

Hotel Innovations (Cardiff) Limited

**Directors' report and financial
statements**

Registered number 5497110

For the year ended 31 March 2012

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Directors' report

The directors present their report and the audited financial statements of Hotel Innovations (Cardiff) Limited ('the Company') for the year ended 31 March 2012

Principal activities

The principal activity of the Company during the year was that of a holding company

Business review

The Company has met the requirements of the Companies Act 2006 to obtain exemption from the presentation of an enhanced business review

Results and dividends

The loss for the period was £3,242,808 (2011 profit of £358) The directors consider that the results for the year are in line with expectations

The directors do not recommend the payment of a dividend (2011 £nil)

Going concern

The financial statements have been prepared on a going concern basis. The basis for this is described in detail in note 1 to the financial statements

Directors

The directors who held office during the period were as follows

A Matyas

Dr E Wojakowski

N Smith

Directors' and officers' liability insurance

Tonstate (Hotels) Cardiff Limited purchase and maintain on behalf of the Company, liability insurance for its directors and officers

Political and charitable contributions

The Company made no political or charitable contributions during the year (2011 £nil)


Statement as to 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 / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the board


Dr E Wojakowski
Director

3 Park Place
St James'
London
SW1A 1LP

20 December 2012

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 financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's report to the members of Hotel Innovations (Cardiff) Limited

We have audited the financial statements of Hotel Innovations (Cardiff) Limited for the year ended 31 March 2012 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31st March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. In particular, we noted the cross guarantee provided by Company against the bank debt of its immediate parent company. This, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Summerfield (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

21 December 2012

Profit and loss account
for the year ended 31 March 2012

	<i>Note</i>	Year ended 31 March 2012	Year ended 31 March 2011
		£	£
Administrative expenses		(3,243,000)	-
Operating loss		(3,243,000)	-
Interest receivable	5	192	358
(Loss) / profit on ordinary activities before taxation		(3,242,808)	358
Tax credit on (loss) / profit on ordinary activities	6	-	-
(Loss) / profit on ordinary activities after taxation		(3,242,808)	358

The results shown above are derived wholly from continuing operations

There were no recognised gains or losses in either the current or prior period except as shown above. Consequently, a statement of total recognised gains and losses has not been prepared


The notes on pages 7 to 12 form part of these financial statements

Balance sheet
at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£	£	£	£
Fixed assets					
Investments	7		3,611,139		3,611,139
Current assets					
Debtors	8	19,146,803		22,319,803	
Cash at bank and in hand		2,008		71,816	
		<u>19,148,811</u>		<u>22,391,619</u>	
Creditors amounts falling due within one year	9	(26,505,750)		(26,505,750)	
Net current liabilities			(7,356,939)		(4,114,131)
Net liabilities			<u>(3,745,800)</u>		<u>(502,992)</u>
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		(3,745,900)		(503,092)
Shareholders' deficit			<u>(3,745,800)</u>		<u>(502,992)</u>

The notes on pages 7 to 12 form part of these financial statements

These financial statements were approved by the board of directors on ~~20 December~~ 2012 and were signed on its behalf by


Dr E Wojakowski
Director

Notes

(forming part of the financial statements)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

1 Basis of preparation

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

At 31 March 2012 the Company had net liabilities of £3,745,800 (2011 £502,992) This includes a current debt of £26.5m owed to associated undertakings

The Company's assets are cross guaranteed against a bank loan of £29m provided to its immediate parent Tonstate (Hotels) Cardiff Limited. The provision of this loan is linked to a range of financial covenants. During the current year, the covenants related to interest rate cover and loan to value were breached on this loan. Management's forecasts show that these covenants will continue to be breached for foreseeable future. As a consequence of the breach, the bank has the right to cancel all obligations and declare all facilities immediately payable as per facilities agreement. The Company's assets may not be sufficient to meet the obligation if the cross guarantee is called.

The immediate parent, Tonstate (Hotels) Cardiff Limited has disclosed the following in its financial statements

'The Company has been able to service the debt requirements on all its loans during the year. The bank is aware of the covenant breach but no notice of breach has been issued and negotiations to refinance the loan are ongoing. Management is confident that banking facility will continue to be available to the Company owing to the overall financial health of the Tonstate Hotels Group -

The Company's parent company, Tonstate (Hotels) Limited has given confirmation that it will not require repayment of debt owed to other wholly owned fellow subsidiary companies, to whom a debt of £10.8m is owed, for a period of at least one year from the signature of these financial statements

Tonstate (Hotels) Limited has further confirmed its intention to continue to support the Company in meeting its liabilities as they fall due for at least one year from the date of these financial statements

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe it will not do so '

The directors have considered the above disclosure by the immediate parent company. Further, the directors have considered the letter of support provided to the Company by the intermediary parent company Tonstate (Hotels) Limited indicating its intention to support the Company for at least 12 months from the date of these financial statements, and continue to make available such funds as are needed by the company and in particular not seek repayment of the amounts currently made available, including £26.5m owed to other group companies. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indicators the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes (continued)

1 Basis of preparation (continued)

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

2 Accounting policies

Investments

Investments in subsidiary undertakings are stated at cost less provision for diminution in value.

