

Registered number  
3760451

**HAND PICKED HOTELS LIMITED**

**Report and Accounts**

**28 November 2002**



**HAND PICKED HOTELS LIMITED**  
**Report and accounts**  
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**HAND PICKED HOTELS LIMITED**  
**Company Information**

**Directors**

R C Felton  
J Hands  
A Caplin  
A Walia  
G Ritchie  
K Arkley  
J Speller  
P Parrot

**Secretary**

Jordans Company Secretaries Limited

**Auditors**

PKF  
New Garden House  
78 Hatton Garden  
London  
EC1N 8JA

**Registered office**

The Old Library  
The Drive  
Sevenoaks  
Kent  
TN13 3AB

**Registered number**

3760451

## **HAND PICKED HOTELS LIMITED**

### **Directors' Report**

The directors present their report and consolidated accounts of the group for the period ended 28 November 2002.

#### **Principal activities**

The group's principal activity during the period continued to be that of the ownership and operation of a number of hotels.

#### **Review of business**

The results for the period and financial position of the group are as shown in the annexed financial statements. The directors are satisfied with the results for the period and are optimistic as to the future success of the group.

#### **Dividends**

No dividends will be distributed for the period ended 28 November 2002.

#### **Directors**

The directors who served during the period under review were:

R C Felton		
M T Fitzgerald	- resigned	06.12.2001
J Hands		
A Caplin		
P Fullerton	- resigned	19.11.2002
A Walia		
G Ritchie		
K Arkley		
J Speller	- appointed	08.01.2002
P Parrot	- appointed	24.01.2003

The directors holding office at 28 November 2002 did not hold any beneficial interest in the issued share capital of the company or any other company within the group at date of appointment or 28 November 2002, except J Hands, who held one share and has since acquired one share making her total two shares.

#### **Charitable donations**

During the year, the company made a charitable contribution totalling £7,000 (2001: £Nil).

#### **Disabled employees**

The group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can handle the requirements of the job. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

#### **Employee involvement**

Employee involvement in the performance of the business is encouraged and staff are kept informed on a regular basis. Training is given, as necessary, to managers and supervisors in those skills necessary to enable effective communication and involvement of staff. The group believes in the importance of, and actively promotes, equality of opportunity in recruitment, training and career development.

## **HAND PICKED HOTELS LIMITED**

### **Directors' Report**

#### **Statement of Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those accounts, the directors are required to:

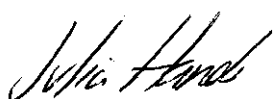
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the directors' report and other information included in the financial statements is prepared in accordance with company law in the United Kingdom.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts 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.

#### **Auditors**

A resolution to reappoint auditors will be put to the forthcoming Annual General Meeting.



J Hands  
Director

## **HAND PICKED HOTELS LIMITED**

### **Independent auditors' report to the shareholders of HAND PICKED HOTELS LIMITED**

We have audited the accounts of Hand Picked Hotels Limited for the period ended 28 November 2002 which comprise the Profit and Loss account, the Cashflow Statement, the Balance Sheets and the related notes. 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 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 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 group 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 company 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 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 judgements 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 the company's and group's affairs as at 28 November 2002 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*PKF*

PKF  
Registered auditor

London  
28 March 2003

**HAND PICKED HOTELS LIMITED****Consolidated Profit and Loss Account****for the period from 30 November 2001 to 28 November 2002**

		<b>52 weeks ended 28 November 2002 £</b>	<b>52 weeks ended 29 November 2001 £</b>
	<b>Notes</b>		
<b>Turnover</b>		37,584,714	37,355,252
Cost of sales		(9,249,301)	(9,833,823)
<b>Gross profit</b>		<u>28,335,413</u>	<u>27,521,429</u>
Administrative expenses		(25,327,792)	(28,685,557)
Other operating income	2	317,977	1,372,586
<b>Operating profit</b>	3	<u>3,325,598</u>	<u>208,458</u>
Exceptional items:			
Profit on disposal	4	-	23,715
		<u>3,325,598</u>	<u>232,173</u>
Interest receivable	7	90,032	352,549
Interest payable	7	(3,907,527)	(4,164,970)
<b>Loss on ordinary activities before taxation</b>		<u>(491,897)</u>	<u>(3,580,248)</u>
Tax on loss on ordinary activities	8	(185,000)	(219,024)
<b>Retained loss for the period</b>	18	<u>(676,897)</u>	<u>(3,799,272)</u>

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two periods.

