

The Scotsman Hotel Group Limited

Report and Financial Statements

31 December 2007



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The Scotsman Hotel Group Limited

Report and financial statements 2007

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The Scotsman Hotel Group Limited

Report and financial statements 2007

Officers and professional advisers

Company Registration No. 3748878

M B I Al Jaber
M M Al Jaber
B M Al Jaber

Secretary

T Cranwell

Registered Office

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London
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Bankers

Bank of Scotland
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Solicitors

Mcfarlanes
10 Norwich Street
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Auditors

Ernst & Young LLP
Registered Auditors
1 More London Place
SE1 2AF
London

The Scotsman Hotel Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007. These financial statements contain the financial statements of the company as well as the consolidated financial statements of the company and its subsidiary undertakings, together referred to as the group.

Results and dividends

The consolidated loss for the period, after taxation, amounted to £4,042,828 (2006 - £5,707,148). The directors do not recommend the payment of a dividend (2006 - £nil).

Principal activity and review of the business

The principal activity of the group is the financing and managing of subsidiaries that own, develop and manage hotels and related activities.

Trading continues to be satisfactory in all three hotels. Group turnover increased by 6.8% in 2007 compared to 2006. Strong growth in occupancy in Paris drove the increase however this was partially offset by the less buoyant trading in the UK properties. Group Operating Profit increased by £620,938 over 2006 driven by strong trading in Paris and a reduction in overhead costs.

Principal risks and uncertainties

The company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the group's and company's business and the assets and liabilities contained within the group's and company's balance sheet, the main financial risks the directors consider relevant to this company are liquidity, exchange rate and interest rate risk. Liquidity risk is mitigated by financial support from the Group's parent company.

The Group is exposed to foreign currency risk as a result of its French hotel operation. It is the Group's policy not to hedge exposure arising from changes in the exchange rate arising between balance sheet dates, however management continues to keep this policy under review and will take necessary action should the level of risk increase above that which they deem permissible.

The Group is also exposed to fluctuating interest rates as a result of the bank loans which have been in place during the course of the year. The Group have taken out instruments to partially cover this risk and will continue to monitor the level of risk associated with the loans and take appropriate action if necessary.

As a result of the difficult trading conditions during late 2008 and during 2009, the company is in breach of its banking covenants at the date of approval of the financial statements and the company's loan facility is repayable on demand. The company is currently in discussions with its bank concerning the implications of this breach.

Further description of the uncertainties is included in note 1 to the financial statements.

The Scotsman Hotel Group Limited

Directors' report

Directors

The directors who served during the year were

M B Al Jaber

M M Al Jaber

B M Al Jaber (appointed 17 March 2008)

R J H Brook (resigned 17 March 2008)

Employees

The company's policy is to consult and discuss with employees, through staff meetings, matters likely to affect employees' interests

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance

The company encourages the involvement of employees in its performance through regular communication from the company's managers to all employees providing up to date information on business matters and results. Also, where possible, employees' remuneration contains an element linked to business performance to give an opportunity to participate in the success of the business

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

Charitable contribution

During the year the company made charitable donations of £nil (2006 £nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's and the Company's auditors are unaware. Having made enquiries of fellow directors, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's and the Company's auditors are aware of that information

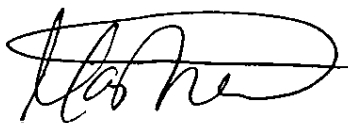
The Scotsman Hotel Group Limited

Directors' report

Auditors

KPMG LLP have resigned and Ernst & Young LLP have been appointed as auditors after the year-end. Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'Mashael Al Jaber', enclosed within a large, loopy oval shape.

Mashael Al Jaber

Director

26 February 2010

The Scotsman Hotel Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Financial Statements for the company and the group in accordance with applicable law and regulations. 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 as at the end of the financial year 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 UK accounting standards have been followed, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of The Scotsman Hotel Group Limited

We have audited the group and parent company financial statements (the "financial statements") of The Scotsman Hotel Group Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Independent auditors' report to the members of The Scotsman Hotel Group Limited (cont)

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 and the group affairs as at 31 December 2007 and of the loss of the group for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements of circumstances affecting the group's and the company's ability to continue as a going concern

The conditions, explained in note 1 to the financial statements, indicate the existence of material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern

