2971715

Paragon Hotels Limited

Report and Financial statements

31 March 2005

ERNST & YOUNG

Registered No: 02971215

Directors
C J Hemmings
J C Kay

Secretary
S Stott

Auditors
Ernst & Young LLP
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Bankers
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New Uberior House
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Directors' report

The directors present their report and the group financial statements for the period ended 31 March 2005.

Results and dividends

The group made a profit after tax of £764,000 (2004: loss £550,000) for the period ended 31 March 2005. A provision of £187,500 has been made for dividends payable on 7.5% redeemable preference shares.

Principal activities and review of business developments

The group's principal activity is the ownership and operation of hotels.

Directors and their interests

The current directors are shown on page 2. Mr C J Hemmings was appointed as a director on 22 October 2004 and Mr T J Hemmings retired as a director on that date. No director has an interest in the shares of the company.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

S Stott
Secretary
11 July 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of group and of the profit or loss of the group 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 group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent auditors' report

to the members of Paragon Hotels Limited

We have audited the group's financial statements for the period ended 31 March 2005 which comprise the Group Profit and Loss Account, Group Balance Sheet, Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 21. These financial statements have been prepared on the basis of 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 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the group 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 United Kingdom Auditing Standards 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 group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Edinburgh

11 July 2005

Group profit and loss account

for the period ended 31 March 2005

	Notes	2005 £000	2004 £000
Turnover		18,014	18,934
Cost of sales		(10,946)	(13,940)
Gross profit		7,068	4,994
Administrative expenses		(3,957)	(2,809)
Operating profit	2	3,111	2,185
Loss on sale of fixed assets		-	(380)
Investment income		1,055	1,103
Interest payable	4	(3,423)	(3,748)
Profit/(loss) on ordinary activities before taxation		743	(840)
Tax on profit/(loss) on ordinary activities	5	21	290
Profit/(loss) for the financial year		764	(550)
Dividends	6	(187)	(187)
Profit/(loss) for the period		577	(737)

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the group.

Group balance sheet

at 31 March 2005

	Notes	31 March 2005 £000	25 March 2004 £000
Fixed assets			
Tangible assets	8	56,140	55,568
Investments	9	25,853	25,853
		81,993	81,421
Current assets			
Stocks	10	131	143
Debtors	11	1,522	1,919
Cash at bank and in hand		18	23
		1,671	2,085
Creditors: amounts falling due within one year	12	(6,240)	(6,638)
Net current liabilities		(4,569)	(4,553)
Total assets less current liabilities		77,424	76,868
Creditors: amounts falling due after more than one year	13	(60,000)	(60,000)
Provisions for liabilities and charges	14	(3,219)	(3,240)
Total assets less liabilities		14,205	13,628
Capital and reserves			
Called up share capital	15	5,000	5,000
Share premium account	16	5,000	5,000
Capital redemption reserve	16	7,500	7,500
Profit and loss account	16	(3,295)	(3,872)
Shareholders' funds (including non-equity interests)		14,205	13,628

J C Kay
Director

11 July 2005

Balance sheet

at 31 March 2005

	Notes	*31 March 2005 £000*	*25 March 2004 £000*
Fixed assets			
Tangible assets	8	51,311	49,774
Investments	9	25,853	26,374
		77,164	76,148
Current assets			
Stocks	10	106	115
Debtors	11	21,368	52,756
Cash in bank and in hand		15	17
		21,489	52,888
Creditors: amounts falling due within one year	12	(21,702)	(52,657)
Net current (liabilities)/assets		(213)	231
Total assets less current liabilities		76,951	76,379
Creditors: amounts falling due after more than one year	13	(60,000)	(60,000)
Provisions for liabilities and charges	14	(3,084)	(3,121)
Total assets less liabilities		13,867	13,258
Capital and reserves			
Called up share capital	15	5,000	5,000
Share premium account	16	5,000	5,000
Capital redemption reserve	16	7,500	7,500
Profit and loss account	16	(3,633)	(4,242)
Shareholders' funds (including non-equity interests)	16	13,867	13,258

