assets as at 28th June 2009 comprised interest bearing cash balances of £850,000 (2008: £10,613,000). There was no difference between the carrying value and the fair value of financial assets at 28th June 2009 (2008: no difference).

Notes (continued)

18 - Ordinary Shares

Group and Company	Number of shares		Nominal Value	
	52 weeks ended 28 June 2009 No.	52 weeks ended 29 June 2008 No.	52 weeks ended 28 June 2009 £	52 weeks ended 29 June 2008 £
Ordinary shares of £1 each				
Authorised:				
At the beginning and end of the financial period	100	100	100	100
Issued and fully paid:				
At the beginning and end of the financial period	2	2	2	2

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.

19- 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. The movement of £5,000,000 relates to the sale of GuocoLeisure Limited shares to GuocoLeisure Limited.

20 - Retained earnings

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

Notes (continued)

21 – Employee Benefits – Retirement Benefit Obligations

The Group operates two Schemes covering 75 (2008: 91) 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 2005 to 1 July 2007 and comprise:

<i>Group and Company</i>	28 June 2009	29 June 2008	1 July 2007	2 July 2006	3 July 2005
	£'000	£'000	£'000	£'000	£'000
Fair value of Schemes' investment assets	47,524	48,302	48,935	43,030	37,295
Present value of funded obligations	(55,500)	(55,150)	(56,905)	(56,036)	(50,200)
Unrecognised net actuarial losses	5,070	1,192	(323)	2,181	712
Net deficit in Schemes	(2,906)	(5,656)	(8,293)	(10,825)	(12,193)

The group has adopted the Corridor Approach so that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. At 28 June 2009, one of the schemes breached this limit, and consequently an additional £65,000 will be charged to the income statement for the next 6 years.

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

	28 June 2009	29 June 2008
Rate of increase in pensionable salaries	3.90%	4.40%
Rate of increase in pensions in payment and deferred pensions	3.40%	3.90%
Discount rate	6.45%	6.30%
Inflation rate	3.40%	3.90%
Expected return on the Schemes' assets		
Equities	8.25%	8.50%
Bonds	5.70%	6.30%
Cash	0.50%	5.00%
Life expectancy of a member retiring aged 65 in 2008	21.2 years	20.2 years
Life expectancy of a member retiring aged 65 in 2028	23.0 years	20.2 years

In valuing the liabilities of the pension schemes at £55.5m 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 28 June 2009 would have increased by £1.3m to £56.8m before deferred tax. This approximately equates to members living one year longer.

The Schemes' investment assets comprised:

	28 June 2009		29 June 2008	
	£'000	%	£'000	%
Equities	24,383	51.3%	25,403	52.6%
Bonds	22,592	47.5%	21,842	45.2%
Cash	549	1.2%	1,057	2.2%
	47,524		48,302	

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

Notes (continued)

21 – Employee Benefits – Retirement Benefit Obligations (continued)

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

<i>Group and Company</i>	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Fair value of the schemes' assets at the start of the financial period	48,302	48,935
Expected return on the Schemes' assets	3,638	3,312
Contributions received	2,858	2,856
Benefits paid	(1,518)	(1,362)
Actuarial losses	(5,756)	(5,439)
Fair value of the schemes' assets at the end of the financial period	47,524	48,302

The contributions payable to the Schemes during the year ending 27 June 2010 are expected to be approximately £2.7 million.

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 a decrease of £2,118,000 (2008: decrease of £2,127,000).