**Statement of total recognised gains and losses**

The group has no recognised gains or losses other than the loss for the above two periods.

**HAND PICKED HOTELS LIMITED****Balance Sheets****as at 28 November 2002**

		<b>28 November 2002</b>		<b>29 November 2001</b>	
	<b>Notes</b>	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
<b>Fixed assets</b>					
Tangible assets	9	90,921,260	1,531,212	87,014,269	1,356,764
Investments	10	-	89,355,864	-	89,719,246
		<u>90,921,260</u>	<u>90,887,076</u>	<u>87,014,269</u>	<u>91,076,010</u>
<b>Current assets</b>					
Stocks	11	3,374,695	3,067,060	3,368,501	2,901,160
Debtors	12	2,651,912	8,926,472	5,519,711	3,512,961
Cash at bank and in hand		<u>7,622,252</u>	<u>5,015,654</u>	<u>7,412,576</u>	<u>1,096,996</u>
		13,648,859	17,009,186	16,300,788	7,511,117
<b>Creditors: amounts falling due within one year</b>	14	<u>(11,942,480)</u>	<u>(24,312,544)</u>	<u>(22,597,379)</u>	<u>(23,624,804)</u>
<b>Net current assets/(liabilities)</b>		1,706,379	(7,303,358)	(6,296,591)	(16,113,687)
<b>Total assets less current liabilities</b>		<u>92,627,639</u>	<u>83,583,718</u>	<u>80,717,678</u>	<u>74,962,323</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(73,623,359)</u>	<u>(73,623,359)</u>	<u>(66,036,501)</u>	<u>(66,036,501)</u>
		<u>19,004,280</u>	<u>9,960,359</u>	<u>14,681,177</u>	<u>8,925,822</u>
<b>Capital and reserves</b>					
Called up share capital	17	23,256,490	23,256,490	18,256,490	18,256,490
Profit and loss account	18	<u>(4,252,210)</u>	<u>(13,296,131)</u>	<u>(3,575,313)</u>	<u>(9,330,668)</u>
<b>Shareholders' funds</b>	19	<u>19,004,280</u>	<u>9,960,359</u>	<u>14,681,177</u>	<u>8,925,822</u>



J Hands

Director

Approved by the board on 24 March 2003



**HAND PICKED HOTELS LIMITED****Consolidated Cash Flow Statement****for the period from 30 November 2001 to 28 November 2002**

	Notes	52 weeks ended 28 November 2002 £	52 weeks ended 29 November 2001 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		3,325,598	208,458
Depreciation charges		2,356,144	2,112,171
Amortisation of debt issue cost		23,334	23,334
Increase in stocks		(6,194)	(2,779,129)
Decrease/(increase) in debtors		2,422,433	(2,564,900)
(Decrease)/increase in creditors		(3,447,047)	3,193,181
<b>Net cash inflow from operating activities</b>		<u>4,674,268</u>	<u>193,115</u>

**CASH FLOW STATEMENT**

Net cash inflow from operating activities		4,674,268	193,115
Returns on investments and servicing of finance	20	(3,892,915)	(3,107,978)
Taxation		267,473	(945,366)
Capital expenditure	20	(6,263,135)	(1,698,548)
		<u>(5,214,309)</u>	<u>(5,558,777)</u>
<b>Financing</b>	20	5,375,014	3,400,000
<b>Increase/(decrease) in cash</b>		<u>160,705</u>	<u>(2,158,777)</u>

**Reconciliation of net cash flow to movement in net debt**

<b>Increase/(decrease) in cash in the period</b>		160,705	(2,158,777)
(Increase)/decrease in debt and lease financing	21	(375,014)	1,600,000
Non cash changes	21	(23,334)	(23,334)
<b>Change in net debt</b>	21	<u>(237,643)</u>	<u>(582,111)</u>
<b>Net debt at 30 November</b>	21	<u>(69,122,155)</u>	<u>(68,540,044)</u>
<b>Net debt at 28 November</b>	21	<u>(69,359,798)</u>	<u>(69,122,155)</u>

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 30 November 2001 to 28 November 2002**

### **1 ACCOUNTING POLICIES**

#### ***Fundamental Accounting Concept***

The accounts have been prepared on a going concern basis on the basis of continuing financial support from the ultimate parent company Benfica Limited which holds £18,386,011 of unsecured and subordinated loan stock. The parent company has confirmed that it will continue to provide financial support as it has no current intention or expectation of seeking repayment of all or part of the amounts owed by the company to it as at 28 November 2002.