J C Kay
Director

11 July 2005

Group statement of cash flows

for the period ended 31 March 2005

	Notes	*2005* *£000*	*2004* *£000*
Net cash inflow from operating activities	2b	3,405	3,579
Returns on investments and servicing of finance	17	(2,368)	(2,723)
Taxation		(28)	987
Management of liquid resources	17	-	(2,196)
Capital expenditure and financial investments	17	(1,624)	1,469
Cash (outflow)/inflow before financing		(615)	1,116
Financing	17	-	1,000
(Decrease)/Increase in cash		(615)	2,116

Reconciliation of net cash flow to movement in net debt

	Notes	*2005* *£000*	*2004* *£000*
(Decrease)/increase in cash		(615)	2,116
Cash inflow from new loans less repayment of loans		-	(1,000)
Change in net debt		(615)	1,116
Net debt at 25 March 2004	17	(62,691)	(63,812)
Net debt at 31 March 2005	17	(63,306)	(62,696)

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Paragon Hotels Limited and all its subsidiary undertakings. No profit and loss account is presented for Paragon Hotels Limited as permitted by section 230 of the Companies Act 1985.

Goodwill

Purchased goodwill arising prior to 29 March 1998 is set off directly against reserves.

Fixed assets

Depreciation is provided to write down the assets to their estimated residual value by equal instalments over their estimated useful economic lives as follows:-

Land	- not depreciated
Freehold hotel properties	- 50 years
Fixtures, fittings and equipment	- 4 to 10 years
Motor vehicles	- 4 years

Depreciation is not provided, if on calculation it is found to be immaterial.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Revenue grants are released to profit over the life of the project to which they relate.

Assets under development

These assets are separately recorded under fixed assets then transferred to the appropriate classification within fixed assets once the project is complete.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and 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 suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 March 2005

1. Accounting policies

(continued)

Deferred tax

(continued)

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of an hotel business (excluding Value Added Tax).

Investments

Income from listed investments is recognised on a cash basis.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. Operating profit

(a) This is stated after charging:

		2005 £000	2004 £000
Auditors' remuneration -	audit services	28	27
-	non-audit services	21	25
Depreciation of owned assets		1,052	997
Impairment provision against fixed assets		-	260

(b) Reconciliation of operating profit to net cash inflow from operating activities

	2005 £000	2004 £000
Operating profit	3,111	2,185
Depreciation and impairment of tangible fixed assets	1,052	1,257
Decrease in stocks	12	29
Decrease in operating debtors and prepayments	397	174
Decrease in operating creditors and accruals	(1,167)	(66)
Net cash inflow from operating activities	3,405	3,579

Notes to the financial statements

at 31 March 2005

3. Directors' remuneration and staff costs

	2005	*2004*
	£000	*£000*
Fees	-	-
Emoluments (including pension contributions):	-	-
	-	-

The company has no employees. Gross profit is stated after charging £5,890,400 (2004: £6,095,352) paid to the hotel staff who are employed by a hotel management company and by a company supplying payroll services.

4. Interest payable

	2005	*2004*
	£000	*£000*
Other interest	5	-
Net bank loan and overdraft interest payable	3,418	3,748
	3,423	3,748

5. Tax on profit/(loss) on ordinary activities

a) The taxation credit is made up as follows:

	2005	*2004*
	£000	*£000*
Current tax:		
Based on the profit for the period:		
Corporation tax	-	-
Adjustments in respect of prior periods	-	(18)
Total current tax	-	(18)
Deferred tax:		
Origination and reversal of timing differences	21	308
	21	290

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Notes to the financial statements

at 31 March 2005

5. Tax on profit/(loss) on ordinary activities

(continued)

b) Factors affecting the tax credit for the period

The tax assessed on the profit/ (loss) on ordinary activities for the period is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2005 *£000*	*2004* *£000*
Profit/ (loss) on ordinary activities before tax	743	(840)
Profit) (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2004: 30.00%)	223	(252)
Effect of:		
Disallowed expenses and non-taxable income	(267)	(1)
Capital allowances in excess of depreciation	60	5
Short term timing differences	(44)	26
Adjustments in respect of previous periods	-	18
Unrelieved tax losses carried forward	28	222
Current tax for the period	-	18

c) Factors that could affect future tax charges

In the company no provision has been made for deferred tax on gains recognised on revaluing property. Such tax would become payable only if the properties were sold without it being possible to set off capital losses/claim rollover relief. The total amount unprovided in respect of the revalued properties in the company is £2,676,000 (2004: £3,037,000), however, at present it is not envisaged that any tax will become payable in the foreseeable future.

