

PARAMOUNT HOTELS INVESTMENTS LIMITED

Report and Financial Statements

31 December 2010



Deloitte LLP
Leeds

PARAMOUNT HOTELS INVESTMENTS LIMITED

2010 REPORT AND FINANCIAL STATEMENTS

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

PARAMOUNT HOTELS INVESTMENTS LIMITED

2010 REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael Jourdain
Peter Procopis
David Kaye

SECRETARY

David Kaye

REGISTERED OFFICE

Bond Street House
14 Clifford Street
London
W15 4JU

BANKERS

Anglo Irish Bank Corporation plc
10 Old Jewry
London
EC2R 8DN

National Westminster Bank PLC
Piccadilly and New Road Street
63 Piccadilly
London
W1J 0AJ

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds

PARAMOUNT HOTELS INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, together with the financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Company is an investment holding company. The Company was dormant throughout the period except for charging and receiving interest on intercompany loans. The Directors consider the financial position at 31 December 2010 was satisfactory and they expect this to be maintained for the foreseeable future.

DIVIDENDS AND RESULTS

The Directors have not proposed and paid a dividend in respect of the year ended 31 December 2010 (31 December 2009: £nil). The retained profit for the year of £1,391,000 (31 December 2009 retained profit: £1,242,000) was transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period and up to the date of this report were:

Michael Jourdain

Peter Procopis

Jonathan Paisner (resigned 31 December 2010)

David Kaye (appointed 31 December 2010)

No director had any interest in the shares of the Company at 31 December 2009 or 31 December 2010.

CREDITOR PAYMENT POLICY

It is the Company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the Company endeavours to abide by the agreed payment terms.

PRINCIPAL RISKS AND UNCERTAINTIES

As a company that is part of a group that invests in Hotels, the Company is exposed to risks associated with the hotel industry.

These risks are however mitigated by the rent and other guarantees provided by Barceló Corporation Empresarial SA (the tenant's ultimate parent company).

GOING CONCERN

The Puma Hotels plc Group debt facility is not due until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló Corporation Empresarial SA. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have considered the Company's cash flow forecasts for the period to the end of December 2012. After making enquiries, the Board is satisfied that the Company's forecasts and projections show that the Company will have adequate resources to continue its operations for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

PARAMOUNT HOTELS INVESTMENTS LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

Each of the Directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



Michael Jourdain
Director

25th March 2011

PARAMOUNT HOTELS INVESTMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAMOUNT HOTELS INVESTMENTS LIMITED

We have audited the financial statements of Paramount Hotels Investments Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds

25 March 2011

PARAMOUNT HOTELS INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

		31 December 2010 £'000	31 December 2009 £'000
	Note		
Interest receivable and similar income	3	21,271	18,992
Interest payable and similar charges	4	(19,880)	(17,750)
Operating profit		<u>1,391</u>	<u>1,242</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,391	1,242
Tax on profit on ordinary activities	5	-	-
PROFIT FOR THE FINANCIAL YEAR		<u>1,391</u>	<u>1,242</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	<u>1,391</u>	<u>1,242</u>

All of the Company's operations during the period shown above represent continuing operations

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents

The accompanying notes are an integral part of this profit and loss account

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2010

All recognised gains and losses are included in the profit and loss account in either period. Consequently a statement of total recognised gains and losses is not presented

PARAMOUNT HOTELS INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 £'000	As at 31 December 2009 £'000
CURRENT ASSETS			
Debtors	6	198,524	177,254
CREDITORS: Amounts falling due within one year	7	(185,544)	(165,665)
NET CURRENT ASSETS		<u>12,980</u>	<u>11,589</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,980</u>	<u>11,589</u>
NET ASSETS		<u>12,980</u>	<u>11,589</u>
CAPITAL AND RESERVES			
Called up share capital	9	8,146	8,146
Profit and loss account	10	<u>4,834</u>	<u>3,443</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>12,980</u>	<u>11,589</u>

The financial statements of Paramount Hotels Investments Limited, company number 3812646 were approved by the Board of Directors on 25 March '11 and signed on its behalf by



Peter Procopis

Director

The accompanying notes are an integral part of this balance sheet

PARAMOUNT HOTELS INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The following principal accounting policies have been applied consistently in both the current and preceding financial periods.

Basis of accounting

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

As a wholly owned subsidiary, the Company has availed itself of the exemption under Financial Reporting Standard Number 8, not to disclose intra-group transactions.

Under Financial Reporting Standard Number 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds of it being a wholly owned subsidiary of Puma Hotels plc.

Going concern

The Puma Hotels plc Group debt facility is not due until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló Corporation Empresarial SA.

The Directors have considered the Company's cash flow forecasts for the period to the end of December 2012. After making enquiries, the Board is satisfied that the Company's forecasts and projections show that the Company will have adequate resources to continue its operations for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements.

Taxation

Current tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2 INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDIT FEES

The Directors received no emoluments in the financial year (31 December 2009: £nil). Emoluments paid to the Directors are disclosed in the financial statements of Puma Hotels plc. With the exception of the Directors, the Company had no employees.

Audit fees of £1,000 (2009: £1,000) have been borne by Puma Hotels plc.

PARAMOUNT HOTELS INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	31 December 2010 £'000	31 December 2009 £'000
From other group undertakings	21,271	18,992

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31 December 2010 £'000	31 December 2009 £'000
Due to other group undertakings	19,880	17,750

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	31 December 2010 £'000	31 December 2009 £'000
Corporation tax credit in respect of :		
Group relief - current period	-	-
Group relief – prior period	-	-
	-	-
Deferred tax (note 8)		
Losses	-	-
	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	31 December 2010 £'000	31 December 2009 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	1,391	1,242
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	389	348
Effects of		
Group relief for nil consideration	(389)	(15)
Unprovided tax losses	-	(333)
Current tax credit for year	-	-

PARAMOUNT HOTELS INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

6 DEBTORS

	31 December 2010 £'000	31 December 2009 £'000
Amounts falling due within one year		
Amounts due from group undertakings	198,524	177,254

7. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2010 £'000	31 December 2009 £'000
Amounts due to group undertakings	185,544	165,665

8. DEFERRED TAXATION

There was no unprovided deferred tax liabilities at either period end

9. SHARE CAPITAL

	31 December 2010 £'000	31 December 2009 £'000
Authorised, allotted, called up and fully paid 8,146,002 ordinary shares of £1 each	8,146	8,146

A dividend was paid on ordinary shares in the year of £nil (2009 £nil per share)

10. PROFIT AND LOSS ACCOUNT

	£'000
At beginning of year	3,443
Retained profit for the financial year	1,391
At end of year	4,834

PARAMOUNT HOTELS INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 December 2010 £'000	31 December 2009 £'000
Opening equity shareholders' funds	11,589	10,347
Profit for the financial period	1,391	1,242
Closing equity shareholders' funds	<u>12,980</u>	<u>11,589</u>

12. ULTIMATE CONTROLLING PARTY

The entire issued share capital of the company is indirectly owned by Puma Hotels plc, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of Puma Hotels plc, which represents the smallest group in which the Company is consolidated, can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

The Hotel Corporation plc owns 49.9% of the ordinary shares and 58.9% of the preference shares of Puma Hotels plc. The Hotel Corporation plc fully consolidates the results of Puma Hotels plc and its subsidiaries in its group accounts. This represents the largest group in which the Company is consolidated.

13. CONTINGENT LIABILITIES

The Company is a participant in a fellow group undertaking's (Paramount Hotels Holdings Limited and Puma plc) term loan borrowings whereby these borrowings are secured by a fixed and floating charge over the Company's assets.