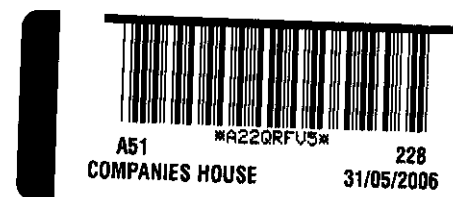


**FIRMDALE HOLDINGS LIMITED
and Subsidiary Undertakings**

31 JANUARY 2006

ANNUAL REPORT AND FINANCIAL STATEMENTS

COMPANY NUMBER - 4648681



MacIntyre Hudson

THE FUTURE IS WHAT YOU MAKE IT[®]

FIRMDALE HOLDINGS LIMITED
and Subsidiary Undertakings

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FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

REPORT OF THE DIRECTORS
31 JANUARY 2006

The directors present their annual report and the audited group financial statements for the year ended 31 January 2006.

Review of the Business and Future Developments

The Group and subsidiaries principal activity during the year was that of a luxury hotel developer and operator.

The most significant event for the London hospitality industry in the last year was the series of terrorist incidents during the month of July 2005 which had an immediate impact on trading levels during one of the busiest months of the year. However, the impact was relatively short lived and by September the Group was again enjoying year on year revenue growth, albeit not at the level experienced prior to the events.

Despite the July incidents, compounded by continuing worldwide economic and political uncertainties, the like for like business, excluding the new Soho hotel, grew total revenues by 3% compared to prior year, with increases in both Occupancy and Average Room Rate across the estate. Our Restaurants and Bars continued to deliver growth, and revenues from the letting of rooms for meetings, functions and film screening plus associated food and refreshment now account for 11% of our business.

Total revenues were £35.1m, 39% ahead of the previous group record achieved last year.

The Covent Garden and Charlotte Street Hotels continued to flourish and produced revenue growth in rooms, restaurants, bars and events. The Covent Garden Hotel was honoured as the 2005 Winner of Tripadvisor's Travellers' Choice Award for Best Luxury Hotel - World, Europe & London.

Despite being less established than our other Central London hotels, the Soho Hotel operated both profitably and ahead of expectation in its first full year, achieving an average occupancy of 70%. The hotel has received a huge amount of positive media coverage and acclaim. Recognition included the Conde Nast "Hot List 2005" and Tatler Travel Guide awards.

In South Kensington, the Number 16 Hotel continued to grow its loyal customer base and reported an 11% increase in Total Revenue Per Available Room. At the Pelham hotel the phased refurbishment work is now all but complete which has had a positive impact on both Occupancy and Room Rates.

The Knightsbridge Hotel had a further very successful year reporting record average room rates for a number of months as it continued to establish a very loyal following in the market.

The redevelopment of a prestigious listed building adjacent to the Theatre Royal, Haymarket continues apace and this property will open as a luxury 52 bedroom hotel complete with restaurants, bars, events meeting space and a swimming pool in late October 2006.

A further development opportunity to develop a luxury hotel has been identified in New York City, USA.

The company is proud to be a recipient of The Queen's Award for Enterprise 2006: International Trade in recognition of its outstanding achievements in overseas earnings.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

REPORT OF THE DIRECTORS
31 JANUARY 2006

Results and Dividends

The directors do not recommend payment of a dividend. The results of the year are detailed on page 6.

The Group's results for the last three years are summarised as follows:

	Year ended 31 January		
	2006 Actual	2005 Actual	2004 Actual
Turnover	35,127,021	25,294,580	20,042,040
Gross Profit	15,608,066	10,581,422	8,518,410
Administrative expenses excluding depreciation	11,203,197	6,837,323	5,330,130
Operating profit before depreciation, interest and tax	4,404,869	3,744,099	3,621,673

Land and Buildings

The directors are of the opinion that there is no significant difference at the accounting date between the book and market values of the land and buildings of the group included within the fixed assets.

Close Company

The Company is a close company as defined by the Income and Corporation Taxes Act 1988.

Employees

The group offers equal opportunities to all employees. The group's policy regarding the employment of disabled persons is that they should, wherever possible, have equal opportunities with other employees in respect of employment, training and career development.