#### ***Accounting convention***

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### ***Basis of Consolidation***

The group accounts consolidate the accounts of Hand Picked Hotels Limited and all of its subsidiaries for the 52 weeks ended 28 November 2002.

No profit and loss account is presented for Hand Picked Hotels Limited as permitted by section 230 of the Companies Act 1985. The company loss for the 52 weeks ending 28 November 2002 is £3,965,463.

#### ***Turnover***

Turnover represents net invoiced sales of goods and services, excluding value added tax, all of which is generated through the operation of the hotels. In the view of the directors, turnover is considered to be generated from one geographical segment on the grounds that all of the hotels are located in the United Kingdom, with the exception of one that is located in Jersey.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold buildings core	50 years
Freehold buildings surface finishes and services	20 years
Leasehold land and buildings	over the period of the lease
Plant and machinery	4 to 25 years

#### ***Stocks***

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### ***Deferred taxation***

Deferred tax is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis. This is a change of accountancy policy required by the implementation of Financial Reporting Standard No. 19 "Deferred tax". There is no material impact on current period or the prior period.

#### ***Pensions***

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

# HAND PICKED HOTELS LIMITED

## Notes to the Accounts

for the period from 30 November 2001 to 28 November 2002

### *Related party transactions*

The company has taken advantage of the exemptions in FRS 8 in connection with the disclosure of transactions with other group undertakings.

### *Leasing*

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

## 2 OTHER OPERATING INCOME

Other operating income of £317,977 (2001: £1,372,586) is in respect of the management fee charged by the company to Norton Crathorne (No 1) Limited, a company under common control that operates two hotels. In 2001, other operating income comprised of £672,586 of management fees charged by the company to Norton Crathorne (No 1) Limited and £700,000 in respect of insurance proceeds for loss of profits following a flood at one of the group's hotels.

## 3 OPERATING PROFIT

This is stated after charging:

	2002 £	2001 £
Depreciation of owned fixed assets	2,356,144	2,112,171
Fees payable under management contracts	-	2,124,631
Extensive maintenance programme costs	-	999,983
Auditors' remuneration - audit fees	57,300	110,000
Auditors' remuneration - non-audit fees	12,500	194,465
	<u>2,425,944</u>	<u>5,541,250</u>

## 4 EXCEPTIONAL ITEMS

Profit on disposal of land and buildings

	2002 £	2001 £
Profit on disposal of land and buildings	<u>-</u>	<u>23,715</u>

## 5 DIRECTORS' EMOLUMENTS

Emoluments  
Company contributions to money purchase pension schemes

	2002 £	2001 £
Emoluments	954,296	355,626
Company contributions to money purchase pension schemes	45,896	17,070
	<u>1,000,192</u>	<u>372,696</u>

Highest paid director:

Emoluments  
Company contributions to money purchase pension schemes

	2002 £	2001 £
Emoluments	274,073	133,333
Company contributions to money purchase pension schemes	9,645	795
	<u>283,718</u>	<u>134,128</u>

**HAND PICKED HOTELS LIMITED****Notes to the Accounts****for the period from 30 November 2001 to 28 November 2002****6 STAFF COSTS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Wages and salaries	14,463,993	12,491,155
Social security costs	1,057,554	885,001
Other pension costs	218,542	46,939
	<u>15,740,089</u>	<u>13,423,095</u>

**Average number of employees during the period**

	<b>2002</b>	<b>2001</b>
	<b>Number</b>	<b>Number</b>
Hotel operations	780	925
Administration	118	118
	<u>898</u>	<u>1,043</u>

