

Eastern Resorts Limited

**Directors' report and financial
statements**

Registered number 907806

31 March 2008

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Contents

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 Eastern Resorts Limited	3
Profit and loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Reconciliation of movement in shareholders funds	7
Notes	8

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 March 2008.

Principal activity

The principal activity of the company in the year under review was that of an investment holding company. The principal activity of its subsidiary is the development of a luxury hotel and villas.

Directors

The directors who held office during the year were as follows:

RJC Paterson
D Walsh

Results and dividends

The results for the company are shown on page 5.

The directors do not recommend the payment of a dividend (2007: *Nil*)

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.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



R J C Paterson
Director

5 Balfour Place
Mount Street
London
W1K 2AU

14 October 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 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).

The financial statements are required by law to 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 those 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Eastern Resorts Limited

We have audited the financial statements of Eastern Resorts Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Eastern Resorts (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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, the company is reliant upon funds remitted from its parent to enable it to meet its liabilities as they fall due and the ability of that company to continue to provide support is uncertain. In addition, at the date of signing of these financial statements the company's parent, Paradise Beach LLP, is in negotiations to sell its interest in this company and there is no certainty that this company will continue in operational existence should that sale be completed. These conditions, 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 on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

16 October 2009

Profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £	2007 £
Administrative expenses		(5,000)	(8,914)
Operating loss		(5,000)	(8,914)
Loss on ordinary activities before taxation	2	(5,000)	(8,914)
Tax on loss on ordinary activities	3	14,518	-
Profit/(loss) for the financial year		9,518	(8,914)

The results stated above are derived from continuing operations.

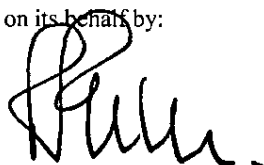
Balance sheet
at 31 March 2008

	Note	2008	2007
		£	£
Fixed assets			
Investments	4	13,512,168	16,932,457
Current assets			
Debtors (including £101,008 (2007: £202,016) due after more than one year)	5	1,569,037	1,468,030
Creditors: amounts falling due within one year	6	(4,457,799)	(4,265,302)
Net current liabilities		(2,888,762)	(2,797,272)
Total assets less current liabilities		10,623,406	14,135,185
Provisions for liabilities	7	(101,008)	(202,016)
Net assets		10,522,398	13,933,169
Capital and reserves			
Called up share capital	8	12,290,820	12,290,820
Share premium account	9	974,900	974,900
Revaluation reserve	9	8,608,165	12,028,454
Profit and loss account	9	(11,351,487)	(11,361,005)
Shareholders' funds		10,522,398	13,933,169

The financial statements were approved by the board on
on its behalf by:

14 October

2009 and were signed



R J C Paterson
Director

Statement of total recognised gains and losses
for the year ended 31 March 2008

	2008 £	2007 £
Profit/(loss) for the financial year	9,518	(8,914)
Unrealised loss on subsidiary investment	(3,420,289)	(4,094,055)
Total recognised gains losses relating to the financial year	(3,410,771)	(4,102,969)

Reconciliation of movements in shareholders funds
for the year ended 31 March 2008

	2008 £	2007 £
Profit/(loss) for the financial year	9,518	(8,914)
Other recognised gains and losses relating to the year (net)	(3,420,289)	(4,094,055)
Net reduction in shareholders' funds	(3,410,771)	(4,102,969)
Opening shareholders' funds	13,933,169	18,036,138
Closing shareholders' funds	10,522,398	13,933,169

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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain assets.

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £2,888,762 (2007: £2,797,272) which the directors believe to be appropriate for the following reasons.

The company is funded by amounts due to its parent, Paradise Beach LLP, of £4,264,760 and ultimately through funds remitted from the property development company in which it holds a 100% interest. The company is subject to a cross guarantee in respect of the bank loans of Paradise Beach LLP.

Historically, Paradise Beach LLP has provided an undertaking to the company that it will continue to make such funds available as required to enable it to meet its liabilities as they fall due and continue in operational existence for the foreseeable future.

However, the directors note that the March 2008 financial statements of Paradise Beach LLP, which were approved on 14 October 2009, draw attention to material uncertainties that may cast significant doubt on its ability to continue as a going concern, including that its bank loan facility expired in January 2008 and is currently repayable on demand, and the Member's intention to sell its interest in Eastern Resorts Limited.

