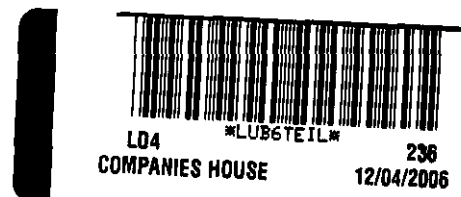


Registered number
3785381

RHINEFIELD HOUSE HOTEL LIMITED

Report and Accounts

24 November 2005



RHINEFIELD HOUSE HOTEL LIMITED
Report and accounts
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RHINEFIELD HOUSE HOTEL LIMITED
Company Information

Directors
R C Felton
J Hands

Secretary
Jordans Company Secretaries Limited

Auditors
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London, UK
EC1M 3AP

Registered office
The Old Library
The Drive
Sevenoaks
Kent
TN13 3AB

Registered number
3785381

RHINEFIELD HOUSE HOTEL LIMITED

Directors' Report

The directors present their report and accounts for the 52 weeks ended 24 November 2005.

Principal activities

The company's principal activity during the period continued to be that of the ownership and operation of the Rhinefield House Hotel.

Review of business and future developments

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

Dividends

No dividends will be distributed for the period ended 24 November 2005.

Directors

The directors who served during the period under review were:

R.C. Felton

J. Hands

The directors holding office at 24 November 2005 did not hold any beneficial interest in the issued share capital of the company or any other company within the group at 25 November 2004 or 24 November 2005, except J Hands, who holds two shares.

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 of the profit or loss for that period. In preparing those accounts, the directors are required to:

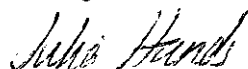
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26 (5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming Annual General Meeting.



J Hands

Director

RHINEFIELD HOUSE HOTEL LIMITED

Independent auditors' report to the members of RHINEFIELD HOUSE HOTEL LIMITED

We have audited the accounts of Rhinefield House Hotel Limited for the period ended 24 November 2005 which comprise the Profit and Loss account, the Balance Sheet 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 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 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 24 November 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP

PKF (UK) LLP
Registered auditors

London, UK

5 April 2006

RHINEFIELD HOUSE HOTEL LIMITED**Profit and Loss Account****for the period from 26 November 2004 to 24 November 2005**

	Notes	52 weeks ended 24 November 2005 £	52 weeks ended 25 November 2004 £
Turnover		2,830,778	2,398,299
Cost of sales		(671,835)	(592,867)
Gross profit		<u>2,158,943</u>	<u>1,805,432</u>
Administrative expenses		(1,943,230)	(1,682,026)
Operating profit	2	<u>215,713</u>	<u>123,406</u>
Profit on ordinary activities before taxation		<u>215,713</u>	<u>123,406</u>
Tax on profit on ordinary activities	4	(24,000)	(21,500)
Retained profit for the period	11	<u>191,713</u>	<u>101,906</u>

Continuing operations

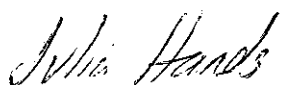
None of the company's activities were acquired or discontinued during the above two periods.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two periods.

RHINEFIELD HOUSE HOTEL LIMITED**Balance Sheet****as at 24 November 2005**

	Notes	24 November 2005 £	25 November 2004 £
Fixed assets			
Tangible assets	5	6,382,385	5,762,566
Investments	6	<u>2</u>	<u>2</u>
		6,382,387	5,762,568
Current assets			
Stocks	7	26,369	15,125
Debtors	8	80,864	73,859
Cash at bank and in hand		<u>4,509</u>	<u>1,500</u>
		111,742	90,484
Creditors: amounts falling due within one year	9	(1,144,785)	(719,421)
Net current liabilities		<u>(1,033,043)</u>	<u>(628,937)</u>
Total assets less current liabilities		<u>5,349,344</u>	<u>5,133,631</u>
Provisions for liabilities and charges			
Deferred taxation	4	(219,000)	(195,000)
		<u>5,130,344</u>	<u>4,938,631</u>
Capital and reserves			
Called up share capital	10	4,450,002	4,450,002
Profit and loss account	11	680,342	488,629
Shareholders' funds	12	<u>5,130,344</u>	<u>4,938,631</u>



J Hands

Director

Approved by the board on 28 March 2006

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 26 November 2004 to 24 November 2005

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 immediate parent undertaking Hand Picked Hotels Limited.

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax, all of which is generated through the operation of the hotel. It is recognised at the point at which goods and services are delivered to the customer.

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
Fixtures and fittings	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.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company is a wholly owned subsidiary undertaking.

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.

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.

Consolidated accounts

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. The accounts therefore present information about the company as an individual undertaking and not about its group.

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.

