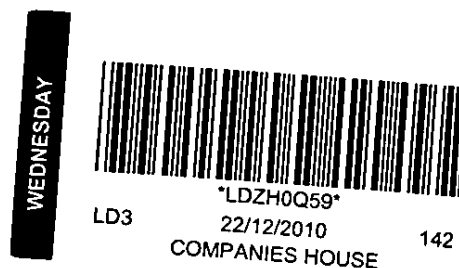


Hotel Innovations (Cardiff) Limited

**Directors' report and financial
statements**

Registered number 5497110
For the year ended 31 March 2010



Contents	Page No
Directors' report	1
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	2
Independent auditors' report to the members of Hotel Innovations (Cardiff) Limited	3
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

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 2010

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 £694 (2009 £33,661 profit) The directors consider that the results for the year are in line with expectations

The directors do not recommend the payment of a dividend (2009 £nil)

Directors

The directors who held office during the period were as follows

A Matyas

Dr E Wojakowski

I Robertson (Deceased 30 08 2010)

N Smith (Appointed 01 10 2010)

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 (2009 £nil)

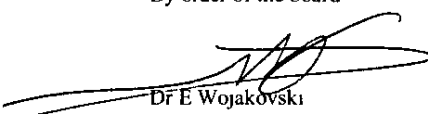
Statement as to disclosure of information to auditors

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

21 Dec 2010

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



KPMG LLP
15 Canada Square
Canary Wharf, London
E14 5GL

Independent auditors' 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 2010 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 auditors

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 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/UKNP/

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 2010 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.

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.



Independent auditors' report to the members of Hotel Innovations (Cardiff) 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, 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
London

21 Dec 2010

Profit and loss account
for the year ended 31 March 2010

	<i>Note</i>	Year ended 31 March 2010	Year ended 31 March 2009
		£	£
Other operating income		-	36 260
Administrative expenses		(1,050)	(5 000)
Operating (loss) / Profit		(1,050)	31,260
Interest receivable	4	356	2,401
(Loss) / Profit on ordinary activities before taxation		(694)	33 661
Tax on loss on ordinary activities	5	-	-
(Loss) / Profit on ordinary activities after taxation		(694)	33 661

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.

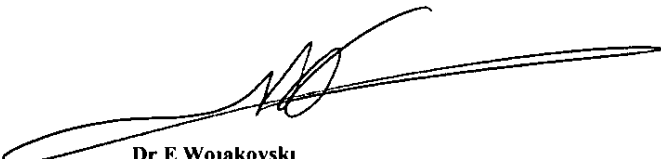
The notes on pages 7 to 12 form part of these financial statements

Balance sheet
 at 31 March 2010

	Note	31 March 2010 £	31 March 2009 £
Fixed assets			
Investments	6	3,611,139	3,611,139
Current assets			
Debtors	7	22,319,803	22,320,103
Cash at bank and in hand		71,458	71,102
		<u>22,391,261</u>	<u>22,391,205</u>
Creditors amounts falling due within one year	8	(26,505,750)	(26,505,000)
Net current (liabilities)		<u>(4,114,489)</u>	<u>(4,113,795)</u>
Net liabilities		<u>(503,350)</u>	<u>(502,656)</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account	10	(503,450)	(502,756)
Shareholders deficit		<u>(505,350)</u>	<u>(502,656)</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 *21 Dec* 2010 and were signed on its behalf by



Dr E Wojakowski
 Director

Notes

(forming part of the financial statements)

1 Accounting Policies

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

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 2010 the Company had net current liabilities of £4,114,489 (2009: £4,113,795)

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. Subsequent to year end, in the covenant testing as at 30 June and 30 September 2010, the covenant related to interest rate cover was breached in respect of financing arrangements related to the Cardiff Hotel. As per the management forecasts this covenant will continue to be breached for foreseeable future. As a consequence of breach, the bank has the right to cancel all obligations and declare all facilities immediately payable as per facilities agreement. The bank loan has not been reclassified under current liabilities and financial statements have been prepared on going concern basis due to the following reasons

- Management has reached an agreement with the bank that the covenant breaches will be remedied each quarter by payment of a specified amount in a restricted account held with the bank. The required amounts were deposited in the bank for breaches for quarters ended 30 June 2010 and 30 September 2010 to the bank's satisfaction. The management believes that the funds will continue to be available in future to rectify the breaches by payment of specified amounts

The holding company, Tonstate (Hotels) Limited, has confirmed that it has no intention to call the repayment of loan of £26.5m (classified as current liabilities), extended to the Company by the its intermediary parent Tonstate (Hotels) Cardiff Limited for a period of at least 12 months from the signature of these financial statements

The holding company Tonstate (Hotels) Limited has further confirmed to provide financial support as necessary to enable the Company to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event for a period no less than twelve months from the date of signature of these financial statements

The directors have no reason to believe that the Tonstate (Hotels) Limited will not be in a position to provide the support referred to above. Accordingly, the financial statements have been prepared on the going concern basis

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

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.

2 (Loss) / Profit on ordinary activities before taxation

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
<i>(Loss) / Profit on ordinary activities before taxation is stated after charging</i>		
Reversal of accruals	-	(36 260)
Auditors' remuneration		
Audit of these financial statements	5,000	5 000

In 2010 and 2009, auditors' remuneration was paid by another group company.

The fees paid to the Company's auditors, 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.

3 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.

4 Interest receivable

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
Interest on bank deposits	356	2 401
	<hr/> 356	<hr/> 2,401

Notes (continued)

5 Taxation

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

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

(b) Factors affecting the tax charge for current period

The current tax charge for the period is higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	Year ended 31 March 2010	Year ended 31 March 2009
	£	£
<i>Current tax reconciliation</i>		
(Loss) / Profit on ordinary activities before tax	(694)	33,661
	<hr/>	<hr/>
Current tax at 28 % (2009 28 %)	(194)	9,425
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	194	1,400
Trading losses carried forward	-	(10,825)
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

(c) Factors affecting the future tax charge

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

Notes (continued)

6 Investments

	Subsidiary undertakings
	£
<i>Cost</i>	
At 1 April 2009 and 31 March 2010	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.

7 Debtors

	31 March 2010 £	31 March 2009 £
Amounts owed by group undertakings	22,319,803	22 320 103

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

8 Creditors' amounts falling due within one year

	31 March 2010 £	31 March 2009 £
Amounts owed to group undertakings	26,500,000	26 500 000
Other creditors and accruals	5,750	5 000
	<u>26,505,750</u>	<u>26 505 000</u>

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)

9 Called up share capital

	31 March 2010	31 March 2009
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 Reconciliation of movement in shareholders' deficit

	Share capital	Profit and loss account	Shareholders' deficit
	£	£	£
At 1 April 2009	100	(502 756)	(502 656)
Loss for the year	-	(694)	(694)
At 31 March 2010	<u>100</u>	<u>(503,450)</u>	<u>(503 350)</u>

11 Related parties

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

	31 March 2010	31 March 2009
	£	£
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	271,099	271,399
Owed to Tonstate (Hotels) Cardiff Limited	<u>(26,500,000)</u>	<u>(26 500 000)</u>

Notes *(continued)*

12 Contingent liabilities

The Company's assets are secured by a fixed and floating charge to Bank of Scotland in respect of a loan of £29,000,000 provided to Tonstate (Hotels) Cardiff Limited, the immediate parent undertaking

13 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 financial statements 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