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

<i>Group and Company</i>	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Present value of the schemes' obligations at the start of the financial period	55,150	56,905
Current service cost	270	358
Interest cost	3,437	3,140
Benefits paid	(1,518)	(1,362)
Contributions from Scheme members	39	33
Actuarial losses	(1,878)	(3,924)
Present value of the Schemes' obligations at the end of the financial period	55,500	55,150

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

	28 June 2009 £'000	29 June 2008 £'000	2 July 2007 £'000	2 July 2006 £'000	3 July 2005 £'000
Actuarial (gains) / losses on the schemes' assets	(5,756)	(5,439)	895	2,658	2,863
Percentage of the schemes' assets	12.10%	11.30%	1.80%	6.20%	7.70%
Actuarial gains / (losses) on the schemes' funded obligations	1,878	(3,924)	(1,609)	4,127	3,575
Percentage of the schemes' funded obligations	3.40%	7.10%	2.80%	7.40%	7.10%

Notes (continued)

21 - Employee Benefits – Retirement Benefit Obligations (continued)

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

<i>Group and Company</i>	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Current service cost		
Charged to cost of sales	175	232
Charged to administrative expenses	95	126
	<hr/> 270	<hr/> 358
Expected return on the schemes' assets	(3,638)	(3,312)
Interest payable on the schemes' funded obligations	3,437	3,140
	<hr/> 69	<hr/> 186
Net cost of defined benefit Schemes	<hr/> <hr/> 69	<hr/> <hr/> 186

In making the above disclosures the Company has applied the amendments to IAS 19 issued in December 2004. The Company has only disclosed the history of actuarial gains and losses since 4 July 2004 as permitted by paragraph 160 of IAS 19 (as amended).

Defined contribution pension schemes

The Group operates defined contribution pension schemes for certain employees. Costs for the financial period amounted to £200,000 (2008: £262,000).

22 - Share based payments

A credit to income of £503,000 (2008: charge of £503,000) has been recognised during the period in respect of share based payments.

Value Creation Incentive scheme

The GuocoLeisure Value Creation Incentive Share Scheme is a share incentive scheme which was approved by the GuocoLeisure Board in 2003 and is administered by the GuocoLeisure Remuneration Committee. Under the Scheme, options over existing shares of GuocoLeisure Limited may be issued to eligible participants, including employees and directors of the GuocoLeisure Group.

The exercise prices of all options are subject to adjustment in the event of changes to the capital structure of GuocoLeisure occurring prior to exercise.

Notes (continued)

22 - Share based payments (continued)

During the year, no new conditional options were granted to employees of the company. The table below show the detail of options that were granted in previous years

Value Creation Incentive scheme	June 2009	Option Vesting date June 2011
Grant date	5th October 2007	5th October 2007
Share price at Grant date (pence)	46.00	46.00
Option Strike price (pence)	47.67	47.67
Shares under scheme	6,000,000	14,000,000
Vesting period	2.7 years	4.7 years
Expected volatility	22%	22%
Risk free rate	3.04%	3.04%
Expected dividend yield	2.57%	2.57%
Fair value (pence)	15	22

The June 2009 options expired without vesting, as the targets were not met. The remuneration committee of GuocoLeisure assess the likelihood of the options vesting on an annual basis, and is of the view that it is highly unlikely that the June 2011 options will vest. Consequently the P&L charge for these options has been reversed.

Volatility assumptions for share based payments

The expected volatility of all share based payments is based on the historic volatility, which is calculated based on the weighted average life remaining for each option.

	Number of options	Weighted average exercise price
Outstanding at 29 June 2008	20,000,000	S\$1.43 (47.7 pence).
Expired during the period	(6,000,000)	S\$1.43 (47.7 pence).
Outstanding at 28 June 2009	14,000,000	S\$1.43 (47.7 pence).

There were no options granted prior to 1 July 2007

The options outstanding at the end of the period had an exercise price of S\$1.43 (47.7pence) and a weighted average remaining contractual life of 3.0 years

(i) The exercise price per Share was the price determined by the GuocoLeisure Remuneration Committee in accordance with the Rules of the Scheme.

(ii) An option shall be exercisable on the date after the third anniversary and fifth anniversary of the date of grant, and to end on a date as stated in the Scheme.

