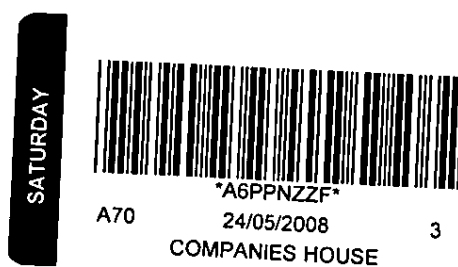


Registered number
3785381

RHINEFIELD HOUSE HOTEL LIMITED

Report and Accounts

29 November 2007



RHINEFIELD HOUSE HOTEL LIMITED
Report and accounts
Contents

	Page
Company information	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

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 29 November 2007

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 during the year through a programme of

- asset refurbishment
- improvements to services and facilities

Results

The hotel turnover has increased by 18.0% to £3.82m and operating profits have remained at a similar level to the previous year at £0.26m. 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 29 November 2007 (2006 £Nil).

Directors

The directors who served during the period under review were

R C Felton

J Hands

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.

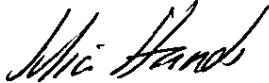
RHINEFIELD HOUSE HOTEL LIMITED
Directors' Report

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 16 May 2008



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 29 November 2007 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 29 November 2007 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

23 May 2008

RHINEFIELD HOUSE HOTEL LIMITED**Profit and Loss Account****for the period from 1 December 2006 to 29 November 2007**

	Notes	Period ended 29 November 2007 £	Period ended 30 November 2006 £
Turnover		3,824,872	3,241,547
Cost of sales		(884,377)	(761,829)
Gross profit		<u>2,940,495</u>	<u>2,479,718</u>
Administrative expenses		(2,687,205)	(2,233,837)
Operating profit	2	<u>253,290</u>	<u>245,881</u>
Interest receivable	4	837	-
Interest payable	4	(58)	-
Profit on ordinary activities before taxation		<u>254,069</u>	<u>245,881</u>
Tax on profit on ordinary activities	5	84,500	63,500
Profit for the period	13	<u>338,569</u>	<u>309,381</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

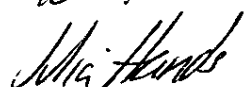
RHINEFIELD HOUSE HOTEL LIMITED

Balance Sheet

as at 29 November 2007

	Notes	29 November 2007 £	30 November 2006 £
Fixed assets			
Tangible assets	6	10,783,546	7,633,915
Investments	7	<u>2</u>	<u>2</u>
		10,783,548	7,633,917
Current assets			
Stocks	8	39,900	32,172
Debtors	9	186,724	110,819
Cash at bank and in hand		<u>27,516</u>	<u>24,616</u>
		254,140	167,607
Creditors: amounts falling due within one year	10	(4,941,877)	(2,085,910)
Net current liabilities		<u>(4,687,737)</u>	<u>(1,918,303)</u>
Total assets less current liabilities		<u>6,095,811</u>	<u>5,715,614</u>
Creditors: amounts falling due after more than one year	11	(246,517)	(120,389)
Provisions for liabilities and charges			
Deferred taxation	5	(71,000)	(155,500)
		<u>5,778,294</u>	<u>5,439,725</u>
Capital and reserves			
Called up share capital	12	4,450,002	4,450,002
Profit and loss account	13	1,328,292	989,723
Shareholders' funds	14	<u>5,778,294</u>	<u>5,439,725</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 May 2008



J Hands
Director

RHINEFIELD HOUSE HOTEL LIMITED
Notes to the Accounts
for the period from 1 December 2006 to 29 November 2007

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 1 December 2006 to 29 November 2007

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	2007	2006
	£	£
This is stated after charging		
Depreciation of owned fixed assets	470,921	386,383
Other operating leases	4,315	1,163
Auditors' remuneration - audit fees	2,600	2,385
Tax advice fees	-	-

The tax advice fees for the period ended 29 November 2007 have been borne by the parent company.

3 Staff costs	2007	2006
	£	£
Wages and salaries	1,014,167	921,512
Social security costs	91,312	90,569
Other pension costs	10,479	10,294
Sub total	<u>1,115,958</u>	<u>1,022,375</u>
Agency staff	<u>142,698</u>	<u>10,460</u>
Total	<u>1,258,656</u>	<u>1,032,835</u>

None of the directors received any remuneration for the period (2006 £nil)

Average number of employees during the year	Number	Number
Hotel operations	57	49
Administration	<u>7</u>	<u>7</u>
	<u>64</u>	<u>56</u>

RHINEFIELD HOUSE HOTEL LIMITED
Notes to the Accounts
for the period from 1 December 2006 to 29 November 2007

4 Interest payable/(receivable)	2007	2006
	£	£
Bank loans and overdrafts	58	-
Bank interest (receivable)	(837)	-

5 Taxation	2007	2006
	£	£
Current year charge		
Corporation tax	-	-
Total current tax	-	-
Deferred taxation		
Current year	(84,500)	6,000
Adjustments in respect of prior years	-	(69,500)
Total tax	(84,500)	(63,500)