Ernst & Young L.L.P. 26/2/10

Ernst & Young LLP
Registered Auditors
London

The Scotsman Hotel Group Limited

Consolidated profit and loss account Year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	16,193,414	15,158,345
Cost of sales		(7,740,286)	(7,348,345)
Gross profit		<u>8,453,128</u>	<u>7,810,000</u>
Administrative expenses		(8,342,169)	(8,319,979)
Other operating income	4	68,000	68,000
Operating profit/(loss)	4	<u>178,959</u>	<u>(441,979)</u>
Interest payable and similar charges	7	(4,161,276)	(5,274,934)
Loss on ordinary activities before taxation		<u>(3,982,317)</u>	<u>(5,716,913)</u>
Tax on loss on ordinary activities	8	(60,511)	9,765
Loss for the financial year		<u><u>(4,042,828)</u></u>	<u><u>(5,707,148)</u></u>

All amounts relate to continuing operations

The Scotsman Hotel Group Limited

Consolidated statement of total recognised gains and losses Year ended 31 December 2007

	2007	2006
	£	£
Loss for the financial period	(4,042,828)	(5,707,148)
Currency translation differences on foreign currency net investment	913,945	220,727
Total gains and losses recognised	<u>(3,128,883)</u>	<u>(5,486,421)</u>

The Scotsman Hotel Group Limited

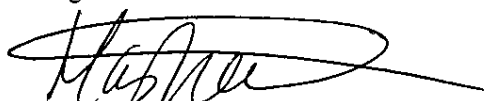
Consolidated balance sheet

31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	9	45,205,643	45,401,231
Current assets			
Stocks	11	185,160	176,490
Debtors	12	1,191,891	1,290,684
Cash at bank and in hand		10,749,940	299,605
		12,126,992	1,766,779
Creditors: amounts falling due within one year	13	(79,553,280)	(66,231,266)
Net current liabilities		(67,426,288)	(64,464,487)
Total assets less current liabilities		(22,220,645)	(19,063,256)
Creditors: amounts falling due after more than one year	14	(40,726,241)	(40,727,624)
Provisions for liabilities	17	(158,144)	(185,267)
Net liabilities		(63,105,030)	(59,976,147)
Capital and reserves			
Called up share capital	18	1,000	1,000
Share premium account		938,476	938,476
Capital contribution reserve	19	2,369,052	2,369,052
Profit and loss account	19	(66,413,558)	(63,284,675)
Total shareholder's deficit	20	(63,105,030)	(59,976,147)

These financial statements were approved by the Board of Directors on 26 February 2010

Signed on behalf of the Board of Directors



Masha'al Al Jaber

Director

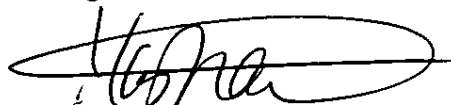
The Scotsman Hotel Group Limited

Company balance sheet 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	9	3,442	8,196
Investments	10	5,893,637	5,893,637
		<u>5,897,079</u>	<u>5,901,833</u>
Current assets			
Debtors	12	47,838,851	44,167,737
		<u>47,838,851</u>	<u>44,167,737</u>
Creditors: amounts falling due within one year	13	(76,804,933)	(71,950,257)
		<u>(76,804,933)</u>	<u>(71,950,257)</u>
Net current liabilities		<u>(28,966,082)</u>	<u>(27,782,520)</u>
Total assets less current liabilities		<u>(23,069,003)</u>	<u>(21,880,687)</u>
Creditors: amounts falling due after more than one year	14	(40,726,241)	(40,726,241)
		<u>(40,726,241)</u>	<u>(40,726,241)</u>
Net liabilities		<u>(63,795,244)</u>	<u>(62,606,928)</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Share premium account		938,476	938,476
Capital contribution reserve	19	2,369,052	2,369,052
Profit and loss account	19	(67,103,772)	(65,915,456)
		<u>(67,103,772)</u>	<u>(65,915,456)</u>
Total shareholder's deficit		<u>(63,795,244)</u>	<u>(62,606,928)</u>

These financial statements were approved by the Board of Directors on 26 February 2010

