

SUMMERHILL PROPERTIES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2005



Registered Number : 3454201

SUMMERHILL PROPERTIES LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

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SUMMERHILL PROPERTIES LIMITED

DIRECTORS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST DECEMBER 2005

DIRECTORS

S R Collins

M N Steinberg

SECRETARY

M N Steinberg

REGISTERED OFFICE

10 Upper Berkeley Street
London
W1H 7PE

SUMMERHILL PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company is the operation of a hotel.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors consider that the Company's performance has been satisfactory.

RESULTS AND DIVIDENDS

The Company profit for 12 month financial period is £14,063,000 (9 months ended 31 December, loss: £1,668,000).

The directors do not recommend the payment of a dividend (9 months ended 31 December 2004: £nil).

DIRECTORS AND THEIR INTERESTS

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

K M Brooks	(resigned 30 June 2005)
C F Price	(resigned 30 June 2005)
R S Phillips	(appointed 30 June 2005 resigned 06 September 2005)
R C Clifton	(appointed 30 June 2005 resigned 06 September 2005)
S R Collins	(appointed 06 September 2005)
M N Steinberg	(appointed 06 September 2005)

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 2005

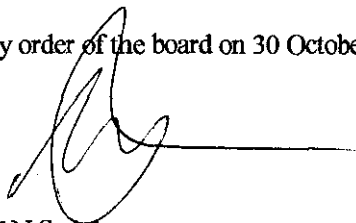
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;
- 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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board on 30 October 2006:



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 2005 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. 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 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 31st December 2005 and of its result for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.

haymacintyre
Chartered Accountants
Registered Auditors

30 October 2006

Fairfax House
15 Fulwood Place
London
WC1V 6AY

SUMMERHILL PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST DECEMBER 2005**

	Note	Year ended 31 December 2005 £'000	9 Months ended 31 December 2004 £'000
TURNOVER	1, 2	9,902	7,294
COST OF SALES		(2,013)	(1,518)
GROSS PROFIT		<u>7,889</u>	<u>5,776</u>
Operating costs		(6,216)	(4,556)
OPERATING PROFIT	4	<u>1,673</u>	<u>1,220</u>
Interest payable and similar charges	5	(2,986)	(2,720)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,313)</u>	<u>(1,500)</u>
Taxation on loss on ordinary activities	6	15,376	(168)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	14	<u><u>14,063</u></u>	<u><u>(1,668)</u></u>

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 8 to 15 form part of these accounts.

SUMMERHILL PROPERTIES LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	7	26,862	27,276
CURRENT ASSETS			
Stocks	8	85	77
Debtors	9	665	3,590
Cash at bank and in hand		1,323	889
		<u>2,073</u>	<u>4,556</u>
CREDITORS : Amounts falling within one year	10	<u>(25,203)</u>	<u>(45,361)</u>
NET CURRENT LIABILITIES		<u>(23,130)</u>	<u>(40,805)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,732</u>	<u>(13,529)</u>
CREDITORS : Amounts falling due after one year	11	-	(25)
Provisions for liabilities and charges	12	(2,986)	(3,263)
NET ASSETS/(LIABILITIES)		<u><u>746</u></u>	<u><u>(16,817)</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	3,500	-
Profit and loss account	14	(2,754)	(16,817)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	15	<u><u>746</u></u>	<u><u>(16,817)</u></u>

Approved by the Board of Directors on 30 October 2006 and signed on its behalf by:




M N Steinberg
Director

S R Collins
Director

The notes on pages 8 to 15 form part of these accounts.

SUMMERHILL PROPERTIES LIMITED

CASH FLOW STATEMENT

AS AT 31ST DECEMBER 2005

	Notes	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17 (a)	414	3,729
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(2,986)	(2,720)
TAXATION			
UK corporation tax paid		-	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(131)	(115)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		<u>(2,703)</u>	<u>894</u>
FINANCING			
Issuing of ordinary share capital		3,500	
Repayment of bank loans		(363)	(149)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		<u>3,137</u>	<u>(1,49)</u>
INCREASE IN CASH	17 (b)	<u>434</u>	<u>745</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2005

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 charged in the profit and loss as they are incurred.

SUMMERHILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31ST DECEMBER 2005****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:

	Year ended 31 December 2005	9 months ended 31 December 2004
Operations	215	169
Management and administration	26	20
	<u>241</u>	<u>189</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
Wages and salaries	2,737	2,152
Social security costs	194	144
Pension costs	46	27
	<u>2,977</u>	<u>2,323</u>

None of the directors received any emoluments for services to the company during the year.

4. OPERATING PROFIT

Operating is arrived at after charging:

	Year ended 31 December 2005 £'000	9 Months ended 31 December 2004 £'000
Depreciation of tangible fixed assets	545	522
Auditors' remuneration	14	10
Statutory audit services	6	4
	<u></u>	<u></u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
Interest on bank loans and overdrafts	10	20
Interest payable to the group undertakings	2,976	2,700
	<u>2,986</u>	<u>2,720</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2005

6. TAXATION	31 December 2005 £'000	31 December 2004 £'000
(a) Analysis of charge in the period		
Current tax (Note 6(b))	(15,099)	-
Deferred tax (note 12)		
Origination and reversal of timing differences	(277)	168
Tax on loss of ordinary activities	(15,376)	168

(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% (9 months ended 31 December 2005: 30%). The differences are explained below:

	31 December 2005 £'000	31 December 2004 £'000
Loss before tax	(1,313)	(1,500)
Loss multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(394)	(450)
Effects of temporary differences between taxable and accounting profit:		
Accelerated capital allowances	(220)	(166)
Trading losses carried forward	497	-
Permanent timing differences	-	5
Group relief surrendered for no payment	117	611
Payment for group relief surrendered in prior years*	(15,099)	-
Current tax (credit)/charge for the period (Note 6(a))	(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.

