

Registered number  
3760451

# HAND PICKED HOTELS LIMITED

Report and Accounts

27 November 2003



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**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

**Secretary**

Jordans Company Secretaries Limited

**Auditors**

PKF  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

**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 27 November 2003.

#### **Principal activities**

The group's principal activity during the period continued to be that of the ownership and operation of a number of hotels. On 27 February 2003, the group sold the trade and assets of Wy (The Haycock) Limited and Tillian Limited. Since this date neither company has traded.

#### **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 27 November 2003.

#### **Directors**

The directors who served during the period under review were:

R C Felton				
J Hands				
A Caplin				
A Walia				
G Ritchie				
K Arkley				
J Speller				
P Parrot	- appointed	24.01.2003	resigned	27.11.2003

The directors holding office at 27 November 2003 did not hold any beneficial interest in the issued share capital of the company or any other company within the group at 28 November 2002 or 27 November 2003, except J Hands, who holds two shares.

#### **Charitable donations**

During the year, the company made a charitable contribution totalling £30,000 (2002: £7,000).

#### **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:

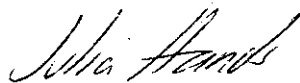
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 PKF as auditors will be put to the forthcoming Annual General Meeting.



J Hands  
Director

## **HAND PICKED HOTELS LIMITED**

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

We have audited the accounts of Hand Picked Hotels Limited for the period ended 27 November 2003 which comprise the Consolidated Profit and Loss account, the Group and Company Balance Sheets, Consolidated Cash Flow Statement 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 27 November 2003 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 auditors

London

~~April 2004~~

**12 May 2004**

**HAND PICKED HOTELS LIMITED**  
**Consolidated Profit and Loss Account**  
**for the period from 29 November 2002 to 27 November 2003**

		<b>52 weeks ended 27 November 2003 £</b>	<b>52 weeks ended 28 November 2002 £</b>
	<b>Notes</b>		
<b>Turnover</b>		35,009,790	37,584,714
Cost of sales		(8,602,996)	(9,249,301)
<b>Gross profit</b>		<u>26,406,794</u>	<u>28,335,413</u>
Administrative expenses		(23,386,648)	(25,327,792)
Other operating income	2	261,768	317,977
<b>Operating profit</b>	3	<u>3,281,914</u>	<u>3,325,598</u>
Exceptional items:			
Loss on disposal	4	(88,635)	-
		<u>3,193,279</u>	<u>3,325,598</u>
Interest receivable	7	323,962	90,032
Interest payable	7	(4,167,983)	(3,907,527)
<b>Loss on ordinary activities before taxation</b>		<u>(650,742)</u>	<u>(491,897)</u>
Tax on loss on ordinary activities	8	(203,605)	(185,000)
<b>Retained loss for the period</b>	18	<u>(854,347)</u>	<u>(676,897)</u>

**Continuing operations**

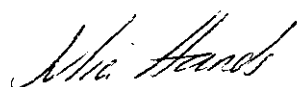
All results are derived from continuing operations.

**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 27 November 2003**

		<b>27 November 2003</b>		<b>28 November 2002</b>	
	<b>Notes</b>	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Tangible assets	9	99,033,359	1,826,770	90,921,260	1,531,212
Investments	10	-	89,355,864	-	89,355,864
		<u>99,033,359</u>	<u>91,182,634</u>	<u>90,921,260</u>	<u>90,887,076</u>
<b>Current assets</b>					
Stocks	11	3,460,706	3,184,416	3,374,695	3,067,060
Debtors	12	4,743,484	18,815,569	2,651,912	8,926,472
Cash at bank and in hand		<u>12,621,654</u>	<u>5,903,095</u>	<u>7,622,252</u>	<u>5,015,654</u>
		<u>20,825,844</u>	<u>27,903,080</u>	<u>13,648,859</u>	<u>17,009,186</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(10,687,576)</u>	<u>(21,576,479)</u>	<u>(11,942,480)</u>	<u>(24,312,544)</u>
<b>Net current assets</b>		<u>10,138,268</u>	<u>6,326,601</u>	<u>1,706,379</u>	<u>(7,303,358)</u>
<b>Total assets less current liabilities</b>		<u>109,171,627</u>	<u>97,509,235</u>	<u>92,627,639</u>	<u>83,583,718</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(85,021,692)</u>	<u>(85,021,692)</u>	<u>(73,623,359)</u>	<u>(73,623,359)</u>
		<u>24,149,935</u>	<u>12,487,543</u>	<u>19,004,280</u>	<u>9,960,359</u>
<b>Capital and reserves</b>					
Called up share capital	17	29,256,492	29,256,492	23,256,490	23,256,490
Profit and loss account	18	<u>(5,106,557)</u>	<u>(16,768,949)</u>	<u>(4,252,210)</u>	<u>(13,296,131)</u>
<b>Shareholders' funds</b>	19	<u>24,149,935</u>	<u>12,487,543</u>	<u>19,004,280</u>	<u>9,960,359</u>