Signed on behalf of the Board of Directors



Mashael Al Jaber

Director

The Scotsman Hotel Group Limited

Consolidated cash flow statement Year ended 31 December 2007

	Notes	2007 £	2006 £
Reconciliation of operating profit/(loss) to net cash inflow from operating activities			
Operating profit/(loss)		178,959	(441,979)
Depreciation of tangible fixed assets	9	2,335,642	2,585,982
Loss on sale of fixed assets		3,119	664
Decrease in debtors		91,556	84,702
(Increase)/decrease in stocks		(8,670)	18,267
Increase in creditors		270,365	774,313
Net cash inflow from operating activities		2,870,971	3,021,949
Returns on investments and servicing of finance	21	(3,943,027)	(3,485,613)
Capital expenditure	21	(969,416)	(272,000)
Taxation		172,704	-
Financing	21	(1,868,768)	(735,664)
		1,552,203	4,475,011
Increase in cash		(316,565)	3,739,347
Reconciliation of net cash flow to movement in net debt			
	22		
Increase in cash in the period		(316,565)	3,739,347
Cash flow from change in debt		(1,587,300)	(4,517,799)
Cashflow from change in finance leases		35,097	42,788
Other non-cash changes		(663,328)	1,219,788
Translation differences		-	136,014
Change in net debt		(2,532,096)	620,138
Net debt at 31 December 2006		(102,432,168)	(103,052,306)
Net debt at 31 December 2007		(104,964,264)	(102,432,168)

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable UK law and accounting standards. The particular accounting policies adopted have been consistently applied in the current and preceding year, are described below.

Accounting convention and basis of preparation

The financial statements are prepared under the historical cost convention.

Consolidation policy

The consolidated financial statements are prepared under acquisition accounting and comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2007.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985. The loss for the financial year of the parent company was £1,188,316 (2006 - £5,707,148).

Going concern

As a result of the difficult trading conditions during late 2008 and during 2009, the company is in breach of its banking covenants at the date of approval of the financial statements and the company's loan facility is repayable on demand. The company is currently in discussions with its bank concerning the covenant breach.

Given the uncertainty as to whether the bank will invoke its right to discontinue the facility, the directors have concluded that this gives rise to a material uncertainty which may cast significant doubt upon the ability of the company to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have produced cash flow forecasts for the company for the period until 31 December 2011 which indicates that the company will require the support of its ultimate controlling party Mohamed Bin Issa Al Jaber in order to meet its trading liabilities as and when they fall due. Should the loan facility require repayment, additional support would be required.

The directors have obtained a letter of support from the company's ultimate controlling party Mohamed Bin Issa Al Jaber and two of the company's parent undertakings, JJW Limited (intermediary holding company), MBI International & Partners Inc (the ultimate parent undertaking) as follows:

- a) The company's ultimate controlling party, Mohamed Bin Issa Al Jaber, has confirmed that it will not seek repayment of the balance due to it from the company for a period of at least 15 months from the date of signing of the financial statements, and
- b) JJW Limited (intermediary holding company), MBI International & Partners Inc (the ultimate parent undertaking) and Mohamed Bin Issa Al Jaber, have also confirmed that they will provide financial support as and when the company may require to meet liabilities as they fall due, for a period of at least 15 months from the date of signing the financial statements.

As a result of obtaining this letter of support, the directors consider that it is appropriate to prepare the financial statements on a going concern basis as they consider that the company will be able to meet its liabilities as and when they fall due.

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

1. Accounting policies (continued)

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold buildings	-	50 years straight line
Leasehold land and buildings	-	over term of lease (except Hotel de la Tremoille, see note 9)
Fixtures and fittings	-	10-33% per annum straight line

Freehold land is not depreciated

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Investments

Investments are stated at cost less provision for any impairment

Stocks

Stocks are held for resale and stated at the lower of cost and net realisable value. Cost is based on the purchase price and net realisable value is based on the estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at that date. Exchange differences are taken into account in arriving at the operating profit.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate are recorded directly in reserves.

Borrowings

Interest rates on loans, which have stepped increases over the period of the borrowing have been incorporated in the financial statements on an overall average rate.

Finance leases and hire purchase

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest elements of rental obligations are charged to the profit and loss account over the period of the lease.

Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The group makes contributions to personal pension plans and the pension charged in the consolidated profit and loss account represents amounts payable by the group to the funds in respect of the period.

French law does not require the recognition of a retirement cost provision. In order to comply with UK GAAP a retirement provision in respect of the French subsidiaries has been included within the consolidated accounts at the best estimate of retirement liabilities falling due. The liability at the balance sheet date is £252,609 (2006 £211,945) and the current cost is £8,876 (2006 £7,925).

