Bowness Leisure Limited

Directors' Report and Financial Statements For The Year Ended 31 October 2006

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COMPANY INFORMATION

Directors K R Hirst

C C Watson Mrs B M Watson Mrs A M Serino Mrs P J Francis

Secretary Mrs B M Watson

Company number 1785753

Registered office Foss Islands House

Foss Islands Road

York YO31 7HU

Auditors Garbutt & Elliott Limited

Arabesque House Monks Cross Drive

Huntington York YO32 9GW

Bankers The Royal Bank of Scotland plc

Bradford Corporate Office

45 - 47 Bank Street

Bradford BD1 1TS

Solicitors Nuttail Hogg
First Floor

11/13 Lower Hillgate

Stockport SK1 1JQ

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2006

The directors present their report and financial statements for the year ended 31 October 2006

Principal activities and review of the business

The company's principal activity is the construction, sale and servicing of timeshare holiday accommodation

The board of directors are satisfied with the results for the year ended 31 October 2006 and believe that the accounts represent a fair view of the company's underlying business affairs. Although the level of timeshare unit sales were disappointing, it reflected the unavailability of key staff during the year, other income streams were in line with expectations.

Whilst the level of new timeshare units has increased in the year to date, the principal uncertainty facing the company is the effect of the interest rate increases on unit sales in the remainder of the year

The company is currently looking to diversify its operations by acquiring a guest house and a farm to be converted in part to include an educational area

The key performance indicators for the current trading year in terms of timeshare unit sales are encouraging and other income being in line with expectations, the company's profitability is being maintained

Results and dividends

The results for the year are set out on pages 5 to 6

It is proposed that the retained loss of £173,150 is transferred to reserves

The directors paid ordinary dividends amounting to £2,100,000

Market value of land and buildings

The directors are of the opinion that the market value of the property at 31 October 2006 is not materially different to the valuation by Christie & Co in July 1998

Directors

The following directors have held office since 1 November 2005

K R Hirst C C Watson Mrs B M Watson Mrs A M Serino Mrs P J Francis

Financial Instruments

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to a price risk or liquidity risk.

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Garbutt & Elliott Limited be reappointed as auditors of the company will be put to the Annual General Meeting

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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,
- -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 which 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 1985. 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.

Statement of disclosure to auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Oh behalf of the board

C C Watson

Director

23 August 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOWNESS LEISURE LIMITED

We have audited the financial statements of Bowness Leisure Limited on pages 5 to 17 for the period ended 31 October 2006. These financial statements have been prepared under the historical cost convention and 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 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 work, for this report, or for the opinions we have formed

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 judgements 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 (CONTINUED) TO THE SHAREHOLDERS OF BOWNESS LEISURE LIMITED

& Elliott Limited

Opinion

In our opinion

the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its loss for the year then ended and 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

Garbutt & Elliott Limited

Chartered Accountants
Registered Auditors

29/8/27

Arabesque House Monks Cross Drive Huntington York YO32 9GW

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2006

•	Notes	2006 £		2005 £
	10103	~		
Turnover	2	828,560		1,123,109
Cost of sales		(186,655)		(369,434)
Gross profit		641,905		753,675
Administrative expenses Other operating income		(1,056,269) 4,059		(1,114,936) 7,302
Operating loss	3	(410,305)		(353,959)
Profit on sale of property		-	1,574,873	
		 -		1,574,873
(Loss)/profit on ordinary activities before interest		(410,305)		1,220,914
Other interest receivable and similar income	4	149,262		217,121
Interest payable and similar charges	5	(136)		(67)
(Loss)/profit on ordinary activities before taxation		(261,179)		1,437,968
Tax on (loss)/profit on ordinary activities	6	88,029		(50,354)
(Loss)/profit for the year	15	(173,150)		1,387,614

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

PROFIT AND LOSS ACCOUNT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

Note of historical cost profits and losses		
	2006	2005
	£	£
Reported (loss)/profit on ordinary activities before taxation Realisation of property revaluation gains of previous years	(261,179) -	1,437,968 633,039
Historical cost (loss)/profit on ordinary activities before taxation	(261,179)	2,071,007
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	(2,273,150)	2,020,653

BALANCE SHEET AS AT 31 OCTOBER 2006

		20	06	20	005	
	Notes	£	£	£	£	
Fixed assets						
Tangible assets	8		318,421		321,955	
Investments	9		504,870 		504,870	
			823,291		826,825	
Current assets						
Stocks	10	668,859		702,245		
Debtors	11	101,803		25,287		
Cash at bank and in hand		1,647,787		4,779,650 —————		
		2,418,449		5,507,182		
Creditors: amounts falling due within	ı					
one year	12	(973,451)		(1,792,568)		
Net current assets			1,444,998		3,714,614	
Total assets less current liabilities			2,268,289		4,541,439	
			2,268,289		4,541,439	
Capital and reserves						
Called up share capital	14		883,233		883,233	
Share premium account	15		280,257		280,257	
Profit and loss account	15		1,104,799		3,377,949	
Shareholders' funds	16		2,268,289		4,541,439	

