

Venice Owl Limited

Report and Financial Statements

31 December 2010

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Venice Owl Limited

Report and financial statements 2010

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Venice Owl Limited

Report and financial statements 2010

Officers and professional advisers

Directors

A Troy
T J Doubleday
G S Hunter

Secretary

T J Doubleday

Registered office

The Inspire
Hornbeam Park
Harrogate
North Yorkshire
HG2 8PA

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

Venice Owl Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The company owns shares in Venice Hawkstone Bidco Limited, an intermediate holding company. Until 29 November 2010 the principal activity of its main subsidiary undertaking Hawkstone Park Limited was the operation of the Hawkstone Park hotel and golf course. On 29 November 2010 Hawkstone Park Limited was transferred to a fellow Principal Hayley subsidiary. The Company continues to be a borrower under the Group's banking arrangements and continues to trade.

Principal Hayley Group Business Review

The company, together with the other subsidiaries of the UK parent company Venice Newco 1 Limited, form the Principal Hayley Group of Companies ("Principal Hayley")

1 2010 Results

Principal Hayley's results for the year ended 31 December 2010 as reported in the consolidated financial statements of Venice Newco 1 Limited are summarised below. They were impacted by exceptional trading costs, exceptional costs relating to the November 2010 restructuring, one off costs relating to the opening of the Grand Central Hotel and large non cash interest costs on borrowings from the parent company which will not be repeated in 2011. Proforma information is also provided to provide a better understanding of underlying performance.

	2010 Unaudited proforma £'000	2010 Actual £'000	2009 Actual £'000
Turnover			
UK like for like properties	124,124	124,124	119,700
Chateau Saint-Just, France	6,387	6,387	4,950
UK acquisitions	10,149	10,149	2,651
	<u>140,660</u>	<u>140,660</u>	<u>127,301</u>
Profitability			
EBITDAR	42,173	42,173	43,996
Rent payable	(18,134)	(18,134)	(17,268)
Group EBITDA	<u>24,039</u>	<u>24,039</u>	<u>26,728</u>
Interest payable	(27,031)	(26,402)	(27,165)
Earnings before depreciation, amortisation, non-recurrings and non-recurring interest	(2,992)	(2,363)	(437)
Depreciation and amortisation	(16,497)	(16,497)	(15,455)
Interest on group loans (subsequently written off)	-	(28,584)	(28,513)
Other exceptional / non-recurring items	(3,424)	(8,201)	(12,134)
Loss before tax	<u>(22,913)</u>	<u>(55,645)</u>	<u>(56,539)</u>

The proforma results show the impact on the 2010 profit and loss account as if the refinancing had taken place on 31 December 2009

Venice Owl Limited

Directors' report

Revenues are commented on in detail in the 2010 Revenues section of this report below

EBITDAR of £42,173,000 was £1,823,000 lower than in 2009. The growth in revenues did not translate into additional earnings due to a number of factors which were either common to much of the UK Hotel and Conference Centre industry in 2010 or due to the growth of Principal Hayley as follows

- During the early months of 2010 the extreme weather conditions in the UK followed by the disruption to travellers caused by the Icelandic volcanic eruption significantly impacted earnings. The extreme UK weather in December 2010 in the normally very busy Christmas period further impacted Principal Hayley. We estimate the total EBITDAR impact of this disruption to trading during 2010 to be approximately £1 million
- Business mix, particularly in the Conference Centres, reduced profitability with day delegate business being particularly affected
- Commission costs increased as, in common with other UK hoteliers, we had to increasingly rely on 3rd party channels to attract business. Like for like commission costs increased by 1.7% in 2010 compared with 2009
- The Grand Central Hotel and, in the earlier part of 2010, the Grand Connaught Rooms operated at lower than normal operating margins as they sought to establish themselves in their local marketplaces
- In France, Chateau Saint-Just increased revenues by 29% to £6,387,000. The business is still maturing following its opening in the Autumn of 2008 and its revenue growth provides lower EBITDAR growth than in the UK due to its differing cost base
- The 2009 results benefited from the enhanced purchasing power of Principal Hayley following its rapid growth and supplier discounts and one off listing fees improved margins. In 2010 there were fewer one off credits received such that supplier credits to EBITDAR reduced by £427,000