J Hands

Director

Approved by the board on 28 April 2004



**HAND PICKED HOTELS LIMITED****Consolidated Cash Flow Statement****for the period from 29 November 2002 to 27 November 2003**

		52 weeks ended 27 November 2003	52 weeks ended 28 November 2002
	Notes	£	£
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		3,281,914	3,325,598
Depreciation charges		2,714,075	2,356,144
Amortisation of debt issue cost		23,333	23,334
(Increase) in stocks		(86,011)	(6,194)
(Increase)/decrease in debtors		(2,091,572)	2,422,433
(Decrease) in creditors		(1,178,965)	(3,447,047)
<b>Net cash inflow from operating activities</b>		<u>2,662,774</u>	<u>4,674,268</u>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow from operating activities</b>		2,662,774	4,674,268
<b>Returns on investments and servicing of finance</b>	20	(4,008,412)	(3,892,915)
<b>Taxation</b>		8,732	267,473
<b>Capital expenditure</b>	20	(10,914,809)	(6,263,135)
		<u>(12,251,715)</u>	<u>(5,214,309)</u>
<b>Financing</b>	20	17,375,002	5,375,014
<b>Increase in cash</b>		<u>5,123,287</u>	<u>160,705</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase in cash in the period</b>		5,123,287	160,705
Increase in debt and lease financing	21	(11,375,000)	(375,014)
Non cash changes	21	(23,333)	(23,334)
<b>Change in net debt</b>	21	<u>(6,275,046)</u>	<u>(237,643)</u>
<b>Net debt at 29 November 2002</b>	21	<u>(69,359,798)</u>	<u>(69,122,155)</u>
<b>Net debt at 27 November 2003</b>	21	<u>(75,634,844)</u>	<u>(69,359,798)</u>

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 29 November 2002 to 27 November 2003**

### **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 27 November 2003.

#### ***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 from the date of acquisition, or up to the date of disposal, for the 52 weeks ended 27 November 2003.

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 27 November 2003 is £3,472,818.

#### ***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 the full provision basis set out in Financial Reporting Standard 19.

#### ***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.

#### ***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.

# HAND PICKED HOTELS LIMITED

## Notes to the Accounts

for the period from 29 November 2002 to 27 November 2003

### *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 £261,768 (2002: £317,977) 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.

3 OPERATING PROFIT	2003 £	2002 £
This is stated after charging:		
Depreciation of owned fixed assets	2,714,075	2,356,144
Other operating leases	39,257	9,412
Auditors' remuneration - audit fees	57,300	57,300
Auditors' remuneration - non-audit fees	51,150	12,500

The non audit fees paid to the auditors includes amounts paid in relation to tax advice covering the prior year.

4 EXCEPTIONAL ITEMS	2003 £	2002 £
Loss on disposal of assets	(88,635)	-

5 DIRECTORS' EMOLUMENTS	2003 £	2002 £
Emoluments	708,028	875,620
Company contributions to money purchase pension schemes	53,146	45,896
	761,174	921,516

	2003 £	2002 £
Highest paid director:		
Emoluments	205,000	245,000
Company contributions to money purchase pension schemes	9,840	9,645
	214,840	254,645

6 STAFF COSTS	2003 £	2002 £
Wages and salaries	12,959,879	14,539,375
Social security costs	968,982	1,057,554
Other pension costs	201,172	218,542
	14,130,033	15,815,471

# HAND PICKED HOTELS LIMITED

## Notes to the Accounts

for the period from 29 November 2002 to 27 November 2003

### 6 STAFF COSTS (cont.)

Average number of employees during the period	2003 Number	2002 Number
Hotel operations	587	694
Administration	145	147
	<u>732</u>	<u>841</u>

### 7 INTEREST RECEIVABLE / PAYABLE

	2003 £	2002 £
<b>Interest receivable and similar income</b>		
Bank interest	<u>323,962</u>	<u>90,032</u>
<b>Interest payable and similar charges</b>		
Bank loans and overdrafts	<u>4,167,983</u>	<u>3,907,527</u>