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

2. Turnover

Turnover is attributable to one class of business, ownership and operation of hotels. It is analysed by geographical market as follows:

	2007 £	2006 £
United Kingdom	8,658,413	8,105,696
France	7,535,001	7,052,649
Total	16,193,414	15,158,345

3. Segmental analysis

Loss before taxation and net assets are attributable to one class of business, ownership and operation of hotels.

Loss before taxation and net assets by geographical origin are analysed by geographical segment below:

	Loss before taxation		Net liabilities	
	2007 £	2006 £	2007 £	2006 £
United Kingdom	(3,450,342)	(4,361,837)	(53,842,696)	(49,708,953)
France	(531,975)	(1,335,076)	(9,262,334)	(10,267,194)
Total	(3,982,317)	(5,716,913)	(63,105,030)	(59,976,147)

4. Operating profit/(loss)

The operating loss is stated after charging/(crediting):

	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned by the group	2,311,452	2,556,198
- held under finance lease or hire purchase contracts	24,190	29,784
Auditors' remuneration – audit of financial statements	30,000	30,000
Auditors' remuneration – audit of the company's subsidiaries	40,000	40,000
Auditors' remuneration – tax audit services	-	16,000
Auditors' remuneration – tax compliance services	-	14,000
Operating lease rentals		
- land and buildings	1,176,490	1,086,681
Rental income	(68,000)	(68,000)
Loss on sale of fixed assets	-	664

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

5. Directors' emoluments and benefits

	2007 £	2006 £
Directors' emoluments		
Emoluments	-	9,724

No directors (2006 - none) were members of company pension schemes

The directors appointed following the acquisition on 31 January 2006 were not remunerated by the group. All directors were remunerated by the Company's parent undertaking.

6. Staff costs

Staff costs, including directors' emoluments, were as follows

	2007 £	2006 £
Wages and salaries	4,637,244	4,411,845
Social security costs	1,007,444	894,752
Pension costs	202,451	182,904
	<u>5,847,139</u>	<u>5,489,501</u>

The average monthly number of employees, including executive directors, during the year was

Number	Number
<u>243</u>	<u>244</u>

7. Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	4,150,875	4,145,532
Finance charges under finance lease and hire purchase contracts	10,401	7,756
Exchange differences	-	569,014
Amortisation of finance costs	-	552,632
	<u>4,161,276</u>	<u>5,274,934</u>

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

8 Taxation

	2007 £	2006 £
(a) Analysis of charge in year		
UK corporation tax		
Current tax on income for the year	-	-
Foreign tax		
Current tax on income for the year	87,634	(10,915)
Total current tax	<u>87,634</u>	<u>(10,915)</u>
Deferred tax		
Changes in deferred tax balances arising from Origination or reversal of timing differences	(27,123)	20,680
Tax charge on profit on ordinary activities	<u>60,511</u>	<u>9,765</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2007 £	2006 £
Loss on ordinary activities before tax	(3,982,317)	(5,716,913)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 - 30%)	(1,194,695)	(1,715,074)
Effects of		
Expenses not deductible for tax purposes	435,349	706,805
Capital allowances in excess of depreciation	270,396	110,743
Tax losses carried forward	594,141	917,713
Short term timing differences	-	(9,272)
Tax rate differences	(17,557)	-
Utilisation of tax losses	-	-
Current tax charge for the year	<u>87,634</u>	<u>10,915</u>

A deferred tax asset has not been recognised in respect of tax losses and timing differences as at 31 December 2007 as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £13.4m (2006 - £12.8m)

Deferred tax has not been provided on the surplus arising on the revaluation of fixed assets. The tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £4,730,000 (2006 - £5,068,000)

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

9. Tangible fixed assets

	Freehold hotel properties £	Leasehold hotel properties £	Fixtures and fittings £	Total £
Cost				
At 1 January 2007	21,560,561	28,044,329	7,556,133	57,161,023
Additions	45,864	12,171	911,381	969,416
Disposals	-	-	(181,127)	(181,127)
Exchange difference	-	924,629	249,127	1,173,756
At 31 December 2007	21,606,425	28,981,129	8,535,514	59,123,068
Depreciation				
At 1 January 2007	2,111,044	4,781,806	4,866,942	11,759,792
Charge for year	257,361	1,131,131	947,150	2,335,642
On disposals	-	(138,670)	(39,338)	(178,008)
At 31 December 2007	2,368,405	5,774,267	5,774,754	13,917,426
Net book amount				
At 31 December 2007	19,238,020	23,206,862	2,760,760	45,205,643
At 31 December 2006	19,449,517	23,262,523	2,689,191	45,401,231