Rent payable of £18,134,000 increased by 5% compared with 2009. Rent payable on the six properties leased from the Aaim Group increased during the year by the capped maximum RPI increase of 4%. In addition a full year's charge at Grand Connaught Rooms and the new charge at the Grand Central Hotel added to the overall increased cost

Interest costs of £26,402,000 for 2010 represent bank loan and finance lease costs for the year. In addition £28,584,000 in respect of interest payable to the parent company and £2,268,000 for the old facility fees written off on restructuring are included in the statutory consolidated profit and loss account but these costs will not reoccur in 2011

On a proforma basis interest costs for 2010 were £27,031,000, slightly higher than the actual of £26,402,000. The proforma charge includes £668,000 PIK interest (2010 actual £65,000) which is rolled up rather than paid in cash

The interest rate swaps which were in place before the refinancing will continue to impact the interest charge until the end of March 2012 when they expire. We have already entered into new more beneficial swaps from April 2012 onwards in respect of £270 million of long term debt and these will benefit the interest payable charge by approximately £9 million in their first year

The overall loss before taxation was £55,645,000 (2009 - £56,539,000) however this is after charging the various non-recurring items explained above and in particular is after the non-cash impact of the interest charged by the parent company of £28,584,000 (2009 - £28,513,000) explained above

Venice Owl Limited

Directors' report

2 2010 Revenues

Overall revenues increased 10.5% by £13.4m from £127.3m to £140.7m. A full year's contribution from the Grand Connaught Rooms and a first contribution from the Grand Central Hotel contributed £7.5m of the increase. On a UK like for like basis revenues increased by 3.7% from £119.7m to £124.1m. In France the Chateau Saint-Just conference centre continues to grow following its opening in the autumn of 2008. Its revenues for 2010 were £6.4m, up 29% on 2009.

The main change in the portfolio during 2010 was the opening of the Grand Central Hotel. The former Glasgow Central Hotel was closed at the time of its acquisition in June 2009 but a multi million pound transformation of the hotel has now created a four-star hotel and 600-capacity banqueting venue in the heart of the city and the property was re-launched as the Grand Central Hotel in October 2010. The refurbished property has received excellent reviews and has rapidly established itself in the Glasgow marketplace, achieving 63.7% occupancy during 2010 and 74.4% occupancy during the four months to April 2011.

London

Revenue growth of 9.8% in London outperformed the results for the marketplace as a whole. The TRI Hospitality Consulting HotStats reported market growth in TrevPar for 2010 of 8.8% for London.

Our London hotel, the Hotel Russell, had excellent growth in occupancy levels and average room rate compared with 2009 as follows:

	2010	2009	% change
Occupancy (%)	87.5	83.8	+4.4%
Average Room Rate (£)	110.67	99.10	+11.7%
Revenue per Available Room (£)	96.87	83.09	+16.6%
Total revenues (£'m)	18.2	16.6	+9.8%

These results are particularly pleasing compared with the results reported by the TRI Hospitality Consulting HotStats which reported market growth in RevPAR for the same period of +11.6%.

Venice Owl Limited

Directors' report

Provinces

Like for like revenue growth (excluding the impact of the Grand Central Hotel) of 2.7% in the Provinces outperformed the results for the marketplace as a whole. The TRI Hospitality Consulting HotStats reported market growth in TrevPar for 2010 of -0.1% for the Provinces.

The Provincial hotels have continued to perform well. In our conference and training venues the weakness in the business market, particularly in terms of rates achieved, has been balanced by improved occupancy levels of business from other market segments. Whilst this has had an impact on the overall rates achieved this has not been at the expense of overall RevPAR which has increased.