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2005

7. TANGIBLE FIXED ASSETS

	Freehold land And buildings £'000	Surface furnishings £'000	Fixtures Fittings and equipment £'000	Total £'000
COST				
At 1st January 2005	21,936	5,224	3,339	30,499
Additions	-	58	73	131
Disposals	-	-	-	-
At 31st December 2005	21,936	5,282	3,412	30,630
ACCUMULATED DEPRECIATION				
At 1st January 2005	354	1,009	1,860	3,223
Charge for the year	67	211	267	545
Eliminated on disposal	-	-	-	-
At 31st December 2005	421	1,220	2,127	3,768
NET BOOK VALUE				
At 31st December 2005	21,515	4,062	1,285	26,862
At 31st December 2004	21,582	4,215	1,479	27,276

Included in the cost of freehold land and buildings are cumulative capitalised interest costs of £670,000 (31 December 2004: £670,000). No interest was capitalised during the period (31 December 2004: £nil). In addition, freehold land and buildings includes £5,075,000 (31 December 2005: £5,075,000) of land that is not depreciated.

8. STOCK

	31 December 2005 £'000	31 December 2004 £'000
Consumables	£85	£77

9. DEBTORS

	31 December 2005 £'000	31 December 2004 £'000
Trade debtors	385	323
Amounts owed by group undertakings	-	3,126
Other debtors and prepayments	280	141
	665	3,590

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2005

10. CREDITORS – amounts falling due within one year	31 December 2005 £'000	31 December 2004 £'000
Loans	-	338
Amounts owed to group undertakings	22,982	43,542
Other taxation and social security	227	172
Trade creditors	1,011	650
Other creditors	692	403
Accruals and deferred income	291	256
	<u>25,203</u>	<u>45,361</u>

Amounts due to the group undertakings are unsecured, interest bearing at 9% and are repayable on demand.

11. CREDITORS – amounts falling due after more than one year	31 December 2005 £'000	31 December 2004 £'000
Loans	-	25

Loans are repayable as follows:

	31 December 2005 £'000	31 December 2004 £'000
Within one year	-	338
Between one and two years	-	25

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

The movement on deferred tax is as follows:

	31 December 2005 £'000	31 December 2004 £'000
At 1 January 2005	3,263	3,095
Profit and loss account	(277)	168
At 31 December 2005	<u>2,986</u>	<u>3,263</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2005

13. SHARE CAPITAL

	31 December 2005 £'000	31 December 2004 £'000
Authorised:		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
3,500,002 ordinary shares of £1 each	<u>3,500</u>	<u>-</u>

During the year the company issued 3,500,000 ordinary shares of £1 each at nominal value.

14. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2005	(16,817)
Retained profit for the period	<u>14,063</u>
At 31st December 2005	<u>(2,754)</u>

15. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)

	31 December 2005 £'000	31 December 2004 £'000
Retained profit/(loss) for the year	14,063	(1,668)
Issue of share capital	3,500	-
Opening equity shareholders' deficit	<u>(16,817)</u>	<u>(15,149)</u>
	<u>746</u>	<u>(16,817)</u>

16. OPERATING LEASE COMMITMENTS

	31 December 2005 £'000	31 December 2004 £'000
The company has annual commitments under operating leases expiring as follows:		
- within one year	-	-
- within two to five years	-	-
- over five years	<u>178,458</u>	<u>171,594</u>

SUMMERHILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 2005

17. NOTES TO THE CASHFLOW STATEMENT

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
(a) Reconciliation of operating profit to net outflow from operating activities		
Operating profit (2004: excluding exceptional credit re debt forgiveness £708,000)	1,673	1,220
Depreciation on tangible fixed assets	545	522
Loss on disposal of fixed assets		12
Increase in stocks	(8)	(1)
Decrease /(increase) in debtors	2,925	(140)
(Decrease)/ increase in creditors	(4,721)	2,116
NET CASH INFLOW FROM OPERATING ACTIVITIES	414	3,729

(b) Reconciliation of net cashflow to movement in net funds

Increase/(decrease) in cash in the year/period	434	745
Cash outflow from reduction in net debt	363	149
Movement in net funds in the year/period	797	894
Opening net funds/(debt)	526	(368)
Closing net funds	1,323	526

(c) Analysis of changes in net funds

	2004 £'000	Cash flow £'000	2005 £'000
Cash at bank and in hand	889	434	1,323
Debt due within 1 year	(338)	338	-
Debt due after 1 year	(25)	25	-
Total	526	797	1,323

18. RELATED PARTY DISCLOSURES

During the year the company was recharged £22,000,000, representing part of a loan account balance, by its parent undertaking Hotel Innovations (Cardiff) Limited, as well as interest and other administrative charges of £982,062. The balance owing to Hotel Innovations (Cardiff) Limited as at 31 December 2005 was £22,982,062.

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.