

SUMMERHILL PROPERTIES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2006

Registered Number 3454201



SUMMERHILL PROPERTIES LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2006

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SUMMERHILL PROPERTIES LIMITED
DIRECTORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 31ST DECEMBER 2006

DIRECTORS

S R Collins

M N Steinberg

T S Cole

SECRETARY

M N Steinberg

REGISTERED OFFICE

10 Upper Berkeley Street
London
W1H 7PE

SUMMERHILL PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2006

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

PRINCIPAL ACTIVITY

The Company's principle activity was the operation and ownership of the Hilton Cardiff Hotel

BUSINESS REVIEW

Results and dividends

The profit and loss account is set out on page 6 and shows a loss before tax for the year of £147,000 (2005 – £1,313,000 loss) The directors do not recommend the payment of a dividend (2005 - £nil)

Review of the business and future developments

The hotel traded well in an extremely competitive market, total revenue grew to £10,121,000 (2005 £9,902,000) an increase of 2.2% year on year Operating profit was down 8% to £1,532,000 (2005 £1,673,000) primarily due to the large increase in energy costs

During the year refurbishment projects were carried out to the executive lounge and the Razzi restaurant

The ongoing programme of refurbishment will encourage demand, help improve yields and ensure that the Cardiff Hilton remains the best hotel in the city centre

Principal risks facing the business

The business faces competition from existing hotels in the Cardiff area The hotel has an excellent reservations and yield management system combined with strong local and national sales and marketing support Cardiff is a premier conference destination in the UK and the city has much to offer leisure guests

The company is exposed to increases in interest rate in the near term Current and medium term interest rates are closely monitored

Increases in utility costs have had a significant impact on profitability this year Energy saving measures have been put in place throughout the hotel and it is anticipated that bulk purchasing will also help to reduce costs

Financial instruments

The company's principal financial instruments comprise bank balances, trade and other debtors, trade and other creditors and a loan The main purpose of these instruments is to finance the company's operations

The loan relates to an inter-group loan from the company's parent, Hotel Innovations (Cardiff) Limited The interest rate on the loan is variable Trade and other debtors are managed in respect of credit and cash flow risk by the regular monitoring of amounts outstanding Trade and other creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

DIRECTORS AND THEIR INTERESTS

The directors, who served during the period, were as follows

S R Collins
M N Steinberg
T S Cole

None of the directors held any interest in the shares of the company at any time during the year

SUMMERHILL PROPERTIES LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

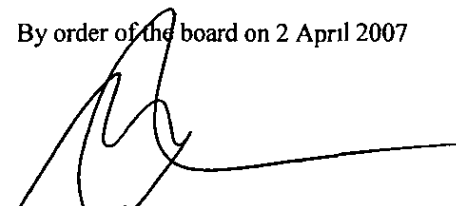
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDIT INFORMATION

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

By order of the board on 2 April 2007


M N Steinberg
Director

Registered office
10 Upper Berkeley Street
London W1H 7PE

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SUMMERHILL PROPERTIES LIMITED**

We have audited the financial statements of Summerhill Properties Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities 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 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.

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 December 2006 and of its loss 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.



haysmacintyre
Chartered Accountants
Registered Auditors

**Fairfax House
15 Fulwood Place
London
WC1V 6AY**

2 April 2007

SUMMERHILL PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2006

	Note	2006 £'000	2005 £'000
TURNOVER	1, 2	10,121	9,902
COST OF SALES		(2,160)	(2,013)
GROSS PROFIT		7,961	7,889
Operating costs		(6,429)	(6,216)
OPERATING PROFIT	4	1,532	1,673
Interest payable and similar charges	5	(1,741)	(2,986)
Interest receivable	6	62	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(147)	(1,313)
Taxation on loss on ordinary activities	7	44	15,376
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	14	(103)	14,063

All activities shown above are wholly derived from continuing operations

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the retained loss for the periods stated above and their historical cost equivalents

Operating costs comprise administration expenses

The notes on pages 9 to 14 form part of these accounts

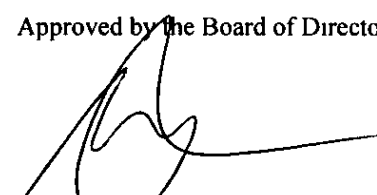
SUMMERHILL PROPERTIES LIMITED

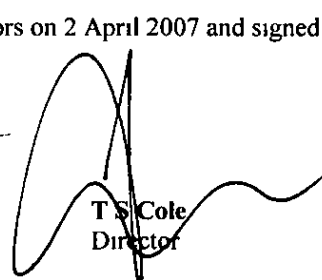
BALANCE SHEET

AS AT 31ST DECEMBER 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible assets	8	26,453	26,862
CURRENT ASSETS			
Stocks	9	75	85
Debtors	10	863	665
Cash at bank and in hand		1,420	1,323
		<u>2,358</u>	<u>2,073</u>
CREDITORS : Amounts falling within one year	11	<u>(25,264)</u>	<u>(25,203)</u>
NET CURRENT LIABILITIES		<u>(22,906)</u>	<u>(23,130)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,547	3,732
Provisions for liabilities and charges	12	<u>(2,904)</u>	<u>(2,986)</u>
NET ASSETS		<u>643</u>	<u>746</u>
CAPITAL AND RESERVES			
Called up share capital	13	3,500	3,500
Profit and loss account	14	<u>(2,857)</u>	<u>(2,754)</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>643</u>	<u>746</u>