RHINEFIELD HOUSE HOTEL LIMITED**Notes to the Accounts****for the period from 26 November 2004 to 24 November 2005**

2 Operating profit	2005	2004
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	253,915	178,407
Other operating leases	103	108
Auditors' remuneration - audit fees	<u>2,340</u>	<u>2,600</u>

3 Staff costs	2005	2004
	£	£
Wages and salaries	793,679	632,531
Social security costs	72,040	60,808
Other pension costs	9,437	6,394
Sub total	<u>875,156</u>	<u>699,733</u>
Agency staff	28,638	84,738
Total	<u>903,794</u>	<u>784,471</u>

None of the directors received any remuneration for the period (2004: £nil)

Average number of employees during the year	Number	Number
Hotel operations	47	34
Administration	7	7
	<u>54</u>	<u>41</u>

4 Taxation	2005	2004
Current year charge	£	£
Corporation tax	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred taxation	24,000	21,500
Total tax	<u>24,000</u>	<u>21,500</u>

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 26 November 2004 to 24 November 2005

4 Taxation (continued)

	2005 £	2004 £
Factors affecting tax charge for the period		
Profit on ordinary activities before tax	<u>215,713</u>	<u>123,406</u>
Profit on ordinary activities multiplied by standard rate of corporation tax (30%)	64,714	37,022
<i>Explained by:</i>		
Expenses not deductible for corporation tax purposes	5,758	5,811
Capital allowances in excess of depreciation	(22,759)	(24,036)
Group relief claimed	(47,713)	(18,797)
Total current tax	<u>-</u>	<u>-</u>
Deferred tax	£	
At 26 November 2004	(195,000)	
Charged to profit and loss	(24,000)	
At 24 November 2005	<u>(219,000)</u>	
Deferred tax is analysed as follows:		
Accelerated capital allowances	(219,000)	
	<u>(219,000)</u>	

5 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Assets in course of construction £	Total £
Cost				
At 26 November 2004	4,030,841	2,126,957	161,755	6,319,553
Additions	-	743,366	130,368	873,734
Disposals	-	(13,975)	-	(13,975)
At 24 November 2005	<u>4,030,841</u>	<u>2,856,348</u>	<u>292,123</u>	<u>7,179,312</u>
Depreciation				
At 26 November 2004	97,594	459,393	-	556,987
Charge for the 52 weeks	18,499	235,416	-	253,915
On disposals	-	(13,975)	-	(13,975)
At 24 November 2005	<u>116,093</u>	<u>680,834</u>	<u>-</u>	<u>796,927</u>
Net book value				
At 24 November 2005	<u>3,914,748</u>	<u>2,175,514</u>	<u>292,123</u>	<u>6,382,385</u>
At 25 November 2004	<u>3,933,247</u>	<u>1,667,564</u>	<u>161,755</u>	<u>5,762,566</u>

Included in freehold land and buildings is freehold land of £1,094,500 (2004: £1,094,500) which is not depreciated.

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 26 November 2004 to 24 November 2005

6 Investments

Cost	Other investments £
At 26 November 2004	2
At 24 November 2005	<u>2</u>

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Company	Country of registration or incorporation	Shares held Class	%
Rhinefield Timeshare Limited	England and Wales	Ordinary	100

	2005 £	2004 £
Aggregate capital and reserves	81,329	79,032
Profit for the period	<u>2,297</u>	<u>3,682</u>

Company	Country of registration or incorporation	Shares held Class	%
Rhinefield Timeshare Management Limited	England and Wales	Ordinary	100

	2005 £	2004 £
Aggregate capital and reserves	252,394	218,807
Profit for the period	<u>33,587</u>	<u>45,444</u>

7 Stocks

	2005 £	2004 £
Goods for resale	<u>26,369</u>	<u>15,125</u>

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 26 November 2004 to 24 November 2005

8 Debtors	2005	2004
	£	£
Trade debtors	47,185	44,404
Amounts due from fellow subsidiary undertakings	9,687	8,706
Other debtors	9,552	7,509
Prepayments and accrued income	14,440	13,240
	<u>80,864</u>	<u>73,859</u>

9 Creditors: amounts falling due within one year	2005	2004
	£	£
Bank loans and overdrafts	-	1,723
Payments in advance	291,943	248,490
Trade creditors	121,748	105,630
Amounts due to immediate parent undertaking	338,619	20,337
Amounts due to fellow subsidiary undertaking	3,330	151
Other taxes and social security costs	119,732	80,191
Other creditors	230,601	230,080
Accruals and deferred income	38,812	32,819
	<u>1,144,785</u>	<u>719,421</u>

10 Share capital	2005	2004	2005	2004
	No	No	£	£
Authorised:				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
Allotted, issued and fully paid:				
Ordinary shares of £1 each	4,450,002	4,450,002	<u>4,450,002</u>	<u>4,450,002</u>

11 Profit and loss account	2005	2004
	£	£
At 26 November 2004	488,629	386,723
Retained profit	191,713	101,906
	<u>680,342</u>	<u>488,629</u>
At 24 November 2005		

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 26 November 2004 to 24 November 2005

12 Reconciliation of movement in shareholders' funds	2005	2004
	£	£
At 26 November 2004	4,938,631	4,836,725
Profit for the financial 52 weeks	191,713	101,906
At 24 November 2005	<u>5,130,344</u>	<u>4,938,631</u>

13 Contingent liability

At 24 November 2005, the company, along with certain other fellow subsidiary undertakings, has granted a fixed and floating charge over its assets, to a maximum of £5,245,000 (2004: £5,245,000), in respect of certain liabilities of Hand Picked Hotels Limited.

On 1 December 2005 the group paid off its bank loans and entered into a new facility. As part of this arrangement, the company has granted a new fixed and floating charge over the company and certain current property and assets. The amount owed following this transaction was £80,000,000.

14 Ultimate Parent Company

The company's ultimate parent undertaking is Benfica Limited, which is registered in the Isle of Man. The company's immediate parent is Hand Picked Hotels Limited a company registered in England and Wales. The largest and smallest group, in whose financial statements the results of the company will be consolidated is Hand Picked Hotels Limited. The consolidated accounts of Hand Picked Hotels Limited will be available to the public and will be obtainable in due course from the Registrar of Companies, Companies House, Crown Way, Cardiff.

The controlling party is Mr G Hands.