Good communication with employees is considered by the directors to be essential to the success of the group. Every effort is made to keep all employees informed as to significant developments within the group.

The group complies with all appropriate health and safety regulations and encourages the improvement of working conditions.

Payment of suppliers

The company agrees terms and conditions for its business transactions with its suppliers. Payment is made on the basis agreed, subject to the terms and conditions being met by the supplier.

On average, the number of days the company took to pay its creditors was 37 days (2005: 33 days).

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

REPORT OF THE DIRECTORS
31 JANUARY 2006

Directors and their interests

The directors who served during the period and their beneficial interest in the shares of the company were as follows:

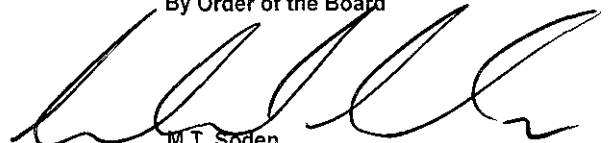
	<u>Ordinary Shares of £1 each</u>	
	<u>2006</u>	<u>2005</u>
T.J.R. Kemp	579,542	579,542
J.M. Keane	-	-

Auditors

MacIntyre Hudson became a limited liability partnership ("LLP") on 1 October 2005. A resolution to appoint MacIntyre Hudson LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

18 Thurloe Place
London SW7 2SP

By Order of the Board



M.T. Soden
Company Secretary

Approved by the directors on 19th May 2006

**FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FIRMDALE HOLDINGS LIMITED**

We have audited the financial statements of Firmdale Holdings Limited on pages 6 to 24 which have been prepared under the accounting policies set out on pages 11 and 12.

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.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements 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 of the company for that period. In preparing those financial statements, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Independent Auditors' Responsibilities

As described above, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 the information contained in the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FIRMDALE HOLDINGS LIMITED
Continued**

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 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 affairs of the company and the group as at 31 January 2006 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MacIntyre Hudson LLP

MacIntyre Hudson LLP
Chartered Accountants
Registered Auditors

Greenwood House
4/7 Salisbury Court
London EC4Y 8BT

Date: *26th May 2006*

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings
GROUP PROFIT AND LOSS ACCOUNT
31 JANUARY 2006

	Notes	2006 £	2005 £
Turnover	1.4	35,127,021	25,294,580
Cost of sales		(19,518,955)	(14,713,158)
Gross profit		<u>15,608,066</u>	<u>10,581,422</u>
Administrative expenses		(12,737,824)	(7,914,781)
Operating profit	2	<u>2,870,242</u>	<u>2,666,641</u>
Other interest receivable		7,073	37,243
Interest payable	3	(3,560,661)	(2,696,888)
(Loss) / profit on ordinary activities before taxation		<u>(683,346)</u>	<u>6,996</u>
Tax on profit on ordinary activities	5	87,282	(274,582)
Loss on ordinary activities after taxation		<u>(596,064)</u>	<u>(267,586)</u>
Retained loss for the year		<u>£ (596,064)</u>	<u>£ (267,586)</u>

The notes on pages 11 to 24 form an integral part of these accounts.

All amounts relate to continuing activities.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
31 JANUARY 2006

		2006 £	2005 £
Retained (loss)/profit for the year	17	(596,064)	(267,586)
Unrealised surplus on revaluation of properties		20,017,539	7,720,264
Total recognised gains and losses relating to the year		<u>19,421,475</u>	<u>7,452,678</u>
Total recognised gains and losses recognised since last annual report		<u>£ 19,421,475</u>	<u>£ 7,452,678</u>

NOTE OF HISTORICAL COST PROFIT AND LOSSES
31 JANUARY 2006

	2006 £	2005 £
Reported (loss) / profit on ordinary activities before taxation	(683,346)	6,996
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	553,692	125,449
Historical cost profit on ordinary activities before taxation	<u>£ (129,654)</u>	<u>£ 132,445</u>
Historic retained (losses)/ profits after taxation	<u>£ (42,372)</u>	<u>£ (142,137)</u>


The notes on pages 11 to 24 form an integral part of these accounts.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