Approved by the Board of Directors on 2 April 2007 and signed on its behalf by


M N Steinberg
 Director


T S Cole
 Director

The notes on pages 9 to 14 form part of these accounts

SUMMERHILL PROPERTIES LIMITED**CASH FLOW STATEMENT****AS AT 31ST DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17 (a)	2,086	414
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(1,741)	(2,986)
Interest received		62	-
TAXATION			
UK corporation tax paid		-	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(310)	(131)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>97</u>	<u>(2,703)</u>
FINANCING			
Issuing of ordinary share capital		-	3,500
Repayment of bank loans		-	(363)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		<u>-</u>	<u>3,137</u>
INCREASE IN CASH	17 (b)	<u>97</u>	<u>434</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2006

1. ACCOUNTING POLICIES

The Company's principal accounting policies, which are set out below, have been applied consistently

(a) Accounting convention

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention

(b) Tangible fixed assets

The tangible fixed assets of the Company are depreciated on a straight line basis calculated to write down the cost to estimated residual values over their estimated useful economic lives as follows

Freehold property	50 years
Fixtures, fittings and equipment	3 – 30 years

(c) Deferred tax

Deferred tax is provided in full on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities are not discounted.

(d) Capitalisation of interest

Interest is capitalised on major development projects and capital works in progress where appropriate. Capitalisation ceases when substantially all the activities necessary to get the asset ready for use are completed.

(e) Turnover

Turnover comprises amounts invoiced for goods and services rendered excluding VAT.

(f) Stock

Stock is valued at the lower of cost and net realisable value.

(g) Pension Costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions to this scheme are charged in the profit and loss as they are incurred.

2. TURNOVER

Turnover and operating profit relate entirely to the Company's principal activity and arise in the United Kingdom.

3. EMPLOYEE INFORMATION

The average weekly number of employees during the period was

	2006 Number	2005 Number
Operations	211	215
Management and administration	26	26
	<u>237</u>	<u>241</u>

SUMMERHILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31ST DECEMBER 2006**

3. EMPLOYEE INFORMATION (continued)	2006	2005
	£'000	£'000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	2,722	2,737
Social security costs	200	194
Pension costs	53	46
	<u>2,975</u>	<u>2,977</u>
None of the directors received any emoluments for services to the company during the year		
4. OPERATING PROFIT	2006	2005
	£'000	£'000
Operating is arrived at after charging		
Depreciation of tangible fixed assets	719	545
Auditors' remuneration	-	14
Statutory audit services	9	6
	<u></u>	<u></u>
5. INTEREST PAYABLE AND SIMILAR CHARGES	2006	2005
	£'000	£'000
Interest on bank loans and overdrafts	-	10
Interest payable to group undertakings	1,741	2,976
	<u>1,741</u>	<u>2,986</u>
6. INTEREST RECEIVABLE	2006	2005
	£'000	£'000
Interest receivable	62	-
	<u>62</u>	<u>-</u>
7. TAXATION	2006	2005
	£'000	£'000
(a) Analysis of charge in the period		
Current tax (Note 7(b))	38	(15,099)
Deferred tax (note 12)		
Origination and reversal of timing differences	(82)	(277)
Tax on loss of ordinary activities	<u>(44)</u>	<u>(15,376)</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2006

7. TAXATION (continued)

(b) Factors affecting the current tax charge for the period

The current tax charge for the period is different to the standard rate of corporation tax in the UK of 30% (year ended 31 December 2005 30%) The differences are explained below

	2006 £'000	2005 £'000
Loss before tax	(147)	(1,313)
Loss multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(44)	(394)
Effects of temporary differences between taxable and accounting profit		
Capital allowances less than/(in excess of) depreciation	196	(220)
Trading losses (utilised)/carried forward	(114)	497
Group relief surrendered for no payment	-	117
Payment for group relief surrendered in prior years*	-	(15,099)
Current tax charge/(credit) for the year (Note 7(a))	38	(15,099)

- * On acquisition of the company by Hotel Innovations (Cardiff) Limited, the company was reimbursed for tax losses previously group relieved to group companies of its previous owners

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Surface furnishings £'000	Fixtures fitting and equipment £'000	Total £'000
COST				
At 1st January 2006	21,936	5,282	3,412	30,630
Additions	-	-	310	310
At 31st December 2006	21,936	5,282	3,722	30,940
ACCUMULATED DEPRECIATION				
At 1st January 2006	421	1,220	2,127	3,768
Charge for the year	68	211	440	719
At 31st December 2006	489	1,431	2,567	4,487
NET BOOK VALUE				
At 31st December 2006	21,447	3,851	1,155	26,453
At 31st December 2005	21,515	4,062	1,285	26,862