**7 INTEREST RECEIVABLE / PAYABLE**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Interest receivable and similar income</b>		
Bank interest	<u>90,032</u>	<u>352,549</u>
<b>Interest payable and similar charges</b>		
Bank loans and overdrafts	<u>3,907,527</u>	<u>4,164,970</u>

**8 TAXATION**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Current year charge</b>		
Corporation tax	185,000	175,777
Adjustment relating to prior years	-	43,247
Total current tax	<u>185,000</u>	<u>219,024</u>
	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Factors affecting tax charge for the period</b>		
Profit on ordinary activities before tax	<u>(491,897)</u>	<u>(3,580,248)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax (30%)	(147,569)	(1,074,074)
<i>Explained by:</i>		
Expenses not deductible for tax purposes	24,900	277,500
Capital allowances for period in excess of depreciation	(294,900)	(3,300)
Trading losses arising in the period not utilised	690,000	1,081,200
Adjustments in respect of previous periods	-	43,247
Other differences	3,869	(6,226)
Difference in tax rate for overseas territory	(91,300)	(99,323)
<b>Total current tax</b>	<u>185,000</u>	<u>219,024</u>

The group has not provided for capital gains tax which would arise on the sale of land and buildings for their carrying values. At the period end this liability is estimated at £5,150,000 (2001 £5,700,000).

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 30 November 2001 to 28 November 2002**

### **9 TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold land and buildings £</b>	<b>Leasehold land and buildings £</b>	<b>Plant and machinery £</b>
<b>Cost:</b>			
At 30 November 2001	67,454,286	7,749,847	15,943,826
Additions	1,708,817	-	2,409,569
At 28 November 2002	<u>69,163,103</u>	<u>7,749,847</u>	<u>18,353,395</u>
<b>Depreciation:</b>			
At 30 November 2001	424,705	186,026	3,522,959
Charge for the period	357,400	93,113	1,905,631
At 28 November 2002	<u>782,105</u>	<u>279,139</u>	<u>5,428,590</u>
<b>Net book value:</b>			
At 28 November 2002	<u>68,380,998</u>	<u>7,470,708</u>	<u>12,924,805</u>
At 29 November 2001	<u>67,029,581</u>	<u>7,563,821</u>	<u>12,420,867</u>
	<b>Assets in course of construction £</b>	<b>Total £</b>	
<b>Cost:</b>			
At 30 November 2001	-	91,147,959	
Additions	2,144,749	6,263,135	
At 28 November 2002	<u>2,144,749</u>	<u>97,411,094</u>	
<b>Depreciation:</b>			
At 30 November 2001	-	4,133,690	
Charge for the period	-	2,356,144	
At 28 November 2002	<u>-</u>	<u>6,489,834</u>	
<b>Net book value:</b>			
At 28 November 2002	<u>2,144,749</u>	<u>90,921,260</u>	
At 29 November 2001	<u>-</u>	<u>87,014,269</u>	

Included in land and buildings is freehold land of £14,591,559 (2001: £14,591,559) which is not depreciated.

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 30 November 2001 to 28 November 2002**

### **9 TANGIBLE FIXED ASSETS (continued)**

<b>Company</b>	<b>Freehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost:</b>			
At 30 November 2001	865,638	615,907	1,481,545
Additions	-	268,366	268,366
At 28 November 2002	<u>865,638</u>	<u>884,273</u>	<u>1,749,911</u>
<b>Depreciation:</b>			
At 30 November 2001	11,313	113,468	124,781
Charge for the period	11,313	82,605	93,918
At 28 November 2002	<u>22,626</u>	<u>196,073</u>	<u>218,699</u>
<b>Net book value:</b>			
At 28 November 2002	<u>843,012</u>	<u>688,200</u>	<u>1,531,212</u>
At 29 November 2001	<u>854,325</u>	<u>502,439</u>	<u>1,356,764</u>

### **10 INVESTMENTS**

<b>Company</b>	<b>Subsidiary undertakings £</b>
<b>Cost</b>	
At 30 November 2001 and 28 November 2002	<u>89,719,246</u>
<b>Provision</b>	
At 30 November 2001	-
Increase in year	363,382
At 28 November 2002	<u>363,382</u>
<b>Net book value</b>	
At 28 November 2002	<u>89,355,864</u>
At 30 November 2001	<u>89,719,246</u>