GROUP BALANCE SHEET
AS AT 31 JANUARY 2006

	Note	2006	2005
		£	£
Fixed assets			
Tangible assets	6	159,189,429	134,308,417
Current assets			
Stock	8	214,970	175,820
Debtors	9	1,616,306	1,582,129
Cash at bank and in hand		134,723	146,297
		<u>1,965,999</u>	<u>1,904,246</u>
Creditors: Amounts falling due within one year	10	<u>(9,252,393)</u>	<u>(8,585,587)</u>
Net current liabilities		(7,286,394)	(6,681,341)
Total assets less current liabilities		<u>151,903,035</u>	<u>127,627,076</u>
Creditors: Amounts falling due after more than one year	11	(64,168,897)	(59,227,131)
Provisions for liabilities and charges	13	(2,781,281)	(2,868,563)
Net assets		<u>£ 84,952,857</u>	<u>£ 65,531,382</u>
Capital and reserves			
Called up share capital	14	1,667,596	1,667,596
Share premium account		4,592,404	4,592,404
Revaluation reserve	15	54,406,234	34,942,387
Profit and loss account	16	24,286,623	24,328,995
Shareholders' funds	17	<u>£ 84,952,857</u>	<u>£ 65,531,382</u>

The financial statements were approved by the Board on 19th May 2006 and signed on its behalf by:


T.J.R. Kemp
Director

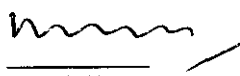
The notes on pages 11 to 24 form an integral part of these accounts.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

COMPANY BALANCE SHEET
AS AT 31ST JANUARY 2006

	Note	2006	2005
		£	£
Fixed assets			
Investments	7	1,726,817	1,726,817
Current assets	9	-	-
Creditors: Amounts falling due within one year	10	<u>(59,221)</u>	<u>(59,221)</u>
Net current liabilities		(59,221)	(59,221)
Total assets less current liabilities		<u>1,667,596</u>	<u>1,667,596</u>
Net assets		<u>£ 1,667,596</u>	<u>£ 1,667,596</u>
Capital and reserves			
Called up share capital	14	1,667,596	1,667,596
Profit and loss account	16	-	-
Shareholders' funds	17	<u>£ 1,667,596</u>	<u>£ 1,667,596</u>

The financial statements were approved by the Board on 19th May 2006
and signed on its behalf by:


T.J.R. Kemp
Director

The notes on pages 11 to 24 form an integral part of these accounts.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

GROUP CASHFLOW STATEMENTS
31 JANUARY 2006

	Note	2006	2005
		£	£
Net Cash Inflows from Operating Activities	24(a)	5,676,082	5,384,426
Returns on Investment and Servicing of Finance			
Interest received		7,073	37,243
Bank interest paid		(3,559,889)	(2,688,254)
Finance lease interest paid		(772)	(2,372)
		(3,553,588)	(2,653,383)
Capital Expenditure and Financial Investment			
Receipts from the sale of fixed assets		17,018	26,216
Payments to acquire investments in subsidiary undertakings	24(b)	-	(59,220)
Cash acquired from purchase of subsidiary		-	9,961
Payments to acquire tangible fixed assets		(6,406,473)	(26,157,021)
		(6,389,455)	(26,180,064)
Net Cash Outflow before Financing		(4,266,961)	(23,449,021)
Financing			
Additional amounts borrowed	24(d)	6,634,221	46,335,000
Repayment of loans	24(d)	(2,903,020)	(24,507,000)
Finance lease repayments		(3,967)	(1,378)
		3,727,234	21,826,622
Increase / (decrease) in Cash in the year	24(d)	£ (539,727)	£ (1,622,399)

The notes on pages 11 to 24 form an integral part of these accounts.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006

1. Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain freehold and leasehold land and buildings, and comply with applicable UK accounting standards.

1.2 Group Accounts

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 January 2006. The company has adopted acquisition accounting in accordance with the provisions of Financial Reporting Standard 6 "Acquisitions and Mergers". No individual profit and loss account is presented for Firmdale Holdings Limited as provided by s.230(3) of the Companies Act 1985. The retained profit dealt with in the parent company's profit and loss account amounted to £nil (2005: £nil).

