

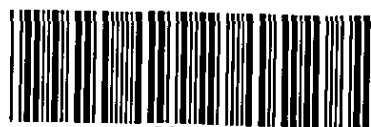
Registered number
3785381

RHINEFIELD HOUSE HOTEL LIMITED

Report and Accounts

30 November 2006

THURSDAY



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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 period ended 30 November 2006

Principal activities

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

Business review

The hotel operated successfully within the upmarket country house hotel business and improved operating profitability during the year through a programme of

- asset refurbishment
- improvements to services and facilities

Results

The hotel turnover has increased by 14.5% to £3.24m and increased operating profits by 14% to £0.25m. This increase in revenues has been achieved by most areas of the business.

The hotel is now well positioned for further growth, driven by investment that will deliver significant increases in sales and EBITDA. The ongoing improvement in brand perception together with the continued drive towards excellence in service provision will also contribute to future growth.

Expansion for the future

We are maintaining our investment in constantly upgrading and improving our existing bedroom stock.

Operating risks

The directors consider the following to be principal risks and uncertainties facing the group:

- economic recession,
- timely completion of development projects,
- changes to government regulations including legislation on employees, environmental and health and safety,
- natural disasters

The directors take a regular review of the company's exposure to these risks.

Environment

The hotel operates in a beautiful location and it is in our best interests to minimise the impact upon the environment, particularly by energy saving initiatives within the hotel.

Personnel

We clearly understand that our employees are the most valuable asset in the company. We continue to invest in training and skills development programmes. We intend to continue our philosophy and invest in our staff. The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

RHINEFIELD HOUSE HOTEL LIMITED

Directors' Report

Financial instruments

The company is exposed to the usual credit risk and cash flow movement involved with selling on credit and manages this through the company credit policy. The policy is to finance working capital through retained earnings and finance fixed assets through long term borrowings on fixed rates. The company has borrowings in sterling on fixed and floating rates with an interest rate swap in place, the profile of which is reviewed on a regular basis.

The counterparty to the majority of the company's financial instruments is its bankers, it is exposed to minimal credit and liquidity risks in respect of these instruments.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

Dividends

No dividends will be distributed for the period ended 30 November 2006.

Directors

The directors who served during the period under review were

R C Felton

J Hands

The directors holding office at 30 November 2006 did not hold any beneficial interest in the issued share capital of the company or any other company within the group at 24 November 2005 or 30 November 2006, except J Hands, who holds two shares.

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RHINEFIELD HOUSE HOTEL LIMITED

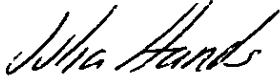
Directors' Report

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of that information

This report was approved by the board on 8 May 2007



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 30 November 2006 which comprise the profit and loss account, the balance sheet and the related notes. The 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 ('United Kingdom Generally Accepted Accounting Practice') 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 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its profit for the period 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.

PKF(UK) LLP

PKF (UK) LLP

Registered auditors

London, UK

17 May 2007

RHINEFIELD HOUSE HOTEL LIMITED**Profit and Loss Account****for the period from 25 November 2005 to 30 November 2006**

		Period ended 30 November 2006 £	Period ended 24 November 2005 £
	Notes		
Turnover		3,241,547	2,830,778
Cost of sales		(761,829)	(671,835)
Gross profit		<u>2,479,718</u>	<u>2,158,943</u>
Administrative expenses		(2,233,837)	(1,943,230)
Operating profit	2	<u>245,881</u>	<u>215,713</u>
Profit on ordinary activities before taxation		<u>245,881</u>	<u>215,713</u>
Tax on profit on ordinary activities	4	63,500	(24,000)
Profit for the period	11	<u>309,381</u>	<u>191,713</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 30 November 2006**

	Notes	30 November 2006 £	24 November 2005 £
Fixed assets			
Tangible assets	5	7,633,915	6,382,385
Investments	6	<u>2</u>	<u>2</u>
		7,633,917	6,382,387
Current assets			
Stocks	7	32,172	26,369
Debtors	8	110,819	80,864
Cash at bank and in hand		<u>24,616</u>	<u>4,509</u>
		167,607	111,742
Creditors: amounts falling due within one year	9	(2,085,910)	(1,144,785)
Net current liabilities		<u>(1,918,303)</u>	<u>(1,033,043)</u>
Total assets less current liabilities		<u>5,715,614</u>	<u>5,349,344</u>
Creditors: amounts falling due after more than one year		(120,389)	-
Provisions for liabilities and charges			
Deferred taxation	4	(155,500)	(219,000)
		<u>5,439,725</u>	<u>5,130,344</u>
Capital and reserves			
Called up share capital	10	4,450,002	4,450,002
Profit and loss account	11	989,723	680,342
Shareholders' funds	12	<u>5,439,725</u>	<u>5,130,344</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 May 2007



J Hands
Director

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 25 November 2005 to 30 November 2006

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

As required by Financial Reporting Standard 19 "Deferred Tax", full provision is made for deferred tax assets and liabilities arising from all timing difference between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which FRS19 specifies that deferred tax should not be recognised

Deferred assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax balances are not discounted

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

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 25 November 2005 to 30 November 2006

1 Accounting policies (continued)

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.

2 Operating profit	2006	2005
	£	£
This is stated after charging		
Depreciation of owned fixed assets	386,383	253,915
Other operating leases	1,163	103
Auditors' remuneration - audit fees	2,385	2,340
Tax advice fees	-	-

The tax advice fees for the period ended 30 November 2006 have been borne by the parent company.