Due to these uncertainties and the potential sale of Eastern Resorts Limited, Paradise Beach LLP has not, at the date of signing of these financial statements, provided any undertaking to Eastern Resorts Limited that it will continue to make such funds available as are required by the company to enable it to meet its liabilities as they fall due and continue in operational existence for the foreseeable future.

Eastern Resorts Limited currently has no other funding available to it and the directors consider that, in advance of any sale of the company, it is unlikely that it would be able to identify any other source of funding.

If the sale of Eastern Resorts Limited is completed successfully, there can be no certainty that the company will continue in operational existence. However, at the date of signing of these financial statements the directors have no reason to believe that the company will not continue to operate for the foreseeable future.

If the sale of this company does not proceed, it is likely that Paradise Beach LLP will be required to seek alternative funding and / or renegotiate the existing bank facilities. There is no certainty that this will be possible in which case Paradise Beach LLP may be unable to continue to provide support to this company, including not seeking the repayment of amounts due to it by this company.

In preparing these financial statements, the Directors have given consideration to the above matters and they believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the matters disclosed above represent material uncertainties that may cast significant doubt over the ability of the company to continue as a going concern and it may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from this going concern basis of preparation being inappropriate.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group financial statements. The 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 ground of its size.

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the loss for the year 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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments

Investments in subsidiary undertakings are included as fixed assets at net asset value at the balance sheet date being, in the directors' opinion, the most appropriate basis of valuation.

2 Audit fees and directors remuneration

	2008 £	2007 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration: Audit of these financial statements	5,000	4,000

The directors' received no remuneration in the year (2007: £nil).

3 Tax on loss on ordinary activities

	2008 £	2007 £
<i>Current tax</i>		
UK Corporation tax	101,008	101,008
Adjustments in respect of prior period	(14,518)	-
Total current tax	86,490	101,008
<i>Deferred tax</i>		
Reversal of timing differences	(101,008)	(101,008)
Tax on loss on ordinary activities	(14,518)	-

Notes (continued)

5 Debtors

	2008 £	2007 £
Amounts owed by group undertakings	1,265,453	1,265,453
Other debtors	303,584	202,577
	<u>1,569,037</u>	<u>1,468,030</u>

The amounts owed by group undertakings are unsecured and interest free and have no set repayment date.

Debtors include other debtors of £101,008 (2007: £202,016) due after more than one year.

6 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	4,351,791	4,158,987
Taxation and social security	101,008	101,548
Accruals and deferred income	5,000	4,767
	<u>4,457,799</u>	<u>4,265,302</u>

The amounts owed to group undertaking are unsecured and interest free and have no set repayment date.

7 Deferred taxation

	£
At beginning of year	202,016
Credit to the profit and loss for the year	(101,008)
	<u>101,008</u>

The asset for deferred tax comprises:

	2008 £	2007 £
Other timing differences	<u>101,008</u>	<u>202,016</u>

Notes (continued)

8 Called up share capital

	2008 £	2007 £
<i>Authorised, allotted, called up and fully paid</i>		
12,290,820 Ordinary shares of £1 each	12,290,820	12,290,820

9 Share premium and reserves

	Share premium £	Revaluation reserve £	Profit and loss account £
At beginning of year	974,900	12,028,454	(11,361,005)
Profit for the year	-	-	9,518
Revaluation of investments	-	(3,420,289)	-
At end of year	974,900	8,608,165	(11,351,487)

10 Related party transactions

During the year the company was charged £nil (2007: £765) in respect of accountancy expenses by Capital 88 Limited, a company in which Mr R J C Paterson is a director. The amount owed to Capital 88 Limited at the year end was £nil (2007: £765).

At the year end the company was owed £1,265,453 (2007: £1,265,453) on an inter-company loan by Paradise Beach Limited, a 100% subsidiary undertaking.

During the year, the professional fees of the company were settled by the parent undertaking, Paradise Beach LLP, in the sum of £4,765 (2006: £13,489).

During the year Paradise Beach LLP recharged expenses and forwarded funds totalling £105,773 to the company (2007: £nil). At the year end the company owed £4,264,760 (2007: £4,158,987) to Paradise Beach LLP.

During the year Paradise 88 LP recharged various expenses to the company totalling £87,030. This balance was still outstanding at the year end (2007: £nil).

11 Ultimate controlling party

The immediate parent is Paradise Beach LLP, a limited liability partnership incorporated in England. The ultimate controlling parties are the members of Paradise Beach LLP.