Details of the investments in which the company holds more than 10% of the voting rights are as follows:

<b>Company</b>	<b>Country of registration or incorporation</b>	<b>Proportion of voting rights</b>	<b>Nature of business</b>
Buxted Park Hotel Limited	England and Wales	100%	Hotel owner and operator
Cwrt Bleddyn Hotel limited	England and Wales	100%	Non-trading
Rhinefield House Hotel Limited	England and Wales	100%	Hotel owner and operator
Seiont Manor Hotel Limited	England and Wales	100%	Hotel owner and operator
Rhinefield Timeshare Limited *	England and Wales	100%	Timeshare sales
Rhinefield Timeshare Management Limited *	England and Wales	100%	Timeshare Management
Wy (Nutfield Priory) Limited	England and Wales	100%	Hotel owner and operator

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 30 November 2001 to 28 November 2002**

### **10 INVESTMENTS (continued)**

Wy (Woodland Park) Limited	England and Wales	100%	Hotel owner and operator
Wy (L'Horizon) Limited	England and Wales	100%	Holding company
Hotel L'Horizon Limited *	Jersey	100%	Hotel owner and operator
Wy (Ettington Park) Limited	England and Wales	100%	Hotel operator
Ettington Park Group Limited *	England and Wales	100%	Hotel owner and lessor
Wy (The Haycock) Limited	England and Wales	100%	Hotel operator
Tillian Limited *	England and Wales	100%	Hotel owner and lessor
Wy (Priest House) Limited	England and Wales	100%	Hotel owner and operator
Wy (Brands Hatch) Limited	England and Wales	100%	Hotel owner and operator
Wy (Wood Hall) Limited	England and Wales	100%	Hotel owner and operator
Wy (Rookery Hall) Limited	England and Wales	100%	Hotel owner and operator
Wy (Mollington) Limited	England and Wales	100%	Hotel operator
Mollington Banastre Hotel Limited *	England and Wales	100%	Hotel owner and lessor
Wy (Chilston Park) Limited	England and Wales	100%	Hotel operator
Chilston Park Limited *	England and Wales	100%	Hotel owner and lessor

\* Held by subsidiary undertaking

### **11 STOCKS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Goods for resale	<u>3,374,695</u>	<u>3,368,501</u>
<b>Company</b>		
Goods for resale	<u>3,067,060</u>	<u>2,901,160</u>

### **12 DEBTORS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Trade debtors	1,571,752	1,708,560
Amounts due from ultimate parent undertaking	-	398,480
Other debtors	750,392	2,646,521
Prepayments and accrued income	329,768	320,784
Corporation tax recoverable	-	445,366
	<u>2,651,912</u>	<u>5,519,711</u>
<b>Company</b>		
Amounts due from ultimate parent undertaking	-	398,480
Amounts due from fellow subsidiary undertaking	7,756,992	-
Other debtors	1,066,216	2,662,616
Prepayments and accrued income	103,264	6,499
Corporation tax recoverable	-	445,366
	<u>8,926,472</u>	<u>3,512,961</u>

## HAND PICKED HOTELS LIMITED

### Notes to the Accounts

for the period from 30 November 2001 to 28 November 2002

#### 13 CASH AT BANK AND IN HAND

##### Group only

Included within cash at bank and in hand is an amount of £48,019 (2001: £90,611), which is held on trust by Rhinefield Timeshare Management Limited, a wholly owned subsidiary. The amount is restricted in its use and is only to be spent in furtherance of Rhinefield Timeshare Management's principal activity of managing the Rhinefield Timeshare apartments.