1.3 Investment

Investments are shown at cost represented by the nominal value. In the case of Firmdale Hotels PLC, shares were acquired in a share for share exchange transaction and relief in respect of the share premium in accordance with Section 131 Companies Act 1985 has been applied.

1.4 Turnover

Turnover represents the value of services supplied net of value added tax. The Group's turnover was generated within the United Kingdom.

The whole of the turnover and result before tax relates to the Group's principal activity.

1.5 Fixed Assets and Depreciation

Depreciation is calculated to write off the revalued amount or cost of assets, less estimated residual values, over the expected useful economic lives of the assets concerned as follows:

Freehold land	Not depreciated
Freehold buildings and long leasehold properties	50 years straight line or straight line over life of lease if less than 50 years remaining
Short leasehold properties (less than 20 years to run)	Straight line over remaining life of lease
Integral plant & fitting out costs	Straight line over 20 years
Fixtures & Fittings	15% per annum on cost
Motor Vehicles	20% and 33% per annum on cost

Assets in the course of construction are not depreciated until construction is complete and the assets brought into trading use. The Group adopts a policy of revaluation in respect of its hotels. In accordance with the transitional provisions of Financial Reporting Standard 15 "Tangible Fixed Assets", other properties are retained at book value and have not been revalued.

1.6 Stock

Goods for resale are valued at the lower of cost and estimated net realisable value. Refurbishment and maintenance stock is valued at cost.

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the accounts and their recognition in the company's corporation tax computations that have not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.8 Leasing

Assets acquired under finance leases are capitalised as tangible fixed assets. Finance charges and interest are charged to the profit and loss account in proportion to net obligations outstanding. Rentals payable under operating leases are taken to the profit and loss account over the life of the lease.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006
Continued

1. Accounting policies (Continued)

1.9 Finance costs

Finance costs that are directly attributable to the construction of a tangible fixed asset are capitalised as part of the cost of that asset.

1.10 Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the translation. All differences are taken to the profit and loss account.

2. Operating profit

	Group	
	2006	2005
	£	£
Operating profit is stated after charging:-		
Depreciation - owned assets	1,531,339	1,084,870
Depreciation - assets held under hire purchase	3,288	4,730
Auditors' Remuneration - Audit Work	29,000	25,750
- Non-Audit Work	35,870	26,638
Foreign Exchange gains	(15,747)	(15,498)
Operating Lease Rentals:-		
Land and Buildings	3,288,868	1,739,269
Plant and Machinery	50,169	43,750
	£ 3,560,661	£ 2,696,888

3. Interest Payable

	Group	
	2006	2005
	£	£
On bank loans and overdrafts	3,559,889	2,694,516
On finance leases	772	2,372
	£ 3,560,661	£ 2,696,888

Bank interest, charged at LIBOR + 1.5625% amounting to £643,240 (2005: £622,779) was capitalised as part of tangible fixed assets during the year

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006
Continued

4. Directors and Employees

	Group	
	2006	2005
	£	£
<u>Directors' emoluments</u>		
Emoluments	1,003,328	942,895
Contributions to Money Purchase Pension Schemes	1,955,219	36,000
	£ 2,958,547	£ 978,895

	£	£
<u>Highest paid director</u>		
Emoluments	552,227	644,673
Contribution to Money Purchase Pension Scheme	1,953,959	36,000
	£ 2,506,186	£ 680,673

Benefits are accruing in respect of one director under Money Purchase Pension Schemes (2005: 1).

	2006	2005
	£	£
Staff costs:-		
Wages and salaries	12,071,428	9,165,417
Social Security costs	1,127,796	853,448
Other Pension Costs	1,955,844	39,750
	£ 15,155,068	£ 10,058,615

The average monthly number of employees during the year was made up as follows:

	Number	Number
Hotels and Restaurants	499	396
Administration	35	13
Sales and Marketing	9	8
Laundry	65	50
	608	467

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006
Continued

5. Taxation	2006	Group 2005
	£	£
UK Corporation tax	-	-
Underprovision prior year	-	-
Deferred tax	87,282	274,582
Origination and reversal of timing differences (note 13)		
<i>Tax on profit on ordinary activities</i>	<u>87,282</u>	<u>274,582</u>

There is no corporation tax charge for the year (2005: £nil) due to the availability of corporation tax losses brought forward, group relief and capital allowances.