Approved by the Board and authorised for issue on 23 August 2007

C C Watson Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2006

	£	2006 £	£	2005 £
Net cash outflow from operating activities		(1,032,838)		(9,426)
Returns on investments and servicing of				
finance	149,262		217,121	
Interest received Interest paid	(136)		(67)	
Net cash inflow for returns on investments				047.054
and servicing of finance		149,126		217,054
Taxation		(308,001)		(92,354)
Capital expenditure				
Payments to acquire tangible assets	(7,244)		(49,934)	
Receipts from sales of tangible assets	-		4,564,896 ————	
Net cash (outflow)/inflow for capital expenditure		(7,244)		4,514,962
Equity dividends paid		(2,100,000)		(170,000)
Net cash (outflow)/inflow before management of liquid resources and financing		(3,298,957)		4,460,236
Financing Repayment of long term bank loan	-		(158,337)	
Net cash outflow from financing		-		(158,337)
(Decrease)/increase in cash in the year		(3,298,957)		4,301,899

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2006

1	Reconciliation of operating loss to net ca activities	sh outflow from o	perating	2006	2005
				£	£
	Operating loss			(410,305)	(353,959)
	Depreciation of tangible assets			10,778	10,675
	Decrease in stocks			33,386	130,412
	(Increase)/decrease in debtors			(55,486)	99,910
	(Decrease)/Increase in creditors within one	year		(611,211)	103,536
	Net cash outflow from operating activities	s		(1,032,838)	(9,426)
2	Analysis of net funds	1 November 2005	Cash flow	Other non- cash changes	31 October 2006
		£	£	£	£
	Net cash				
	Cash at bank and in hand	4,779,650	(3,131,863)	-	1,647,787
	Bank overdrafts		(167,094)	<u> </u>	(167,094)
		4,779,650	(3,298,957)		1,480,693
	Bank deposits	•	<u>-</u>		
	Net funds	4,779,650	(3,298,957)		1,480,693
3	Reconciliation of net cash flow to mover	ment in net funds		2006 £	2005 £
	(Decrease)/increase in cash in the year Cash (inflow)/outflow from (increase)/decre	ase ın debt		(3,298,957)	4,301,899 158,337
	Management in not funds in the year			(3,298,957)	4,460,236
	Movement in net funds in the year Opening net funds			4,779,650	319,414
	Closing net funds			1,480,693	4,779,650
	Closing net funds			1,480,693	4,779,65

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain freehold land and buildings

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows.

Land and buildings freehold

2% Straight line

Fixtures, fittings & equipment

0-33 1/3% Straight line

Motor vehicles

25% Reducing balance

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.6 Stock

Raw materials, consumables and goods for resale

Such stock is valued at the lower of cost or net realisable value

Estate costs

Development land - freehold

The development land is incorporated within the overall cost on completion. The undeveloped land is included at cost.

Time-share units

The units, including development land as appropriate, are stated at their individual costs

17 Pensions

The company operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

1 Accounting policies

(Continued)

18 Deferred taxation

Full provision is made for deferred tax arising from timing differences existing at the balance sheet date where there exists an obligation to pay more, or right to pay less tax, with the following exceptions

- Provision is made for tax on gains arising from revaluation of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only, where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax balances are not discounted and are calculated at the tax rates that are expected to apply in the period in which timing differences are expected to reverse

19 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Badger Hotels Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company

1 10 Related party transactions

Related party disclosure in respect of group transactions have not been made on the grounds that such disclosures are included in publicly available consolidated accounts

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3	Operating loss	2006 £	2005 £
	Operating loss is stated after charging		
	Depreciation of tangible assets	10,778	10,675
	Auditors' remuneration	10,000	10,000
	Remuneration of auditors for non-audit work	39,650	22,310
4	Investment income	2006 £	2005 £
	Bank interest	149,262	217,121

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

5	Interest payable	2006 £	2005 £
	On bank loans and overdrafts	23	42
	On other loans wholly repayable within five years On overdue tax	113	25 -
		136	67
6	Taxation	2006	2005
	Domestic current year tax	£	£
	U K corporation tax	(91,981)	375,000
	Adjustment for prior years	(8,048)	354
	Current tax charge	(100,029)	375,354
	Deferred tax	12.000	/22E 000)
	Deferred tax charge/credit current year	12,000 	(325,000)
		(88,029)	50,354
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(261,179)	1,437,968
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30 00% (2005 - 30 00%)	(78,354)	431,390
	Effects of		
	Non deductible expenses	96	4,061
	Depreciation add back	3,233	3,203
	Capital allowances Other tax adjustments	(602) (24,402)	(1,605) (61,695)
		(21,675)	(56,036)
	Current tax charge	(100,029)	375,354
7	Dividends	2006 £	2005 £
	Ordinary interim paid	2,100,000	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