### 8 TAXATION

	2003 £	2002 £
<b>Current year charge</b>		
Corporation tax	218,000	185,000
Adjustment relating to prior years	(14,395)	-
Total current tax	<u>203,605</u>	<u>185,000</u>
Deferred taxation	-	-
Total tax	<u>203,605</u>	<u>185,000</u>
<b>Factors affecting tax charge for the period</b>		
Loss on ordinary activities before tax	<u>(650,742)</u>	<u>(491,897)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax (30%)	(195,223)	(147,569)
<i>Explained by:</i>		
Expenses not deductible for tax purposes	53,753	24,900
Capital allowances for period in excess of depreciation	(584,654)	(294,900)
Trading losses arising in the period not utilised		690,000
Losses carried forward for future offset	1,225,689	-
Losses brought forward utilised in the period	(172,543)	
Other differences	-	3,869
Difference in tax rate for overseas territory	(109,022)	(91,300)
Adjustment in respect of prior years	(14,395)	
<b>Total current tax</b>	<u>203,605</u>	<u>185,000</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 £4,893,000 (2002 £5,150,000).

The group has trading losses of £9.8m available for offset against future trading profits in the relevant companies. A deferred tax asset has not been recognised as the recoverability of the asset is uncertain.

# HAND PICKED HOTELS LIMITED

## Notes to the Accounts

for the period from 29 November 2002 to 27 November 2003

### 9 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Long leasehold land and buildings £	Plant and machinery £
<b>Cost:</b>			
At 29 November 2002	69,163,103	7,749,847	18,353,395
Additions	1,725,612	-	8,350,855
Surplus on revaluation	-	-	-
Reclassification	-	-	1,650,227
Disposals	(2,755,945)	(1,660,668)	(4,265,466)
At 27 November 2003	<u>68,132,770</u>	<u>6,089,179</u>	<u>24,089,011</u>
<b>Depreciation:</b>			
At 29 November 2002	782,105	279,139	5,428,590
Charge for the period	368,377	70,344	2,275,354
On disposals	(141,749)	(206,518)	(3,536,170)
At 27 November 2003	<u>1,008,733</u>	<u>142,965</u>	<u>4,167,774</u>
<b>Net book value:</b>			
At 27 November 2003	<u>67,124,037</u>	<u>5,946,214</u>	<u>19,921,237</u>
At 28 November 2002	<u>68,380,998</u>	<u>7,470,708</u>	<u>12,924,805</u>

Group (cont.)	Assets in course of construction £	Total £
<b>Cost:</b>		
At 29 November 2002	2,144,749	97,411,094
Additions	5,547,349	15,623,816
Reclassification	(1,650,227)	-
Disposals	-	(8,682,079)
At 27 November 2003	<u>6,041,871</u>	<u>104,352,831</u>
<b>Depreciation:</b>		
At 29 November 2002	-	6,489,834
Charge for the period	-	2,714,075
On disposals	-	(3,884,437)
At 27 November 2003	<u>-</u>	<u>5,319,472</u>
<b>Net book value:</b>		
At 27 November 2003	<u>6,041,871</u>	<u>99,033,359</u>
At 28 November 2002	<u>2,144,749</u>	<u>90,921,260</u>

Included in land and buildings is freehold land of £14,024,056 (2002: £14,591,559) which is not depreciated.

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 29 November 2002 to 27 November 2003**

### **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 29 November 2002	865,638	884,273	1,749,911
Additions	-	434,154	434,154
Disposals	-	(95,114)	(95,114)
At 27 November 2003	<u>865,638</u>	<u>1,223,313</u>	<u>2,088,951</u>
<b>Depreciation:</b>			
At 29 November 2002	22,626	196,073	218,699
Charge for the period	11,313	123,436	134,749
On disposals	-	(91,267)	(91,267)
At 27 November 2003	<u>33,939</u>	<u>228,242</u>	<u>262,181</u>
<b>Net book value:</b>			
At 27 November 2003	<u>831,699</u>	<u>995,071</u>	<u>1,826,770</u>
At 28 November 2002	<u>843,012</u>	<u>688,200</u>	<u>1,531,212</u>

### **10 INVESTMENTS**

<b>Company</b>	<b>Subsidiary undertakings £</b>
<b>Cost</b>	
At 29 November 2002 and 27 November 2003	89,719,246
<b>Provision</b>	
At 29 November 2002	363,382
At 27 November 2003	<u>363,382</u>
<b>Net book value</b>	
At 27 November 2003	<u>89,355,864</u>
At 29 November 2002	<u>89,355,864</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

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 29 November 2002 to 27 November 2003**

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

Wy (Nutfield Priory) Limited	England and Wales	100%	Hotel owner and operator
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

Wy (The Haycock) Limited and Tillian Limited have been non-trading since 27 February 2003.