Overall, the growth in Provincial RevPAR compared with 2009 was as follows:

	2010	2009	% change
Occupancy (%)	62.9	59.6	+5.5%
Average Room Rate (£)	72.58	73.23	-0.9%
Revenue per Available Room (£)	45.68	43.68	+4.6%
Total revenues – like for like (£'m)	106.0	103.1	+2.7%

The RevPAR growth of +4.6% was significantly better than the results reported by the TRI Hospitality Consulting HotStats which reported Provincial market growth in RevPAR for the same period of +1.3%.

3 Capital Investment

During 2010 Principal Hayley continued to invest in its properties. Of the total capital expenditure for the year, £13.3m was incurred on the refurbishment of the Grand Central Hotel in Glasgow bringing the total to £15.6m since its acquisition in 2009. Across the remainder of the portfolio capital expenditure of £4.4m was incurred.

A key focus of our investment during 2010 and into 2011 has been to develop a number of our properties to provide a more rounded offering to customers and to move away from being traditional conference centres. An example of this strategy is the Tempus concept, which brings a contemporary high street environment to our restaurants, which we have rolled out to a further 5 of our properties during the first quarter of 2011.

4 Our People

Throughout what has been another difficult period in 2010 our staff have demonstrated their total support and continued passion. Our culture 'The Principal Hayley Way' remains embedded throughout Principal Hayley and through our strong customer service strategy 'Quality Wins' we yet again had another year of exceeding our customers expectations by delivering exceptional levels of service. I would like to personally thank all our staff for their hard work both in 2010 and continuing on in 2011.

Venice Owl Limited

Directors' report

5 2011 and Beyond

Trading during the first half of 2011 has been difficult against the backdrop of the rise in VAT to 20% and the weakness in consumer spending caused by the Government's plans for cuts in public spending

However, I am pleased to report that during the 4 month period to April 2011 overall revenues increased 6.5% and on a like for like basis by 0.9%

London

Revenue growth of 2.8% in London was just below the results for the marketplace as a whole. The TRI Hospitality Consulting HotStats reported market growth in TrevPar of 4.4% for London.

Our London hotel, the Hotel Russell, had good growth in RevPAR compared with the corresponding period of 2010 as follows

	4 months to April 2011	4 months to April 2010	% change
Occupancy (%)	80.5	84.0	-4.2%
Average Room Rate (£)	112.19	100.95	+11.1%
Revenue per Available Room (£)	90.30	84.79	+6.5%

These results were in line with the results reported by the TRI Hospitality Consulting HotStats which reported market growth in RevPAR for the same period of +6.9%

Provinces

The flat like for like revenue growth (excluding the impact of the Grand Central Hotel) of -0.1% in the Provinces was in line with the marketplace as a whole. The TRI Hospitality Consulting HotStats reported market growth in TrevPar for 2010 of just +0.2% for the Provinces.

Overall, the growth in Provincial RevPAR compared with the corresponding period of 2010 was as follows

	4 months to April 2011	4 months to April 2010	% change
Occupancy (%)	57.7	56.2	+2.8%
Average Room Rate (£)	70.43	70.60	-0.2%
Revenue per Available Room (£)	40.66	39.65	+2.6%

The RevPAR growth of +2.6% is better than the results reported by the TRI Hospitality Consulting HotStats which reported Provincial market growth in RevPAR for the same period of +1.5%

Venice Owl Limited

Directors' report

6 The Principal Hayley Brand

Despite the current difficult trading conditions Principal Hayley strives to continually improve its Customer Service levels and develop its brand

For the first time Principal Hayley was placed top of the BDRC rankings in April 2010. Further, I am delighted to report that in October 2010 we were awarded BDRC's Most Improved Brand after rocketing up the brand ranking index in 2010 with an impressive seven position rise following on from the four position rise we achieved in 2009.

We also performed extremely well in the 2010 Venue Verdict awards. Principal Hayley was recognised as one of the top 3 brands for delivering year on year improvements in its ratings scores and two of our properties, the George Hotel and the Alexandra House Conference Centre, were among only 16 UK properties to be awarded the prestigious Gold Standard Award.