The exercise price per Share as determined by the GuocoLeisure Remuneration Committee in accordance with the Rules of the Scheme was S\$1.43 (47.7 pence). Subject to certain financial and performance targets being met by the Participants during the performance period, the Participants may, at such time as may be prescribed by the GuocoLeisure Remuneration Committee at its sole discretion be notified ("Date of Notification") of the vesting of the options and the number of Shares comprised in the vested options. Thereafter, the Participants shall have an exercise period of up to one year from the date of notification or, such other period as may be prescribed by the GuocoLeisure Remuneration Committee at its sole discretion, to exercise the vested options in accordance with the terms of the grant.

Notes (continued)

23 - Related party transactions

Group

Management fees of £167,000 (2008: £727,000) are payable to GIMC Limited, a company controlled by Tan Sri Quek Leng Chan. The amount accrued but unpaid at the year end amounted to £12,000 (2008: £180,000).

Management fees of £nil (2008: £200,000) are payable to GuocoLeisure Limited. The amount accrued but unpaid at the year end amounted to £nil (2008: £200,000)

Group interest payable includes £16,109,000 (2008:£13,594,000) payable to fellow companies within the GuocoLeisure group.

Purchases of £115,000 (2008: £415,000) furniture from Hume Furniture Sdn, a company controlled by Tan Sri Quek Leng Chan.

Company

Management fees of £167,000 (2008: £727,000) are payable to GIMC Limited, a company controlled by Tan Sri Quek Leng Chan. The amount accrued but unpaid at the year end amounted to £12,000 (2008: £180,000).

Management fees of £nil (2008: £200,000) are payable to GuocoLeisure Limited. The amount accrued but unpaid at the year end amounted to £nil (2008: £200,000)

Interest payable includes £14,909,000 (2008:£13,594,000) payable to fellow companies within the GuocoLeisure group

The Company operates a central treasury function to which subsidiaries transfer their cash receipts and which settles all the subsidiaries' trading liabilities. It is not practicable to quantify the gross amounts of these transactions. The net movements from these transactions are accumulated in the amounts owed to or from Group companies shown in Notes 12 and 13.

In addition, the Company entered into the following aggregate transactions with its subsidiaries and Guoman Hotels Management (UK) Limited, a company with common shareholders:

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Management fees & brand licence	(16,958)	(14,196)

The company also provided an accounts payable function to Clermont Leisure (UK) Limited, a subsidiary of GuocoLeisure Limited. These transactions were fully recharged and amounted to £284,000 (2008: £365,000).

Notes (continued)

24 - Financial Commitments

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

Group	28 June 2009		29 June 2008	
	Property £'000	Plant and Equipment £'000	Property £'000	Plant and Equipment £'000
Payments which fall due				
Within one year	38,273	857	38,329	627
In the second to fifth years inclusive	154,561	703	151,211	515
After five years	829,880	-	869,735	-
Total payable over the life of the leases	<u>1,022,714</u>	<u>1,560</u>	<u>1,059,275</u>	<u>1,142</u>

	28 June 2009	Group 29 June 2008
	£'000	£'000
Capital expenditure commitments		
Contracted for but not provided in the accounts	<u>1,689</u>	<u>11,204</u>

25 - Contingent liabilities

The Company is party to a cross guarantee and set-off arrangements with Guoman Hotels Limited and fellow subsidiary companies in respect of bank overdraft facilities. The maximum potential liability is £5,000,000 (2008: £5,000,000). At 28 June 2009 the potential liability under these arrangements was £nil (2008: £nil).

26 - 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 intangible and other operating assets are supportable by value in use.

Notes (continued)

26 - Accounting estimates and judgements (continued)

- The impact of the current economic conditions on the assessment of going concern has been considered.
- Note 9 – 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 13 - 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 15 - 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 16 - 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 22 - Measurement of share-based payments - The fair value of employee share options is measured using the Black Scholes model.

27 - Parent and ultimate parent undertakings and controlling parties

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

GuocoLeisure (UK) 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.