Included in the cost of freehold land and buildings are cumulative capitalised interest costs of £670,000 (2005 £670,000) No interest was capitalised during the period (2005 £Nil) In addition, freehold land and buildings includes £5,075,000 (2005 £5,075,000) of land that is not depreciated

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2006

9. STOCK	2006	2005
	£'000	£'000
Consumables	£75	£85
	<u> </u>	<u> </u>
10. DEBTORS	2006	2005
	£'000	£'000
Trade debtors	571	385
Amounts owed by group undertakings	-	-
Other debtors and prepayments	292	280
	<u> </u>	<u> </u>
	863	665
	<u> </u>	<u> </u>
11. CREDITORS – amounts falling due within one year	2006	2005
	£'000	£'000
Amounts owed to group undertakings	22,895	22,982
Other taxation and social security	258	227
Trade creditors	1,239	1,011
Other creditors	549	692
Accruals and deferred income	323	291
	<u> </u>	<u> </u>
	25,264	25,203
	<u> </u>	<u> </u>
12. PROVISIONS FOR LIABILITIES AND CHARGES	2006	2005
	£'000	£'000
Deferred tax		
The movement on deferred tax is as follows		
At 1 January 2006	2,986	3,263
Profit and loss account	(82)	(277)
	<u> </u>	<u> </u>
At 31 December 2006	2,904	2,986
	<u> </u>	<u> </u>
13. SHARE CAPITAL	2006	2005
	£'000	£'000
Authorised:		
5,000,000 ordinary shares of £1 each	5,000	5,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
3,500,002 ordinary shares of £1 each	3,500	3,500
	<u> </u>	<u> </u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2006

14. PROFIT AND LOSS ACCOUNT	£'000	
At 1 January 2006		(2,754)
Retained loss for the year		(103)
At 31st December 2006		<u>(2,857)</u>
15. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		
	2006 £'000	2005 £'000
(Loss)/profit for the year	(103)	14,063
Issue of share capital	-	3,500
Opening equity shareholders' funds	746	(16,817)
	<u>643</u>	<u>746</u>
16. OPERATING LEASE COMMITMENTS	2006 £'000	2005 £'000
The company has annual commitments under operating leases expiring as follows		
- within one year	-	-
- within two to five years	-	-
- over five years	186	178
	<u>186</u>	<u>178</u>
17. NOTES TO THE CASHFLOW STATEMENT	2006 £'000	2005 £'000
(a) Reconciliation of operating profit to net outflow from operating activities		
Operating profit	1,532	1,673
Depreciation on tangible fixed assets	719	545
Decrease/(increase) in stocks	10	(8)
(Increase)/decrease in debtors	(198)	2,925
Increase/(decrease) in creditors	23	(4,721)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>2,086</u>	<u>414</u>
(b) Reconciliation of net cashflow to movement in net funds		
Increase/(decrease) in cash in the year	97	434
Cash outflow from reduction in net debt	-	363
Movement in net funds in the year	<u>97</u>	<u>797</u>
Opening net funds	1,323	526
Closing net funds	<u>1,420</u>	<u>1,323</u>

SUMMERHILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31ST DECEMBER 2006****17. NOTES TO THE CASHFLOW STATEMENT (continued)**

(c) Analysis of changes in net funds	2005 £'000	Cash flow £'000	2006 £'000
Cash at bank and in hand	1,323	97	1,420
Debt due within 1 year	-	-	-
Debt due after 1 year	-	-	-
Total	1,323	97	1,420

18. RELATED PARTY DISCLOSURES

During the year Hotel Innovations (Cardiff) Limited recharged Summerhill Properties Limited £59,972 (2005 £nil) relating to fixed assets acquired for and on behalf of the company

During the year Hotel Innovations (Cardiff) Limited recharged Summerhill Properties Limited £1,741,851 (2005 £576,081) relating to interest payable on a loan taken out on behalf of the company

During the year Hotel Innovations (Cardiff) Limited recharged Summerhill Properties Limited £632,125 (2005 £405,982) relating to administrative expenses incurred on behalf of the company

During the year Hotel Innovations (Cardiff) Limited recharged Summerhill Properties Limited £37,954 (2005 £nil) relating to group tax relief surrendered to the company

Hotel Innovations (Cardiff) Limited owns 100% of the issued share capital of Summerhill Properties Limited. The balance owing to Hotel Innovations (Cardiff) Limited as at 31 December 2006 was £22,894,962 (2005 £22,982,062)

The directors of the company, S R Collins, M N Steinberg and T S Cole, are also directors of Johnson Collins Limited. During the period Johnson Collins Limited charged the company £75,000 (2005 £nil) in fees relating to the management of the Cardiff Hilton Hotel. As at 31 December 2006 the balance owing from Hotel Innovations (Cardiff) Limited to Johnson Collins Limited was £nil (2005 £nil)

19. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company is ultimately controlled by the directors of Hotel Innovations (Cardiff) Limited by way of their shareholding in that company