The tax assessed for the period is different than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £	2005 £
(Loss) / profit on ordinary activities before tax	<u>(683,346)</u>	<u>6,996</u>
(Loss) / profit on ordinary activities multiplied by standard UK corporation tax rate (30%)	(205,003)	2,099
Effects of:		
Expenses not deductible for tax purposes	121,450	72,338
Capital allowances for period in excess of depreciation	(1,087,430)	(944,085)
Other timing differences	1,170,983	880,475
Prior year adjustment	-	(10,827)
UK corporation tax	<u>£ -</u>	<u>£ -</u>

Due to the availability of rollover relief, the revaluation of properties does not constitute a timing difference for deferred taxation purposes. Potential deferred tax in this respect has not been quantified therefore.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006
Continued

6. Tangible fixed assets - Group

<u>Cost or valuation:</u>	<u>Beginning of year</u>	<u>Additions</u>	<u>Transfers and disposals</u>	<u>Revaluation adjustment</u>	<u>End of year</u>
	£	£	£	£	£
Properties					
Hotels					
Freehold	38,926,192	5,321	-	5,598,547	44,530,060
Long leasehold	85,718,753	744,260	-	14,418,991	100,882,004
In the course of construction	7,544,586	5,387,945	-	-	12,932,531
Other freeholds	4,942,063	-	(290,030)	-	4,652,033
Fixtures & Fittings	568,516	228,845	(2,317)	-	795,044
Motor Vehicles	354,092	40,102	(66,549)	-	327,645
	<u>138,054,202</u>	<u>6,406,473</u>	<u>(358,896)</u>	<u>20,017,538</u>	<u>164,119,317</u>
 <u>Depreciation</u>	 <u>Beginning of year</u>	 <u>Charge for year</u>	 <u>Transfers and disposals</u>	 <u>Revaluation Adjustment</u>	 <u>End of year</u>
	£	£	£	£	£
Properties					
Hotels					
Freehold	380,474	290,383	-	-	670,857
Long leasehold	2,680,991	1,059,035	-	-	3,740,026
In the course of construction	-	-	-	-	-
Other freeholds	477,702	18,199	(290,030)	-	205,871
Fixtures & Fittings	84,575	101,348	(2,317)	-	183,606
Motor Vehicles	122,041	65,666	(58,179)	-	129,528
	<u>3,745,783</u>	<u>1,534,631</u>	<u>(350,526)</u>	<u>-</u>	<u>4,929,888</u>

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006
Continued

6. Tangible fixed assets - Group (continued)

<u>Net book value</u>	End of year £	Beginning of year £
Properties		
Hotels		
Freehold	43,859,203	38,545,718
Long leasehold	97,141,978	83,037,763
In the course of construction	12,932,531	7,544,586
Other freeholds	4,446,162	4,464,361
Fixtures & Fittings	611,438	483,941
Motor Vehicles	198,117	232,051
	<u>£ 159,189,429</u>	<u>£134,308,420</u>

The historical cost and accumulated depreciation of the group's properties as at 31 January 2006 were as follows:

	2006		2005	
	Cost £	Depreciation £	Cost £	Depreciation £
Hotels:				
Freehold	17,602,192	540,329	17,418,192	304,069
Long leasehold	62,257,577	3,091,567	56,468,404	2,597,723
Other freeholds	4,652,033	211,254	4,942,063	477,700
	<u>84,511,802</u>	<u>3,843,150</u>	<u>78,828,659</u>	<u>3,379,492</u>

The directors revalued two freehold properties and three long leasehold hotels during the year ended 31 January 2006 in accordance with professional valuations carried out by Jones Lang LaSalle Hotels, a firm of chartered surveyors. The directors valued the remaining hotels at 31 January 2006 based on an external professional valuation at 31 January 2004.

The professional valuations were made on the basis of the open market value of the hotels as going concerns and the open market value of the other properties for current use. The valuations are inclusive of all furniture, furnishings and equipment.

In accordance with the transitional provisions of Financial Reporting Standard 15 "Tangible Fixed Assets", other fixed assets are retained at historic costs and have not been revalued.