#### 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

##### Group

	2002 £	2001 £
Bank loans (see note 16)	2,601,667	2,601,667
Bank overdraft	287,024	238,053
Secured loan stock (see note 16)	-	5,245,000
Unsecured loan stock (see note 16)	-	1,943,510
Other loans (see note 16)	470,000	470,000
Payments in advance	1,808,379	1,530,801
Trade creditors	2,433,967	1,160,329
Corporation tax payable	190,663	183,556
Other taxes and social security costs	415,740	1,040,231
Other creditors	1,642,222	3,358,340
Accruals and deferred income	2,092,818	4,825,892
	<u>11,942,480</u>	<u>22,597,379</u>

##### Company

	2002 £	2001 £
Bank loans (see note 16)	2,601,667	2,601,667
Bank overdraft	286,925	-
Secured loan stock (see note 16)	-	5,245,000
Unsecured loan stock (see note 16)	-	1,943,510
Other loans (see note 16)	470,000	470,000
Payments in advance	-	-
Trade creditors	1,081,834	311,779
Amounts due to subsidiary undertakings	17,027,966	6,688,893
Other creditors	1,441,737	2,445,027
Accruals and deferred income	1,402,415	3,918,928
	<u>24,312,544</u>	<u>23,624,804</u>

#### 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

##### Group and company

	2002 £	2001 £
Bank loans (see note 16)	46,992,333	49,594,000
Secured loan stock (see note 16)	5,245,000	-
Unsecured loan stock (see note 16)	21,386,026	16,442,501
	<u>73,623,359</u>	<u>66,036,501</u>



# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 30 November 2001 to 28 November 2002**

### **16 LOANS**

#### **Group and Company**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank loans (1)	49,875,000	52,500,000
Secured loan stock (2)	5,245,000	5,245,000
Unsecured loan stock (3)	21,386,026	18,386,011
Other loans	470,000	470,000
	<u>76,976,026</u>	<u>76,601,011</u>
Less: Issue costs	281,000	304,333
	<u>76,695,026</u>	<u>76,296,678</u>
Amounts falling due:		
Within one year or on demand	3,071,667	10,260,177
Between one and two years	10,846,682	2,601,667
Between two and five years	7,805,000	7,805,000
After five years	54,971,677	55,629,834
	<u>76,695,026</u>	<u>76,296,678</u>

(1) This loan was drawn down under a term facility on 1 December 1999 and is repayable over 15 years. The rate of interest payable on the loan is a fixed rate of 6.34% plus a margin of 1.5% plus costs.

The loan is secured by way of a mortgage debenture over certain assets of the group.

In accordance with FRS4, issue costs attributed to the loan are being amortised over the life of the loan.

(2) The secured loan stock is secured by way of a fixed and floating charge over the assets of certain subsidiary undertakings.

(3) The unsecured loan stock is non-interesting bearing and subordinated.

### **17 CALLED UP SHARE CAPITAL**

	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>No</b>	<b>No</b>	<b>£</b>	<b>£</b>
Authorised ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, issued and fully paid:				
23,256,490 ordinary shares of £1 each			23,256,490	13,256,490
Allotted, issued and partly paid:				
10,000,000 ordinary shares of £1 each			-	5,000,000
			<u>23,256,490</u>	<u>18,256,490</u>

The call on partly paid shares was made at 22nd November 2002 for cash.

**HAND PICKED HOTELS LIMITED****Notes to the Accounts****for the period from 30 November 2001 to 28 November 2002****18 PROFIT AND LOSS ACCOUNT**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 30 November 2001	(3,575,313)	223,959
Retained loss	(676,897)	(3,799,272)
At 28 November 2002	<u>(4,252,210)</u>	<u>(3,575,313)</u>

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
At 30 November 2001	(9,330,668)	(3,652,851)
Retained loss	(3,965,463)	(5,677,817)
At 28 November 2002	<u>(13,296,131)</u>	<u>(9,330,668)</u>

**19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 30 November 2001	14,681,177	13,480,449
Loss for the financial period	(676,897)	(3,799,272)
Shares issued	5,000,000	5,000,000
At 28 November 2002	<u>19,004,280</u>	<u>14,681,177</u>

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
At 30 November 2001	8,925,822	9,603,639
Loss for the financial period	(3,965,463)	(5,677,817)
Shares issued	5,000,000	5,000,000
At 28 November 2002	<u>9,960,359</u>	<u>8,925,822</u>

**HAND PICKED HOTELS LIMITED****Notes to the Accounts****for the period from 30 November 2001 to 28 November 2002****20 GROSS CASH FLOWS**