The deferred tax asset of approximately £94,000 (2004: £1,005,000) which would arise if the properties were sold for their revalued amounts in Cairn Hotels Limited now Classic Lodges Limited has not been recognised in the financial statements. When the properties are sold, the asset would only be recoverable against capital gains of that period or future periods. The asset is not expected to crystallise in the foreseeable future.

No deferred tax liability has been recognised on potential capital gains which would arise if the listed and unlisted investments were disposed of at their market value. The total amount unprovided in respect of the listed and unlisted investments is £350,000 (2004: £615,000 loss). At present it is not envisaged that any gains will crystallise. However losses would be available for offset against any gains.

No deferred tax is recognised in respect of the capital losses carried forward at 31 March 2005. The amount of deferred tax not recognised on capital losses is £270,000 (2004: £270,000) in Paragon Hotels Limited and £5,576,000 (2004: £4,670,000) in the subsidiary undertakings. The capital losses may be offset against future capital gains of the companies within the group.

Notes to the financial statements

at 31 March 2005

5. Tax on profit/(loss) on ordinary activities

(continued)

d) Deferred taxation included in the balance sheet is as follows:

Group	*2005*	*2004*
	£000	*£000*
Capital allowances in advance of depreciation	3,432	3,504
Other timing differences	(213)	(264)
Provision for deferred tax	3,219	3,240

Company	*2005*	*2004*
	£000	*£000*
Capital allowances in advance of depreciation	3,288	3,374
Other timing differences	(204)	(253)
Provision for deferred tax	3,084	3,121

6. Dividends

	2005	*2004*
	£000	*£000*
Dividend on preference shares - paid	-	78
Dividend on preference shares – provided	187	109
	187	187

7. Profit attributable to members of the parent company

The profit/(loss) dealt with in the financial statements of the parent company was £796,000 (2004: £4,563,000 loss).

Notes to the financial statements

at 31 March 2005

8. Tangible fixed assets

Group	*Assets under development*	*Freehold land and buildings*	*Fixtures, fittings and equipment*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 25 March 2004	486	50,859	9,708	61,053
Additions	1,881	19	783	2,683
Disposals	-	(1,207)	(330)	(1,537)
At 31 March 2005	2,367	49,671	10,161	62,199
Depreciation:				
At 25 March 2004	-	507	4,978	5,485
Provided during the period	-	71	981	1,052
On disposals	-	(275)	(203)	(478)
At 31 March 2005	-	303	5,756	6,059
Net book value				
At 31 March 2005	2,367	49,368	4,405	56,140
At 25 March 2004	486	50,352	5,216	55,568

Company	*Assets under development*	*Freehold land and buildings*	*Fixtures fittings and equipment*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 25 March 2004	486	45,242	8,510	54,238
Additions	1,881	19	633	2,533
On disposals	-	-	-	-
At 31 March 2005	2,367	45,261	9,143	56,771
Depreciation:				
At 25 March 2004	-	204	4,260	4,464
Provided during the period	-	60	936	996
On disposals	-	-	-	-
At 31 March 2005	-	264	5,196	5,460
Net book value				
At 31 March 2005	2,367	44,997	3,947	51,311
At 25 March 2004	486	45,038	4,250	49,774

Notes to the financial statements

at 31 March 2005

9. Investments

Group	*Listed investments £000*	*Unlisted investments £000*	*Total £000*
Cost at 25 March 2004 and at 31 March 2005	23,657	2,196	25,853

The market value of the listed investments at 31 March 2005 is £23,946,000 (2004: £21,840,000).