Net book amount of leasehold hotel properties comprises

	2007 £	2006 £
Long leaseholds	14,412,181	14,414,420
Short leaseholds	8,794,681	8,848,103
	23,206,862	23,262,523

All freehold hotel property, short leasehold hotel property and other assets, except as noted below, were held as at 31 December 2007 under fixed and floating charges in favour of the Bank of Scotland, as security for the debts of the Scotsman Hotel Group Limited

The Hotel de la Tremoille is held under a lease which expires on 31 December 2013 and the group owns the 'fonds de commerce' which is the hotel trade. The company is legally entitled to renew the lease for a further period of nine years and again at the end of each subsequent renewal date, unless the landlord pays compensation corresponding to the value of the business, including future potential trading profits. On the basis that the company has a right to renew the lease or receive compensation, and given that the company intends to renew the lease indefinitely, the carrying value of the leasehold interest (which includes the value of the hotel trading), less estimated residual value, of the hotel is being depreciated over a one hundred year period. Accordingly, in accordance with FRS15, these leasehold interests are subject to an annual impairment review. The directors carried out an impairment review as at 31 December 2007 and have concluded that the leasehold interests are not impaired.

The Scotsman Hotel Group Limited

Notes to the financial statements

Year ended 31 December 2007

9 Tangible fixed assets (continued)

The properties of the group were valued by HVS Limited on 30 April 2009. The basis of valuation was the market value of the property at the value date and was carried out in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual (Sixth Edition) issued by the Royal Institution of Chartered Surveyors. The valuation demonstrated the assets were not impaired.

The net book value of fixtures and fittings includes £15,831 (2006 - £26,232) in respect of assets held under finance leases.

Company	Fixtures and fittings £
Cost	
At 1 January 2007 and 31 December 2007	247,548
Depreciation	
At 1 January 2007	239,352
Charge for year	4,754
At 31 December 2007	244,106
Net book amount	
At 31 December 2007	3,442
At 31 December 2006	8,196

The net book amounts of fixtures and fittings above include £nil (2006 - £nil) in respect of assets held under finance leases or hire purchase contracts.

10. Fixed asset investments

Company	Loans to subsidiaries	Shares in subsidiaries	Total £
Cost			
At 1 January and 31 December 2007	12,046,969	12,726,064	24,773,033
Impairment provision			
At 1 January 2007	10,168,382	8,711,014	18,879,396
At 31 December 2007	10,168,382	8,711,014	18,879,396
Net book amount			
At 31 December 2007	1,878,587	4,015,050	5,893,637
At 31 December 2006	1,878,587	4,015,050	5,893,637

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

10 Fixed asset investments (continued)

The company holds the following investments in subsidiary undertakings

Name	Country of incorporation/ registration and operation	Activity	Type of share	% of nominal value of shares
The Baby Grand Hotel Company Limited	Great Britain	Hotel operator	Ordinary	100
The Scotsman Hotel Company Limited	Great Britain	Hotel operator	Ordinary	100
Tremoille Hotel SA	France	Holding company	Ordinary	100
Hotel de la Tremoille SA	France	Hotel operator	Ordinary	100*
Baby Grand Hotels Limited	Great Britain	Dormant company	Ordinary	100
		Restaurant		
Baby Grand Restaurants SARL	France	operator	Ordinary	100

* This is an indirect holding through Tremoille Holding SA

11. Stocks

	Group		Company	
	2007	2006	20067	2006
	£	£	£	£
Goods held for resale	185,160	176,490	-	-

12. Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Due within one year				
Trade debtors	462,179	543,530	-	-
Amounts due from group undertakings	-	-	47,801,467	44,150,635
Corporation tax debtor	-	7,237	10,703	-
Other debtors	318,288	252,814	12,223	-
Prepayments and accrued income	411,424	487,103	14,458	17,102
	<u>1,191,891</u>	<u>1,290,684</u>	<u>47,838,851</u>	<u>44,167,737</u>