	2002 £	2001 £
<b>Returns on investments and servicing of finance</b>		
Interest received	90,032	336,708
Interest paid	(3,982,947)	(3,444,686)
Interest element of finance lease rental payments	-	-
	<u>(3,892,915)</u>	<u>(3,107,978)</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(6,263,135)	(3,300,099)
Receipts from sales of tangible fixed assets	-	1,601,551
	<u>(6,263,135)</u>	<u>(1,698,548)</u>
<b>Financing</b>		
Issue of share capital	5,000,000	5,000,000
Secured loan stock repayment	375,014	(1,600,000)
	<u>5,375,014</u>	<u>3,400,000</u>

**21 ANALYSIS OF CHANGES IN NET DEBT**

	At 30 Nov 2001	Cash flows	Non-cash changes	At 28 Nov 2002
	£	£	£	£
Cash at bank and in hand	7,412,576	209,676		7,622,252
Overdrafts	(238,053)	(48,971)		(287,024)
		<u>160,705</u>		
Debt due within 1 year	(10,260,177)	7,532,020	(343,510)	(3,071,667)
Debt due after 1 year	(66,036,501)	(7,907,034)	320,176	(73,623,359)
		<u>(375,014)</u>		
Total	<u>(69,122,155)</u>	<u>(214,309)</u>	<u>(23,334)</u>	<u>(69,359,798)</u>

**22 ULTIMATE PARENT COMPANY**

The company's ultimate parent undertaking is Benfica Limited, which is registered in the Isle of Man.  
The controlling party is Mr G Hands.

**23 CAPITAL COMMITMENTS**

The amounts contracted for but not provided for in the accounts amount to £5,690,000 (2001 £23,330). This amount relates to the refurbishment of hotel properties.

## **HAND PICKED HOTELS LIMITED**

### **Notes to the Accounts**

**for the period from 30 November 2001 to 28 November 2002**

#### **24 RELATED PARTY DISCLOSURES**

The unsecured loan stock within creditors, amounts falling due after more than one year, includes an amount of £18,386,011 as at 28 November 2002 (2001: £18,386,011) which is owed to Benfica Limited, the company's ultimate parent undertaking. This amount is fully described in note 16. Also included is an amount of £3,000,000 (2001: £Nil) which is owed to Mrs J Hands, a director of the company and a connected party to the company's ultimate parent undertaking.

Creditors, amounts falling due within one year, include "Other loan" creditors of £100,000 as at 28 November 2002 (2001: £100,000) which is owed to Mrs J Hands, a director of the company and a connected party to the company's ultimate parent undertaking.

Included within creditors, amounts falling due within one year is an amount payable to Norton Crathorne (No.1) Limited, a company which is effectively under common control. The amount due to Norton Crathorne (No.1) Limited as at 28 November 2002 is £1,124,371 (2001: £793,160) and represents amounts that have been loaned by Norton Crathorne (No.1) Limited to the company.

Included within debtors is an amount receivable from Norton Crathorne (No.2) Limited, a company which is effectively under common control. The amount receivable from Norton Crathorne (No.2) Limited as at 28 November 2002 is £322,366 (2001: £321,911) and represents amounts loaned by the company to fund certain of the costs associated with the acquisition of Norton Crathorne (No.2) Limited by Bestmexico Limited, another company under common control.

Certain costs amounting to £413,142 (2001: £430,214) incurred by the company in respect of the operations of the hotels owned by Norton Crathorne (No.1) Limited have been recharged to Norton Crathorne (No.1) Limited. A management fee of £317,977 (2001: £242,372) has been charged to Norton Crathorne (No.1) Limited in respect of services and support provided by the company to assist in the management of the running of the hotel.

Included within creditors, amounts falling due within one year, as at 28 November 2002 is £370,000 (2001: £370,000) owed to Mr. G Hands, a connected party to the company's ultimate parent undertaking.

£76,335 (2001: £195,425) has been charged by Colman Felton, a partnership in which R Felton, a director of the company, is a partner in respect of accountancy and related services. These costs have been incurred on an arms length basis and are in addition to the amount of £25,300 (2001: £64,200) charged in respect of Mr. R Felton's services as a director (see note 5). The amount outstanding at 28 November 2002 was £Nil.