7 Group Refinancing

In late 2009 Principal Hayley, similar to many of the UK's main hotel operators, commenced discussions with its bankers Bank of Scotland plc ("BoS") with a view to refinancing its borrowings and extending their term. The directors are pleased to report that on 29 November 2010 Principal Hayley completed a refinancing of its shareholder loans and bank borrowings.

The refinancing has the following main terms:

- The repayment date for the bank debt owed to BoS was extended from May 2012 to December 2015.
- £100 million of the £394 million bank debt owed to BoS was converted into subordinated debt repayable December 2015 and bearing interest at LIBOR which rolls up on a quarterly basis.
- The remaining debt owed to BOS of £294 million was amended such that the interest rate payable is LIBOR +2.5% until March 2012 and then LIBOR +3.5% thereafter.
- A new £25.5 million revolving credit facility was granted by BOS at LIBOR +5%.
- All shareholder loans from the ultimate parent company Venice Luxco Sarl to Principal Hayley were waived except for an amount of £8.25 million. The £8.25 million loan is interest free, subordinated and ranks equally with the £100 million loan from BoS noted above.
- BoS through its subsidiary company Uberior Equity Limited acquired a minority shareholding in Venice Luxco Sarl.

The refinancing has the following major benefits for Principal Hayley:

- Continuation of the development of Principal Hayley which saw £28.5 million of capex spent in 2009 and a further £17.5 million spent in 2010, primarily on the redevelopment of its recent acquisition the Grand Central Hotel in Glasgow.
- The term of the bank facilities was extended from May 2012 to December 2015 allowing an extended period of stability for the Group.
- A new £25.5 million working capital facility will provide day to day funding and finance for the continuing future growth of the Group.
- Interest costs in the UK will be substantially reduced going forward under the refinancing.

In France the financing of the Chateau Saint-Just conference centre, which is provided by HSBC, remains unaffected by the refinancing.

Venice Owl Limited

Directors' report

Going Concern

The directors have considered the future trading prospects of Principal Hayley as described in the Principal Hayley Group Business Review above

In addition, detailed trading and cash flow projections, which include growth in Principal Hayley's established businesses and the maturity of its Grand Central Hotel business, have been considered taking account of the Group's available bank facilities and the covenants contained therein. The directors have also considered further projections using reasonable downside sensitivities

Both the projections and the sensitised projections show that for a period of not less than 12 months from the date of approval of these accounts (i) Principal Hayley has sufficient bank facilities in place, and (ii) that its banking covenants will be met

The directors note that there is still considerable economic uncertainty in the UK which may further impact the projections and the sensitised projections. However, the directors have a reasonable expectation that Principal Hayley has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of these accounts. Accordingly, they continue to be satisfied that adopting the going concern basis in preparing the annual report and accounts for the Company is appropriate

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for Principal Hayley

The company's activities expose it to a number of financial risks. The use of financial derivatives to manage risks is subject to Board approval and no financial derivatives are used for speculative purposes

Cash flow risk

The company uses interest rate swaps, where appropriate, to manage its exposure to interest rate fluctuations on bank borrowings. The company has not entered into any interest rate swaps during the current or previous financial years

Credit risk

The company's principal financial assets are receivables with members of Principal Hayley. The company has no other significant concentration of credit risk

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development, Principal Hayley uses a mixture of long-term and short-term bank loan finance. These facilities are not due, subject to compliance with normal banking covenants, for repayment or renewal until December 2015

Current forecasts and projections, taking account of reasonable adverse variations in trading performance, show that Principal Hayley should be able to operate within its current facilities and meet its banking covenants

Price Risk

The company is not exposed to commodity price risk

Venice Owl Limited

Directors' report

Company results and dividends

Changes in the company's investments during the year are set out in Note 6 to the accounts. The directors expect the company's levels of activity to remain unchanged during the year to 31 December 2010.

The company made a loss of £1,903,000 for the year (2009 profit of £364,000). No dividends were paid during the financial year (2009 £nil). The directors do not propose to pay a final dividend (2009 £nil).