Company	*Listed investments £000*	*Unlisted investments £000*	*Total £000*
Cost at 25 March 2004 and at 31 March 2005	23,657	2,196	25,853

The market value of the listed investments at 31 March 2005 is £23,946,000 (2004: £21,840,000). The listed investments represent a holding of ordinary shares in Scottish & Newcastle plc.

The group and the company hold 20% of the ordinary share capital of Holyrood Hotels Limited and 21% of the ordinary share capital of Cardrona Hotel, Golf & Country Club Limited. These interests are included within investments as the group and company does not exert significant influence over these companies.

Company	*Subsidiary undertakings*	
	2005	*2004*
	£000	*£000*
Cost:		
At 25 March 2004	8,021	8,021
Provision against cost of investment	(8,021)	(7,500)
Net book value	-	521
Net book value of total investments	25,853	26,374

Subsidiary undertakings

All held by the company apart from Grovefield Hotel Limited which is held by Southern Hotels (Cairn) Limited.

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Cairn Hotels Limited (now Classic Lodges Limited)	Ordinary shares	100%	Hotels
Southern Hotels (Cairn) Limited	Ordinary shares	100%	Non-trading
Grovefield Hotel Limited	Ordinary shares	100%	Non-trading
Englefield Hotel Limited	Ordinary shares	100%	Non-trading
Cartland Hotels Limited	Ordinary shares	100%	Non-trading
PHL Hotels Limited	Ordinary shares	100%	Non-trading
Balmoral Hotel Harrogate Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Preference shares	100%	Non-trading

Notes to the financial statements
at 31 March 2005

10. Stocks

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Food and liquor	131	143	106	115

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. Debtors

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Trade debtors	742	691	663	543
Other debtors and prepayments	780	1,228	745	1,202
Amounts owed by subsidiary undertakings	-	-	19,960	51,011
	1,522	1,919	21,368	52,756

Amounts falling due after more than one period included above are:

	Company	
	2005	*2004*
	£000	*£000*
Amounts owed by subsidiary undertakings	19,960	51,011

12. Creditors: amounts falling due within one period

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Amounts due to subsidiary undertakings	-	-	14,175	46,414
Trade creditors	936	1,324	732	1,124
Corporation tax	-	28	-	28
Other taxation and social security	74	120	74	119
Other creditors	297	1,117	260	1,017
Accruals	1,313	1,226	1,243	1,204
Bank overdraft	3,324	2,714	4,922	2,642
Preference dividend	296	109	296	109
	6,240	6,638	21,702	52,657

Notes to the financial statements

at 31 March 2005

13. Creditors: amounts falling due after more than one year

	Group		Company	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Bank loans - wholly repayable within two and five years	60,000	60,000	60,000	60,000

The bank loans and overdrafts are secured by bond and floating charge and standard securities over all of the group's properties.

14. Provisions for liabilities and charges

Deferred tax

	Group	*Company*
	£000	*£000*
Provision at 25 March 2004	3,240	3,121
Deferred tax in profit and loss account for the period	(21)	(37)
Provision at 31 March 2005	3,219	3,084

15. Share capital

Authorised	*2005*	*2004*
	£	*£*
Ordinary shares of £1 each	7,000,000	7,000,000
7.5% redeemable preference shares of £1 each	7,500,000	7,500,000
	14,500,000	14,500,000

Allotted, called up and fully paid	*Group*		*Company*	
	2005	*2004*	*2005*	*2004*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
7.5% redeemable preference shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
	5,000,000	5,000,000	5,000,000	5,000,000

The holders of ordinary shares are entitled to such dividend as may be determined by the directors.

The 7.5% redeemable preference shares, which were issued at par on 30 August 2001, are redeemable at any time up to 29 August 2006 or, if earlier on a sale or listing, the appointment of a receiver or on the appointment of a liquidator over the Company. The preference shares carry a dividend of 7.5% per annum, payable annually in arrears on 1 March and 1 September. The dividend rights are cumulative.