Included within debtors is an amount receivable from Hand Picked Design and Build Limited, a company which is effectively under common control, of £7,197 (2001: £11,760). Included in accruals and deferred income is an amount of £Nil (2001: £288,516), and the outstanding amount payable at 28 November 2002 was £567,521 (2001: £Nil). The amount charged in the year was £1,757,947 (2001: £318,879) incurred on an arms length basis in respect of architectural and interior design services.

**HAND PICKED HOTELS LIMITED****Profit and Loss Account****for the period from 30 November 2001 to 28 November 2002***for the information of the directors only*

	<b>52 weeks ended 28 November 2002 £</b>	<b>52 weeks ended 29 November 2001 £</b>
<b>Sales</b>	37,584,714	37,355,252
<b>Cost of sales</b>	(9,249,301)	(9,833,823)
<b>Gross profit</b>	<u>28,335,413</u>	<u>27,521,429</u>
Administrative expenses	(25,327,792)	(28,685,557)
Other operating income	317,977	1,372,586
<b>Operating profit</b>	<u>3,325,598</u>	<u>208,458</u>
Exceptional items	-	23,715
Interest receivable	90,032	352,549
Interest payable	(3,907,527)	(4,164,970)
<b>Loss before tax</b>	<u>(491,897)</u>	<u>(3,580,248)</u>

**HAND PICKED HOTELS LIMITED****Schedule to the Profit and Loss Account****for the period from 30 November 2001 to 28 November 2002***for the information of the directors only*

	52 weeks ended 28 November 2002 £	52 weeks ended 29 November 2001 £
<b>Sales</b>		
Sales	<u>37,584,714</u>	<u>37,355,252</u>
<b>Cost of sales</b>		
Purchases	5,947,407	6,352,404
Commissions payable	427,163	466,859
Other direct costs	<u>2,874,731</u>	<u>3,014,560</u>
	<u>9,249,301</u>	<u>9,833,823</u>
<b>Administrative expenses</b>		
Employee costs:		
Wages and salaries	14,206,909	12,231,775
Directors' salaries	75,382	396,284
Pensions	218,542	46,939
Bonuses	257,084	259,380
Employer's NI	1,057,554	885,001
Temporary staff and recruitment	290,912	367,553
Staff training and welfare	62,759	204,470
Travel and subsistence	151,236	112,906
Motor expenses	105,888	102,781
Entertaining	<u>45,696</u>	<u>57,549</u>
	<u>16,471,962</u>	<u>14,664,638</u>
Premises costs:		
Rent	(30,255)	17,505
Rates	614,342	774,552
Service charges / water rates	174,908	248,270
Light and heat	741,610	775,197
Cleaning / waste removal	<u>107,188</u>	<u>88,024</u>
	<u>1,607,793</u>	<u>1,903,548</u>
General administrative expenses:		
Telephone and fax	214,296	201,686
Postage	105,771	104,250
Stationery and printing	184,481	263,555
Subscriptions	3,564	154
Bank charges	437,710	432,196
Insurance	466,662	173,443
Equipment hire	3,876	11,255
Software/hardware	272,527	303,840
Repairs and maintenance	2,085,924	2,441,208
Depreciation	2,356,145	2,112,184
Roundings/differences	8	(268,768)
Bad debts & provision	48,536	26,109
Sundry expenses	<u>(220,537)</u>	<u>858,862</u>
	<u>5,958,963</u>	<u>6,659,974</u>
Legal and professional costs:		

**HAND PICKED HOTELS LIMITED****Schedule to the Profit and Loss Account****for the period from 30 November 2001 to 28 November 2002***for the information of the directors only*

	52 weeks ended 28 November 2002 £	52 weeks ended 29 November 2001 £
Audit fees	67,202	317,805
Accountancy fees	16,165	68,500
Consultancy fees	-	18,115
Management fees	249	2,124,631
Advertising and PR	1,030,527	678,863
Other legal and professional	174,931	2,249,483
	<u>1,289,074</u>	<u>5,457,397</u>
	<u>25,327,792</u>	<u>28,685,557</u>
<b>Other operating income</b>		
Other operating income	<u>317,977</u>	<u>1,372,586</u>