Directors

The directors who held office during the year and subsequently were

A Troy	
T J Doubleday	(appointed 29 November 2010)
G S Hunter	
P Nisbett	(resigned 29 November 2010)
M Clarke	(resigned 29 November 2010)
S Flanagan	(resigned 29 November 2010)

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of relevant information to auditor

Each of the persons who is a director at the date of approval of this report confirms that

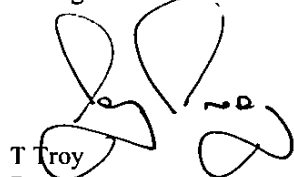
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



T Troy
Director
22 June 2011

Venice Owl Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Venice Owl Limited

We have audited the financial statements of Venice Owl Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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.

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.


David M Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

22 June 2011

Venice Owl Limited

Profit and loss account Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Administrative expenses			
Impairment of investment in subsidiaries	6	(2,271)	-
Finance charges (net)	2	<u>368</u>	<u>364</u>
Profit / (loss) on ordinary activities before taxation	3	(1,903)	364
Tax on profit / (loss) on ordinary activities	5	<u>-</u>	<u>-</u>
Retained profit / (loss) for the financial year	11	<u>(1,903)</u>	<u>364</u>

There are no recognised gains or losses other than the results shown in the profit and loss account above. Accordingly, no statement of total recognised gains and losses is given.

All amounts relate to continuing activities.

Venice Owl Limited

Balance sheet 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	6	-	-
Current assets			
Debtors	7	11,801	13,081
		11,801	13,081
Creditors: amounts falling due within one year	8	(1,369)	(9,210)
Net current assets / (liabilities)		10,432	3,871
Total assets less current liabilities		10,432	3,871
Creditors: amounts falling due after more than one year	9	(8,014)	(3,573)
Net assets / (liabilities)		2,418	298
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	2,418	298
Equity shareholders' funds / (deficit)	12	2,418	298

The financial statements of Venice Owl Limited, company number 6137905, were approved and authorised for issue by the board and were signed on its behalf on 22 June 2011



T J Doubleday

Director

Venice Owl Limited

Notes to the accounts

Year ended 31 December 2010

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law.

Going Concern

The accounts have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Directors Report.

Investments

Fixed asset investments are stated at cost less any necessary provision for impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statement

Under the provisions of FRS 1 (revised) Cash Flow Statements, the Company has not prepared a cash flow statement because its UK parent company Venice Newco 1 Limited prepares consolidated accounts which include the cash flows of the Company.

2. FINANCE CHARGES (NET)

	2010 £'000	2009 £'000
Interest payable and similar charges		
Bank loans and overdrafts	173	258
Loans from group companies	450	469
	<u>623</u>	<u>727</u>
Interest receivable and similar income		
Loans to group companies	(991)	(1,091)
	<u>(991)</u>	<u>(1,091)</u>
Net finance charges / (income)	<u>(368)</u>	<u>(364)</u>

Venice Owl Limited

Notes to the accounts

Year ended 31 December 2010

3 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 £'000	2009 £'000
Profit /(loss) on ordinary activities before taxation is stated after charging/ (crediting)		
Auditor's remuneration - audit services	-	-
Auditor's remuneration of £1,000 (2009 £1,000) is borne by a fellow Group company		

4. DIRECTORS' EMOLUMENTS AND STAFF COSTS

The directors received no remuneration in respect of services to the Company during the year (2009 - £nil)
During both 2010 and 2009 the directors were remunerated by Principal Hayley Group Limited, a fellow Group company, but it is not practicable to allocate a proportion of those costs to the Company

The directors are the only employees of the company

5. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
The tax charge for the year comprises		
Current tax		
UK corporation tax on the profit / (loss) for the year	-	-
	-	-

At 31 December 2010 there is no unprovided deferred tax (2009 £nil)

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the result before tax is as follows

	2010 £'000	2009 £'000
Profit / (loss) on ordinary activities before taxation	(1,903)	364
Tax at standard UK rate of 28 0% (2009 28 0%)	(533)	102
Effects of		
Expenses not deductible for tax purposes	636	-
Other amounts chargeable for tax purposes	31	-
Utilisation of tax losses and tax losses carried forward	-	(14)
Group relief surrendered for nil consideration	(134)	(88)
Current tax charge / (credit) for the year	-	-