3 Staff costs	2006	2005
	£	£
Wages and salaries	921,512	793,679
Social security costs	90,569	72,040
Other pension costs	10,294	9,437
Sub total	<u>1,022,375</u>	<u>875,156</u>
Agency staff	10,460	28,638
Total	<u>1,032,835</u>	<u>903,794</u>

None of the directors received any remuneration for the period (2005: £nil).

Average number of employees during the year	Number	Number
Hotel operations	49	47
Administration	7	7
	<u>56</u>	<u>54</u>

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 25 November 2005 to 30 November 2006

4 Taxation

	2006	2005
	£	£
Current year charge		
Corporation tax	-	-
Total current tax	-	-
Deferred taxation		
Current year	6,000	24,000
Adjustments in respect of prior years	(69,500)	-
Total tax	(63,500)	24,000

	2006	2005
	£	£
Factors affecting tax charge for the period		
Profit on ordinary activities before tax	245,881	215,713
Profit on ordinary activities multiplied by standard rate of corporation tax (30%)	73,764	64,714
<i>Explained by</i>		
Expenses not deductible for corporation tax purposes	5,550	5,758
Capital allowances in excess of depreciation	(5,557)	(22,759)
Group relief claimed	(73,757)	(47,713)
Total current tax	-	-
Deferred tax	£	
At 25 November 2005	(219,000)	
Prior year adjustment	69,500	
Charged to profit and loss in the period	(6,000)	
At 30 November 2006	(155,500)	
Deferred tax is analysed as follows		
Accelerated capital allowances	(155,500)	
	(155,500)	

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 25 November 2005 to 30 November 2006

5 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Assets in course of construction £	Total £
Cost				
At 25 November 2005	4,030,841	2,856,348	292,123	7,179,312
Additions	-	1,186,380	451,533	1,637,913
Transfers	-	284,462	(284,462)	-
Disposals	-	(3,260)	-	(3,260)
At 30 November 2006	<u>4,030,841</u>	<u>4,323,930</u>	<u>459,194</u>	<u>8,813,965</u>
Depreciation				
At 25 November 2005	116,093	680,834	-	796,927
Charge for the period	18,499	367,884	-	386,383
On disposals	-	(3,260)	-	(3,260)
At 30 November 2006	<u>134,592</u>	<u>1,045,458</u>	<u>-</u>	<u>1,180,050</u>
Net book value				
At 30 November 2006	<u>3,896,249</u>	<u>3,278,472</u>	<u>459,194</u>	<u>7,633,915</u>
At 24 November 2005	<u>3,914,748</u>	<u>2,175,514</u>	<u>292,123</u>	<u>6,382,385</u>

Included in freehold land and buildings is freehold land of £1,094,500 (2005 £1,094,500) which is not depreciated

6 Investments

	Other investments £
Cost	
At 25 November 2005	2
At 30 November 2006	<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

	2006 £	2005 £
Aggregate capital and reserves	84,172	81,329
Profit for the period	<u>2,843</u>	<u>2,297</u>

RHINEFIELD HOUSE HOTEL LIMITED**Notes to the Accounts****for the period from 25 November 2005 to 30 November 2006****6 Investments (continued)**

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

	2006	2005
	£	£
Aggregate capital and reserves	268,963	252,394
Profit for the period	<u>16,569</u>	<u>33,587</u>

7 Stocks

	2006	2005
	£	£
Goods for resale	<u>32,172</u>	<u>26,369</u>

8 Debtors

	2006	2005
	£	£
Trade debtors	40,161	47,185
Amounts due from fellow subsidiary undertakings	23,846	9,687
Other debtors	15,937	9,552
Prepayments and accrued income	<u>30,875</u>	<u>14,440</u>
	<u>110,819</u>	<u>80,864</u>

9 Creditors amounts falling due within one year

	2006	2005
	£	£
Payments in advance	341,102	291,943
Trade creditors	74,861	121,748
Amounts due to immediate parent undertaking	951,475	338,619
Amounts due to fellow subsidiary undertaking	21,385	3,330
Other taxes and social security costs	63,703	119,732
Other creditors	236,552	230,601
Accruals and deferred income	<u>396,832</u>	<u>38,812</u>
	<u>2,085,910</u>	<u>1,144,785</u>

RHINEFIELD HOUSE HOTEL LIMITED**Notes to the Accounts****for the period from 25 November 2005 to 30 November 2006**

10 Share capital	2006 No	2005 No	2006 £	2005 £
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	2006 £	2005 £
At 25 November 2005	680,342	488,629
Profit for the period	309,381	191,713
At 30 November 2006	<u>989,723</u>	<u>680,342</u>

12 Reconciliation of movement in shareholders' funds	2006 £	2005 £
At 25 November 2005	5,130,344	4,938,631
Profit for the period	309,381	191,713
At 30 November 2006	<u>5,439,725</u>	<u>5,130,344</u>

13 Capital commitments

The amounts contracted for but not provided for in the accounts amount to £2,444,607 (2005 £Nil) This amount relates to the development of the hotel property

14 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below

	Other 2006 £	Other 2005 £
Operating leases which expire		
within one year	103	-
within two to five years	<u>1,060</u>	<u>1,163</u>
	<u>1,163</u>	<u>1,163</u>

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 25 November 2005 to 30 November 2006

15 Contingent liability

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 property and current assets. The amount owed by the Hand Picked Hotels group as at 30 November 2006 was £75,350,000 (2005 £50,541,367).

16 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.