Factors affecting tax charge for the period	2007	2006
	£	£
Profit on ordinary activities before tax	254,069	245,881
Profit on ordinary activities multiplied by standard rate of corporation tax (30%)	76,221	73,764
<i>Explained by</i>		
Expenses not deductible for corporation tax purposes	85,712	5,550
Capital allowances in excess of depreciation	(16,257)	(5,557)
Income not taxable for tax purposes	(79,124)	-
Group relief claimed	(66,552)	(73,757)
Total current tax	-	-
Deferred tax	£	
At 1 December 2006	(155,500)	
Credited to profit and loss in the period	84,500	
At 29 November 2007	(71,000)	
Deferred tax is analysed as follows		
Accelerated capital allowances	(71,000)	
	(71,000)	

At the period end there is a deferred tax liability arising on accelerated capital allowances of £71,000 (2006 £155,500)

RHINEFIELD HOUSE HOTEL LIMITED
Notes to the Accounts
for the period from 1 December 2006 to 29 November 2007

6 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Assets in course of construction £	Total £
Cost				
At 1 December 2006	4,030,841	4,323,930	459,194	8,813,965
Additions	1,612,078	2,008,474	-	3,620,552
Transfers	439,084	20,110	(459,194)	-
Disposals	-	(131,909)	-	(131,909)
At 29 November 2007	<u>6,082,003</u>	<u>6,220,605</u>	<u>-</u>	<u>12,302,608</u>
Depreciation				
At 1 December 2006	134,592	1,045,458	-	1,180,050
Charge for the period	42,539	428,382	-	470,921
On disposals	-	(131,909)	-	(131,909)
At 29 November 2007	<u>177,131</u>	<u>1,341,931</u>	<u>-</u>	<u>1,519,062</u>
Net book value				
At 29 November 2007	<u>5,904,872</u>	<u>4,878,674</u>	<u>-</u>	<u>10,783,546</u>
At 30 November 2006	<u>3,896,249</u>	<u>3,278,472</u>	<u>459,194</u>	<u>7,633,915</u>

Included in freehold land and buildings is freehold land of £1,094,500 (2006 £1,094,500) which is not depreciated

7 Investments

	Other investments £
Cost	
At 1 December 2006	2
At 29 November 2007	<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

	2007 £	2006 £
Aggregate capital and reserves	85,657	84,172
Profit for the period	<u>1,485</u>	<u>2,843</u>

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 1 December 2006 to 29 November 2007

7 Investments (continued)

Company	Country of registration or incorporation	Shares held Class	%
Rhinefield Timeshare Management Limited	England and Wales	Ordinary	100
		2007	2006
		£	£
Aggregate capital and reserves		284,306	268,963
Profit for the period		<u>15,343</u>	<u>16,569</u>

8 Stocks

	2007	2006
	£	£
Goods for resale	<u>39,900</u>	<u>32,172</u>

9 Debtors

	2007	2006
	£	£
Trade debtors	98,971	40,161
Amounts due from fellow subsidiary undertakings	40,348	23,846
Other debtors	20,928	15,937
Prepayments and accrued income	<u>26,477</u>	<u>30,875</u>
	<u>186,724</u>	<u>110,819</u>

10 Creditors: amounts falling due within one year

	2007	2006
	£	£
Payments in advance	346,730	341,102
Trade creditors	82,060	74,861
Amounts due to immediate parent undertaking	3,984,559	951,475
Amounts due to fellow subsidiary undertaking	6,114	21,385
Amounts due to subsidiary undertaking	226,848	226,848
Other taxes and social security costs	75,524	63,703
Other creditors	13,536	9,704
Accruals and deferred income	<u>206,506</u>	<u>396,832</u>
	<u>4,941,877</u>	<u>2,085,910</u>

11 Creditors: amounts falling due after one year

	2007	2006
	£	£
Other creditors	<u>246,517</u>	<u>120,389</u>

RHINEFIELD HOUSE HOTEL LIMITED

Notes to the Accounts

for the period from 1 December 2006 to 29 November 2007

12 Share capital	2007 No	2006 No	2007 £	2006 £
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>

13 Profit and loss account	2007 £	2006 £
At 1 December 2006	989,723	680,342
Profit for the period	338,569	309,381
At 29 November 2007	<u>1,328,292</u>	<u>989,723</u>

14 Reconciliation of movement in shareholders' funds	2007 £	2006 £
At 1 December 2006	5,439,725	5,130,344
Profit for the period	338,569	309,381
At 29 November 2007	<u>5,778,294</u>	<u>5,439,725</u>

15 Other financial commitments

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

	Other 2007 £	Other 2006 £
Operating leases which expire		
within one year	-	103
within two to five years	<u>6,464</u>	<u>1,060</u>
	<u>6,464</u>	<u>1,163</u>

RHINEFIELD HOUSE HOTEL LIMITED
Notes to the Accounts
for the period from 1 December 2006 to 29 November 2007

16 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 29 November 2007 was £88,350,000 (2006 £75,350,000).

17 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.