The Scotsman Hotel Group Limited

Notes to the financial statements

Year ended 31 December 2007

13. Creditors amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank overdrafts	10,766,900	-	10,722,525	8,496,542
Bank loans (note 15)	51,232,224	50,983,141	51,232,224	50,983,141
Trade creditors	953,734	843,584	228	46,798
Other tax and social security	487,996	880,956	-	294,422
Net obligations under finance lease and hire purchase contracts (note 16)	3,112	26,425	-	-
Other creditors	960,116	1,024,123	-	1,516
Parent company loan (note 15)	12,332,800	10,994,583	13,615,771	11,263,347
Amounts owed to group undertakings	814,866	-	-	-
Corporation Tax	67,834	-	-	-
Accruals and deferred income	1,933,697	1,478,454	1,234,185	864,491
	<u>79,553,280</u>	<u>66,231,266</u>	<u>76,804,933</u>	<u>71,950,257</u>

The bank overdraft is secured with a guarantee and debenture over the whole of the group's assets

14. Creditors amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Debenture loans (note 15)	40,726,241	40,726,241	40,726,241	40,726,241
Net obligations under finance lease and hire purchase contracts (note 16)	-	1,383	-	-
	<u>40,726,241</u>	<u>40,727,624</u>	<u>40,726,241</u>	<u>40,726,241</u>

The debenture loans are due to the ultimate parent company, MBI International & Partners Inc. They are collateral free, non-interest bearing and with no fixed repayment term

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

15 Loans

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Loan stock A	21,161,826	21,161,826	21,161,826	21,161,826
Loan stock B	8,356,911	8,356,911	8,356,911	8,356,911
Loan stock C	10,355,546	10,355,546	10,355,546	10,355,546
Loan stock D	851,958	851,958	851,958	851,958
Loan stock E	-	-	-	-
Bank loans (LIBOR + 1.5%)	32,000,000	32,000,000	32,000,000	32,000,000
Bank loans (LIBOR + 0.0%)	19,232,224	18,983,141	19,232,224	18,983,141
Parent company loan	12,332,800	10,994,583	13,668,665	10,994,583
Less unamortised finance costs	-	-	-	-
Total loans (excluding overdrafts)	104,291,265	102,703,965	105,627,130	102,703,965

Loans fall due for payment as follows

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Loan stock A to E				
Between two and five years	40,726,241	40,726,241	40,726,241	40,726,241
Parent company loan				
Within one year	12,332,800	10,994,583	13,668,665	10,994,583
Bank loans				
Within one year	51,232,224	50,983,141	51,232,224	50,983,141

As at 31 January 2007, the A,B,C and D loan stocks were acquired by the new shareholder and subsequent interest was waived by the shareholder. The E loan stock was forgiven. The guarantees and charges issued to the previous holders were transferred to the new shareholder.

On the same date, following an injection of funds by the new shareholder, the bank loans were restructured. The current loans with the Bank of Scotland are subdivided into term A and term B loans with interest charged at 1.5% above LIBOR and 0% above LIBOR respectively.

Under the amended agreement, the bank debt is repayable at the end of the term of 10 years, with interest on both loans being paid quarterly.

As disclosed in Note 1, during 2007 and 2006 certain of the group's loan covenants were breached. No waiver has yet been received from the bank for these breaches. In line with Financial Reporting Standard 25, Financial Instruments - Presentation, the whole of the bank debt has been classified as current liabilities.

The parent company loan is due to the shareholder, has no formal terms and is repayable on demand.

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

16 Finance leases

Net obligations under finance lease and hire purchase agreements fall due as follows

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Within one year	3,112	26,425	-	-
Between one and five years		1,383	-	-
	<u>3,112</u>	<u>27,808</u>	<u>-</u>	<u>-</u>

Finance lease and hire purchase creditors are secured on the assets concerned

17. Provisions for liabilities

Group	Deferred taxation £
At 31 December 2006	185,267
Credited to profit and loss	(27,123)
At 31 December 2007	<u>158,144</u>

Deferred tax is analysed as follows

	2007 £	2006 £
Capital allowances in advance of depreciation	<u>158,144</u>	<u>185,267</u>

18. Called up share capital

	2007 £	2006 £
Authorised:		
ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

19. Reserves

	Group £	Company £
Profit and loss account		
At 31 December 2006	(63,284,675)	(65,915,456)
Loss for the year	(4,042,828)	(1,188,316)
Exchange difference	913,945	-
	<u>(66,413,558)</u>	<u>(67,103,772)</u>
At 31 December 2007	<u>(66,413,558)</u>	<u>(67,103,772)</u>