Notes to the financial statements

at 31 March 2005

15. Share capital

(continued)

On a return of assets or liquidation or otherwise, the assets available for distribution are as follows:

a) in paying to the holders of the preference shares (in proportion to the number of such shares held by them) and in priority to all other shareholders an amount equal to the amount paid up or credited as paid together with a sum equal to all arrears of the Preference Dividend calculated down to the date of return of assets;

b) in paying to the holders of ordinary shares pro rata in proportion to the number of such shares held by them respectively any surplus assets of the company.

The holders of ordinary shares are entitled to one vote for each share held. The holders of the preference shares have no votes.

16. Reconciliation of shareholders' funds and movement on reserves

Group	*Capital Redemption Reserve*	*Share capital*	*Share premium*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 3 April 2003	7,500	5,000	5,000	(3,135)	14,365
Loss for the period	-	-	-	(550)	(550)
Dividends	-	-	-	(187)	(187)
At 25 March 2004	7,500	5,000	5,000	(3,872)	13,628
Profit for the period	-	-	-	764	764
Dividends	-	-	-	(187)	(187)
At 31 March 2005	7,500	5,000	5,000	(3,295)	14,205

The cumulative amount of goodwill written off at 31 March 2005 is £2,338,000 (2004: £2,338,000).

Company	*Capital Redemption Reserve*	*Share capital*	*Share premium account*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 3 April 2003	7,500	5,000	5,000	508	18,008
Loss for the period	-	-	-	(4,563)	(4,563)
Dividends	-	-	-	(187)	(187)
At 25 March 2004	7,500	5,000	5,000	(4,242)	13,258
Profit for the period	-	-	-	796	796
Dividends	-	-	-	(187)	(187)
At 31 March 2005	7,500	5,000	5,000	(3,633)	13,867

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Notes to the financial statements

at 31 March 2005

16. Reconciliation of shareholders' funds and movement on reserves

(continued)

Shareholder funds are attributable as follows:		*Group*		*Company*
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Equity interests	11,705	11,128	11,367	10,758
Non equity interests	2,500	2,500	2,500	2,500
	14,205	13,628	13,867	13,258

17. Notes to the cash flow statement

	2005	*2004*
	£000	*£000*
Returns on investments and servicing of finance		
Interest paid	(3,423)	(3,748)
Investment income	1,055	1,103
Preference dividend	-	(78)
Net cash outflow from returns on investments and servicing of finance	(2,368)	(2,723)
Management of liquid resources		
Purchase of investments	-	2,196
Capital expenditure and financial investments		
Proceeds of sale of tangible fixed assets	1,059	1,872
Purchase of tangible fixed assets	(2,683)	(403)
Net cash (outflow)/inflow for capital expenditure	(1,624)	1,469
Financing		
New long term loans	-	1,000

	At 25 March	*Cash*	*At 31 March*
	2004	*flows*	*2005*
	£000	*£000*	*£000*
Analysis of changes in net debt:			
Cash at bank and in hand	23	(5)	18
Bank overdraft	(2,714)	(610)	(3,324)
Bank loans	(60,000)	-	(60,000)
	(62,691)	(615)	(63,306)

Notes to the financial statements

at 31 March 2005

18. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

Group	*Land and buildings*		*Fixtures and fittings*	
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one period	-	-	-	-
between two and five years	-	-	-	-
	-	-	-	-

19. Related party transactions

The company paid a management fee of £190,000 to Hemway Limited for goods and services provided. Hemway Limited is a related party since the directors of this company are directors of that company and its parent company. £1,706,000 of the hotel staff costs referred to in Note 3 were paid to Cairn Hotels Limited (formerly Classic Lodges Limited). Mr Kay is a director of that company and its parent company.

20. Contingent liabilities

The company is party to an agreement with its bankers whereby the bank is entitled to hold all sums at credit of any accounts in the company's name in security of all sums due to the bank by the company's subsidiary undertakings. The overdraft is secured by bond and floating charge and standard security over all of the group's properties.

21. Ultimate parent company

The company's ultimate parent company and controlling party is Calgarth Limited, which is incorporated in the Isle of Man.