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

3 (Loss) / profit on ordinary activities before taxation

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
<i>(Loss) / profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration		
Audit of these financial statements	5,000	-
Provision against intercompany receivables	3,243,000	-

In 2012 and 2011, auditor's remuneration was paid by another group company.

The fees paid to the Company's auditor, KPMG LLP and its associates for the services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated accounts of the Company's intermediary parent Tonstate (Hotels) Ltd.

Notes (continued)

4 Staff Costs and Directors Remuneration

The directors of the Company are also directors of other undertakings and the directors' remuneration for the period was paid by other undertakings. The directors do not believe that it is practicable to apportion this amount between services as directors of the Company and their services as directors of fellow subsidiary undertakings.

The Company has no employees other than the directors.

5 Interest receivable

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Other - Bank	192	358
	<u>192</u>	<u>358</u>

Notes (continued)

6 Taxation

(a) Analysis of charge / (credit) in period

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
Tax on (loss) / profit on ordinary activities	-	-
	<hr/>	<hr/>

(b) Factors affecting the tax charge for current period

The current tax charge for the period is higher (2011 lower) than the standard rate of corporation tax in the UK of 26% (2011 28%). The differences are explained below

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	(3,242,808)	358
	<hr/>	<hr/>
Current tax at 26 % (2009 28 %)	(843,130)	100
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	843,180	(100)
Utilisation of tax losses and other deductions	(50)	-
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

(c) Factors affecting the future tax charge

Potential deferred tax assets measured at 24% (2011 26%) totalling £95,097 (2011 £111,000) in respect of carried forward losses have not been recognised as it is not expected that these assets can be utilised to offset taxable profits in the foreseeable future

The rate of taxation is expected to follow the standard rate of UK Corporation tax in future years

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

This will reduce the company's future current tax charge accordingly

Notes (continued)

7 Investments

	Subsidiary undertakings
	£
Cost	
At 1 April 2011 and 31 March 2012	3,611,139

The investment above represents the Company's interest in 100% of the share capital of its subsidiary undertaking, Summerhill Properties Limited. Summerhill Properties Limited is incorporated in England and its principal activity is that of a hotel operator.

8 Debtors

	31 March 2012 £	31 March 2011 £
Amounts owed by group undertakings	19,146,803	22,319,803

The above amount is loaned to other group undertakings and is repayable on demand.

9 Creditors: amounts falling due within one year

	31 March 2012 £	31 March 2011 £
Amounts owed to group undertakings	26,500,000	26,500,000
Other creditors and accruals	5,750	5,750
	26,505,750	26,505,750

Amounts due to group undertakings are included in amounts due within one year where there are no specified repayments terms. While amounts due to group undertakings are technically repayable on demand the directors are of the opinion that in the ordinary course of business, repayment within such a timescale would not be required.

Notes (continued)

10 Called up share capital

	31 March 2012	31 March 2011
<i>Alotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100

11 Reconciliation of movement in shareholders' deficit

	Share capital	Profit and loss account	Shareholders' deficit
	£	£	£
At 1 April 2011	100	(503,092)	(502,992)
Loss for the year	-	(3,242,808)	(3,242,808)
At 31 March 2012	100	(3,745,900)	(3,745,800)

12 Related parties

The following amounts were owed by / (owed to) group undertakings

	31 March 2012	31 March 2011
	£	£
Owed by Summerhill Properties Limited	22,045,139	22,045,139
Owed by Tonstate Metropole Hotels Limited	3,565	3,565
Owed by Tonstate (Hotels) Cardiff Limited	341,099	271,099
Owed to Tonstate (Hotels) Cardiff Limited	(26,500,000)	(26,500,000)

A provision of £3,243,000 (2011 nil) has been made against the amount owed by Summerhill Properties Limited

13 Contingent liabilities

The Company's assets are secured by a fixed and floating charge to Bank of Scotland in respect of a loan provided to Tonstate (Hotels) Cardiff Limited, the immediate parent undertaking. The amount outstanding on this facility at 31 March 2012 was £29,000,000 (2011 £29,000,000)

14 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Tonstate (Hotels) Cardiff Limited, incorporated in England

The largest group in which the results of the Company are consolidated is that headed by Tonstate (Hotels) Limited, incorporated in England. The consolidated accounts of this group are available to the public and may be obtained from 3 Park Place, St James', London, SW1A 1LP

The ultimate parent company is Overseas Holdings Capital Group Limited, registered in the British Virgin Islands