### **11 STOCKS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Goods for resale	<u>3,460,706</u>	<u>3,374,695</u>
<b>Company</b>		
Goods for resale	<u>3,184,416</u>	<u>3,067,060</u>

### **12 DEBTORS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Trade debtors	1,257,927	1,571,752
Other debtors	3,050,401	750,392
Prepayments and accrued income	<u>435,156</u>	<u>329,768</u>
	<u>4,743,484</u>	<u>2,651,912</u>
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
Amounts due from fellow subsidiary undertaking	16,124,042	7,756,992
Other debtors	2,445,850	1,066,216
Prepayments and accrued income	<u>245,677</u>	<u>103,264</u>
	<u>18,815,569</u>	<u>8,926,472</u>

**HAND PICKED HOTELS LIMITED****Notes to the Accounts****for the period from 29 November 2002 to 27 November 2003****13 CASH AT BANK AND IN HAND****Group only**

Included within cash at bank and in hand is an amount of £29,033 (2002: £48,019), 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**

	2003 £	2002 £
Bank loans (see note 16)	2,601,667	2,601,667
Bank overdraft	163,139	287,024
Other loans (see note 16)	470,000	470,000
Payments in advance	1,895,856	1,808,379
Trade creditors	2,140,819	2,433,967
Corporation tax payable	403,000	190,663
Other taxes and social security costs	776,848	415,740
Other creditors	578,014	1,642,222
Accruals and deferred income	1,658,233	2,092,818
	<u>10,687,576</u>	<u>11,942,480</u>

**Company**

	2003 £	2002 £
Bank loans (see note 16)	2,601,667	2,601,667
Bank overdraft	-	286,925
Other loans (see note 16)	470,000	470,000
Trade creditors	120,549	1,081,834
Amounts due to subsidiary undertakings	16,728,985	17,027,966
Other taxes and social security costs	64,294	-
Other creditors	377,814	1,441,737
Accruals and deferred income	1,213,170	1,402,415
	<u>21,576,479</u>	<u>24,312,544</u>

**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR****Group and company**

	2003 £	2002 £
Bank loans (see note 16)	58,390,666	46,992,333
Secured loan stock (see note 16)	5,245,000	5,245,000
Unsecured loan stock (see note 16)	21,386,026	21,386,026
	<u>85,021,692</u>	<u>73,623,359</u>



**HAND PICKED HOTELS LIMITED****Notes to the Accounts****for the period from 29 November 2002 to 27 November 2003****16 LOANS****Group and Company**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Bank loans (1)	61,250,000	49,875,000
Secured loan stock (2)	5,245,000	5,245,000
Unsecured loan stock (3)	21,386,026	21,386,026
Other loans	470,000	470,000
	<u>88,351,026</u>	<u>76,976,026</u>
Less: Issue costs	257,667	281,000
	<u>88,093,359</u>	<u>76,695,026</u>
Amounts falling due:		
Within one year or on demand	3,071,667	3,071,667
Between one and two years	11,737,591	10,846,682
Between two and five years	10,477,728	7,805,000
After five years	62,806,373	54,971,677
	<u>88,093,359</u>	<u>76,695,026</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 remaining refurbishment facility of £14m was drawn down on 19 May 2003 and is repayable in line with the above. The rate of interest payable on the loan is a fixed rate of 4.54% plus a margin of 1.5% plus costs.

Both loans are 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 and is non-interest bearing.

On 16th February 2004, a facility for a further £6m of secured loan stock was entered into by the company.

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

**17 CALLED UP SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</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:				
29,256,492 ordinary shares of £1 each			29,256,492	23,256,490
			<u>29,256,492</u>	<u>23,256,490</u>

On 31st December 2002, for the purposes of funding capital refurbishment projects, 6,000,002 ordinary shares of £1 each were allotted by way of a rights issue at par and fully paid for cash.