	Group and Company £
Capital contribution reserve	
At 31 December 2006	2,369,052
Loss for the year	-
	<u>2,369,052</u>
At 31 December 2007	<u>2,369,052</u>

20. Shareholders' deficit

	2007 £	2006 £
Shareholders' deficit at 31 December 2006	(59,976,147)	(56,858,778)
Loss for the year	(4,042,828)	(5,707,148)
Capital contribution	-	2,369,052
Other recognised gains and losses	913,945	220,727
	<u>(63,105,030)</u>	<u>(59,976,147)</u>
Shareholders' deficit at 31 December 2007	<u>(63,105,030)</u>	<u>(59,976,147)</u>

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

21. Gross cash flows

		2007 £	2006 £
Returns on investments and servicing of finance			
Interest paid		(3,943,027)	(3,477,857)
Interest element of finance lease rentals			(7,756)
		<u>(3,943,027)</u>	<u>(3,485,613)</u>
Capital expenditure			
Payments to acquire tangible fixed assets	9	<u>(969,416)</u>	<u>(272,000)</u>
Financing			
New loans		1,587,300	40,975,619
Loans repaid		-	(36,457,820)
Capital element of finance lease rentals		(35,097)	(42,788)
		<u>1,552,203</u>	<u>4,475,011</u>

22. Analysis of changes in net debt

	2006 £	Cash flows £	Other changes £	2007 £
Cash at bank and in hand	299,605	10,450,335	-	10,749,940
Overdrafts	-	(10,766,900)	-	(10,766,900)
Cash less overdrafts	<u>299,605</u>	<u>(316,565)</u>	<u>-</u>	<u>(16,960)</u>
Debt due within one year – bank	(50,983,141)	(249,083)	-	(51,232,224)
Debt due within one year – parent	(10,994,583)	(1,338,217)	(652,927)	(12,985,727)
Debt due after one year	(40,726,241)	-	-	(40,726,241)
Finance leases	(27,808)	35,097	(10,401)	(3,112)
Total	<u>(102,432,168)</u>	<u>(1,868,768)</u>	<u>(663,328)</u>	<u>(104,964,204)</u>

The Scotsman Hotel Group Limited

Notes to the financial statements

Year ended 31 December 2007

23. Other commitments

Group

At 31 December 2006 the group has annual commitments under operating leases as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date:				
After more than five years	1,012,286	1,012,286	-	-

24. Contingent liabilities

The company has issued guarantees and debentures incorporating fixed and floating charges over all assets of the company present and future, to the Bank of Scotland, in respect of monies due to them by the company and its subsidiaries

The Scotsman Hotel Group Limited

Notes to the financial statements Year ended 31 December 2007

25. Transactions with related parties

The company is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, Related party disclosures, not to disclose transactions, with group companies which are related parties

Included within creditors due after more than one year are loan stocks A, B, C and D which are held by the ultimate controlling party Details of the amounts and terms are set out in note 15 During the year interest charges to the profit and loss account and fees incurred in respect of the loans were £588,132 (2006 - £619,840)

No interest is payable/receivable on the balances held with JJW and Eton Group Limited these liabilities/assets and there is no fixed repayment date

Included within creditors due within one year is a loan from the parent company Details of the amounts and terms are set out in note 15

During the year the group entered into transactions, in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding at 31 December, are as follows

		Amounts owed from related parties £	Amounts owed to related parties £
MBI International & Partner	2007		12,985,727
	2006		10,994,583
JJW Hotels and Resorts Limited	2007		46,012
	2006	-	-
Eton Group Limited	2007	-	115,927
	2006	-	-

The above companies are 100% owned subsidiaries within the MBI International & Partners Inc group (the company's ultimate parent undertaking)

26. Controlling ultimate parent company

The company was controlled by Botts Capital Partners L P until 31 January 2006

On 31 January 2006, the Scotsman Hotel Group Ltd was acquired by MBI International & Partners Inc until 2 December 2008

On 2 December 2008, the shares of Scotsman Hotel Group Limited were transferred from MBI International & Partners Inc to JJW Hotels & Resorts Holding Inc, a company incorporated in the British Virgin Islands which is now the company's ultimate parent company The controlling party is Mohamed Bin Issa Al Jaber