Venice Owl Limited

Notes to the accounts Year ended 31 December 2010

6. INVESTMENTS

	£'000
Cost	
At the beginning of the year	-
Additions	2,271
At the end of the year	<u>2,271</u>
Provision for impairment	
At the beginning of the year	-
Amounts charged	2,271
At the end of the year	<u>2,271</u>
Net book value	
At the end of the year	<u>-</u>
At the beginning of the year	<u>-</u>

The company owns the whole of the share capital of Venice Hawkstone Bidco Limited, an intermediate holding company which is registered in England and Wales. During the year a capital contribution of £2,271,000 was made as part of the restructuring of Principal Hayley as described in the Directors Report. Full provision has been made against this investment.

The subsidiary company of Venice Hawkstone Bidco Limited was Hawkstone Park Limited, a company registered in England and Wales whose principal activity is the operation of the Hawkstone Park hotel and golf centre. On 29 November 2010 the shareholding was transferred to a fellow Principal Hayley subsidiary.

Group accounts have not been prepared as the company is itself a wholly owned subsidiary of Venice Newco 1 Limited, a company registered in England and Wales which prepares group accounts.

7. DEBTORS

	2010 £'000	2009 £'000
Amounts owed by group undertakings	<u>11,801</u>	<u>13,081</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Bank loans (Note 9)	-	8,014
Amounts due to group undertakings	1,335	1,155
Accruals and deferred income	34	41
	<u>1,369</u>	<u>9,210</u>

Venice Owl Limited

Notes to the accounts

Year ended 31 December 2010

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Bank loans	8,014	-
Amounts due to group undertakings	-	3,573
	<u>8,014</u>	<u>3,573</u>

The bank loans totalling £8,014,000 are due for repayment on 31 December 2015. At 31 December 2009 bank loans totalling £8,014,000 were shown as falling due within one year.

Interest is charged quarterly on the bank loan at rates based on the prevailing 3 month LIBOR rate. The bank loan is secured by charges on the properties owned by certain fellow Group companies.

At 31 December 2009 amounts owed to Group undertakings had no fixed repayment date but were subordinated such that repayment could not occur before the then due date for repayment of the Group's bank loans of May 2012. Therefore they were shown as falling due after more than one year.

10. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Allotted, called up and fully paid: 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

11. PROFIT AND LOSS ACCOUNT

	£'000
At the beginning of the year	298
Retained profit / (loss) for the year	(1,903)
Capital contribution received	4,023
	<u>2,418</u>
At the end of the year	<u>2,418</u>

On 29 November 2010 the Company received capital contributions of £4,023,000 as part of the Group Restructuring, full details of which are set out in the Directors Report.

Venice Owl Limited

Notes to the accounts

Year ended 31 December 2010

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)

	2010 £'000	2009 £'000
Profit / (loss) for the financial year	(1,903)	364
Capital contribution received	4,023	-
Net increase / (reduction) to equity shareholders' funds	2,120	364
Opening equity shareholders' funds / (deficit)	298	(66)
Closing equity shareholders' funds	2,418	298

13. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other Group companies

14. CONTINGENT LIABILITIES

The company, together with other Group companies, has given guarantees to a maximum of £411.5 million over the UK borrowings of the Venice Newco 1 Limited Group of companies. At the balance sheet date the borrowings outstanding covered by these guarantees totalled £408.5 million.

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's ultimate parent company and controlling party is Venice Luxco Sarl, a company incorporated in Luxembourg. Venice Luxco Sarl does not prepare consolidated accounts.

The Company's immediate parent company is Venice Bidco 1 Limited, a company registered in England and Wales. The largest and smallest group in which the Company is consolidated is that headed by Venice Newco 1 Limited, a company registered in England and Wales. Copies of the financial statements of Venice Bidco 1 Limited and the consolidated financial statements of Venice Newco 1 Limited can be obtained from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.