**HAND PICKED HOTELS LIMITED****Notes to the Accounts****for the period from 29 November 2002 to 27 November 2003****17 CALLED UP SHARE CAPITAL (continued)**

<b>Movement in share capital</b>	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
At 29 November	23,256,490	18,256,490
Shares issued	6,000,002	5,000,000
At 27 November	<u>29,256,492</u>	<u>23,256,490</u>

**18 PROFIT AND LOSS ACCOUNT**

	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Group</b>		
At 29 November 2002	(4,252,210)	(3,575,313)
Retained loss	(854,347)	(676,897)
At 27 November 2003	<u>(5,106,557)</u>	<u>(4,252,210)</u>

	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Company</b>		
At 29 November 2002	(13,296,131)	(9,330,668)
Retained loss	(3,472,818)	(3,965,463)
At 27 November 2003	<u>(16,768,949)</u>	<u>(13,296,131)</u>

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

	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Group</b>		
At 29 November 2002	19,004,280	14,681,177
Loss for the financial period	(854,347)	(676,897)
Shares issued	6,000,002	5,000,000
At 27 November 2003	<u>24,149,935</u>	<u>19,004,280</u>

	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Company</b>		
At 29 November 2002	9,960,359	8,925,822
Loss for the financial period	(3,472,818)	(3,965,463)
Shares issued	6,000,002	5,000,000
At 27 November 2003	<u>12,487,543</u>	<u>9,960,359</u>

# **HAND PICKED HOTELS LIMITED**

## **Notes to the Accounts**

**for the period from 29 November 2002 to 27 November 2003**

### **20 GROSS CASH FLOWS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	323,962	90,032
Interest paid	(4,332,374)	(3,982,947)
	<u>(4,008,412)</u>	<u>(3,892,915)</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(15,623,816)	(6,263,135)
Receipts from sales of tangible fixed assets	4,709,007	-
	<u>(10,914,809)</u>	<u>(6,263,135)</u>
<b>Financing</b>		
Issue of share capital	6,000,002	5,000,000
New loans raised	14,000,000	-
Secured loan stock repayment	(2,625,000)	375,014
	<u>17,375,002</u>	<u>5,375,014</u>

### **21 ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 29 Nov 2002</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>At 27 Nov 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	7,622,252	4,999,402		12,621,654
Overdrafts	(287,024)	123,885		(163,139)
		<u>5,123,287</u>		
Debt due within 1 year	(3,071,667)	343,510	(343,510)	(3,071,667)
Debt due after 1 year	(73,623,359)	(11,718,510)	320,177	(85,021,692)
		<u>(11,375,000)</u>		
<b>Total</b>	<u>(69,359,798)</u>	<u>(6,251,713)</u>	<u>(23,333)</u>	<u>(75,634,844)</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.

## **HAND PICKED HOTELS LIMITED**

### **Notes to the Accounts**

**for the period from 29 November 2002 to 27 November 2003**

#### **23 CAPITAL COMMITMENTS**

The amounts contracted for but not provided for in the accounts amount to £1,288,230 (2002 £5,690,000). This amount relates to the refurbishment of hotel properties.

#### **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 27 November 2003 (2002: £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 £3,000,015 (2002: £3,000,015) which is owed to Mrs J Hands, a director of the company and a connected party to the company's ultimate parent undertaking.

The secured loan stock within creditors, amounts falling due after more than one year, includes an amount of £5,245,000 as at 27 November 2003 (2002: £5,245,000) 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 27 November 2003 (2002: £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 debtors is an amount receivable from Norton Crathorne (No.1) Limited, a company which is effectively under common control. The amount receivable from Norton Crathorne (No.1) Limited as at 27 November 2003 is £1,819,039 (2002: payable to £1,124,371) and represents amounts that have been loaned by the company to Norton Crathorne (No.1) Limited.

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 27 November 2003 is £322,641 (2002: £322,366) 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 £976,757 (2002: £413,142) 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 £261,768 (2002: £317,977) 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 27 November 2003 is £370,000 (2002: £370,000) owed to Mr. G Hands, a connected party to the company's ultimate parent undertaking and husband of Mrs J Hands.

£Nil (2002: £76,335) 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 were incurred on an arms length basis. An amount of £29,800 (2002: £25,300) was charged in respect of Mr. R Felton's services as a director (see note 5). The amount outstanding at 27 November 2003 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 (2002: £7,197). Included in accruals and deferred income is an amount of £Nil (2002: £Nil), and the outstanding amount payable at 27 November 2003 was £289,694 (2002: £567,521). The amount charged in the year was £5,445,123 (2002: £1,757,947) incurred on an arms length basis in respect of architectural and interior design services.