8	Tangible fixed assets	Land and buildings freehold £	Fixtures, fittings & equipment £	Total £
	Cost			
	At 1 November 2005	336,243	15,319	351,562
	Additions	7,244		7,244
	At 31 October 2006	343,487	15,319	358,806
	Depreciation			
	At 1 November 2005	23,632	5,97 5	29,607
	Charge for the year	6,802	3,976	10,778
	At 31 October 2006	30,434	9,951	40,385
	Net book value			
	At 31 October 2006	313,053	5,368	318,421
	At 31 October 2005	312,611	9,344	321,955

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

9	Fixed asset investments	
		Unlisted
		investments
		£
	Cost	

504,870

Holdings of more than 20%

At 1 November 2005 & at 31 October 2006

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or Shares h		held	
• •	ıncorporation	Class	%	
Subsidiary undertakings				
Bowness Time-Share Limited (dormant)	England	Ordinary	100 00	
Bowness Time-Share Limited (dormant)	England	Preference	100 00	
Holiday and Resort Finance Limited (dormant)	England	Ordinary	100 00	

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Bowness Time-Share Limited Holiday and Resort Finance Limited (Dormant)	Capital and reserves 2006 £ 530,838 12,782	Profit for the year 2006 £ -
10	Stocks	2006 £	2005 £
	Timeshare units and goods for resale	668,859	702,245

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

11	Debtors	2006	2005
••		£	٤
	Trade debtors	2,722	2,341
	Amounts owed by parent and fellow subsidiary undertakings	48,422	-
	Corporation tax	33,030	-
	Other debtors	11,927	8,115
	Prepayments and accrued income	5,702	2,831
	Deferred tax asset	-	12,000
		101,803	25,287
12			
12	Creditors: amounts falling due within one year	2006	2005
12	Creditors: amounts falling due within one year	2006 £	2005 £
12	Creditors: amounts falling due within one year Bank loans and overdrafts	£ 167,094	£
12	Bank loans and overdrafts Trade creditors	£	£ - 14,572
12	Bank loans and overdrafts Trade creditors Amounts owed to parent and fellow subsidiary undertakings	£ 167,094 4,046	£ - 14,572 423,441
12	Bank loans and overdrafts Trade creditors Amounts owed to parent and fellow subsidiary undertakings Amounts owed to subsidiary undertakings	£ 167,094	£ 14,572 423,441 543,620
12	Bank loans and overdrafts Trade creditors Amounts owed to parent and fellow subsidiary undertakings Amounts owed to subsidiary undertakings Corporation tax	£ 167,094 4,046 - 543,620	£ 14,572 423,441 543,620 375,000
12	Bank loans and overdrafts Trade creditors Amounts owed to parent and fellow subsidiary undertakings Amounts owed to subsidiary undertakings Corporation tax Other taxes and social security costs	£ 167,094 4,046 - 543,620 - 8,924	£ 14,572 423,441 543,620 375,000 33,364
12	Bank loans and overdrafts Trade creditors Amounts owed to parent and fellow subsidiary undertakings Amounts owed to subsidiary undertakings Corporation tax Other taxes and social security costs Other creditors	£ 167,094 4,046 - 543,620 - 8,924 222,183	£ 14,572 423,441 543,620 375,000 33,364 377,102
12	Bank loans and overdrafts Trade creditors Amounts owed to parent and fellow subsidiary undertakings Amounts owed to subsidiary undertakings Corporation tax Other taxes and social security costs	£ 167,094 4,046 - 543,620 - 8,924	£ 14,572 423,441 543,620 375,000 33,364

Bank loans and overdrafts were secured

13 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in a small self administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2006 £	2005 £
Contributions payable by the company for the year	-	40,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

2006 £	2005 £
005 000	005 000
eference shares of £1 each 480,000	925,000 480,000
1,405,000	1,405,000
883,233 	883,233 ————
_	
280,257	3,377,949
-	(173,150)
	(2,100,000)
280,257	1,104,799
£	£
(173.150)	1,387,614
•	
(2,273,150)	1,387,614
4,541,439	3,153,825
2,268,289	4,541,439
	### \$25,000 eference shares of £1 each

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2006

17	Directors' emoluments	2006 £	2005 £
	Emoluments for qualifying services Company pension contributions to money purchase schemes	74,830 -	169,950 40,000
		74,830	209,950

Management charges amounting to £543,025 (2005 £469,577) were paid for management services to Badger Hotels Limited, a company in which all this company's directors are directors and shareholders At the balance sheet date £48,422 was due from Badger Hotels Limited and included in debtors (2005 £423,441, included in creditors, amounts due within one year)

There were no other contracts of significance in which a director of the company had a material interest

18 Employees

Number of employees

The average monthly number of employees (excluding directors) during the year was

the year was	2006 Number	2005 Number
Timeshare staff	15	17
Administration	2	2
	17	19
Employment costs	2006	2005
	£	£
Wages and salanes	287,320	481,325
Social security costs	40,512	45,294
Other pension costs	<u> </u>	40,000
	327,832	566,619

19 Control

The parent company is Badger Hotels Limited, which prepares group accounts Copies of the group accounts for Badger Hotels Limited can be obtained from the Company Secretary at Arabesque House, Monks Cross Drive, Huntington, York, YO32 9GW