FIRMDALE HOLDINGS LIMITED
And Subsidiary Undertakings

NOTES TO THE ACCOUNTS
31 JANUARY 2006
Continued

7. Fixed asset investments - Company

	<u>Shares in group undertakings</u> £
Cost	
At 1 February 2005	1,726,817
Additions	-
At 31 January 2006	<u>£ 1,726,817</u>
Net Book Value	
At 31 January 2006	<u>£ 1,726,817</u>
At 1 February 2005	<u>£ 1,726,817</u>

Name of group undertaking	Country of registration	Nature of business	Class of shares held	% shares held	Proportion of voting rights
Firmdale Hotels Plc	England	Hotel	Ordinary	100%	100%
Charlotte Street Hotel Ltd	England	Hotel	Ordinary	100%	100%
Covent Garden Hotel Ltd	England	Dormant	Ordinary	100%	100% *
Town House Hotels Ltd	England	Dormant	Ordinary	100%	100% *
Palace Laundry (Fulham) Ltd	England	Laundry	Ordinary	100%	100%
Soho Hotel Ltd	England	Dormant	Ordinary	100%	100%
Haymarket Hotel Ltd	England	Dormant	Ordinary	100%	100%
Firmdale Properties Ltd	England	Dormant	Ordinary	100%	100%

All group companies are consolidated in the group financial statements.

* Wholly owned subsidiary of Firmdale Hotels Plc.

Acquisitions during the year

There were no acquisitions during the year

8. Stocks

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Refurbishment and maintenance stock	42,263	34,239	-	-
Food and beverage stock	172,707	141,581	-	-
	<u>£ 214,970</u>	<u>£ 175,820</u>	<u>£ -</u>	<u>£ -</u>

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9. Debtors

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	909,642	799,011	-	-
Other Debtors	81,841	204,032	-	-
Director's current account (T.J.R. Kemp)	-	309	-	-
Prepayments and accrued income	624,823	578,777	-	-
	<u>£ 1,616,306</u>	<u>£ 1,582,129</u>	<u>£ -</u>	<u>£ -</u>

10. Creditors: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	4,761,848	3,914,383	-	-
Trade creditors	1,698,962	1,525,829	-	-
Taxation	-	-	-	-
Amounts owed to group undertaking	-	-	59,221	59,221
Other taxes and social security	1,342,494	1,237,189	-	-
Other creditors	34,034	349,628	-	-
Hire purchase agreements	3,967	3,682	-	-
Director's current account (T.J.R. Kemp)	33,207	-	-	-
Accruals and deferred income	1,377,881	1,554,876	-	-
	<u>£ 9,252,393</u>	<u>£ 8,585,587</u>	<u>£ 59,221</u>	<u>£ 59,221</u>

Bank loans and overdrafts, both due within and due after more than one year, are secured by legal charges over the freehold and leasehold properties of the group. In addition, they are secured by fixed and floating charges over the book debts and other assets of the group, including key-man insurance policies.

The maximum amount outstanding on the Director's loan account during the year was £136,656 (2005: £200,309)

11. Creditors: Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	64,163,906	59,218,173	-	-
Hire purchase agreements	4,991	8,958	-	-
	<u>£ 64,168,897</u>	<u>£ 59,227,131</u>	<u>£ -</u>	<u>£ -</u>

Bank loans and overdrafts are secured as detailed in note 10 above.

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12. Financial instruments

	<u>Group</u>		<u>Company</u>	
	2006 £	2005 £	2006 £	2005 £
Analysis by year of repayment				
After five years: by instalment	6,549,392	5,838,942	-	-
other	6,375,000	6,375,000	-	-
From two to five years	48,722,434	44,336,923	-	-
From one to two years	2,517,079	2,667,308	-	-
Due after more than one year	<u>64,163,905</u>	<u>59,218,173</u>	<u>-</u>	<u>-</u>
Due within one year	<u>4,761,848</u>	<u>3,914,383</u>	<u>-</u>	<u>-</u>
	68,925,753	63,132,556	-	-
Cash at bank and in hand	(134,723)	(146,297)	-	-
Net borrowings	<u>£ 68,791,030</u>	<u>£ 62,986,259</u>	<u>£ -</u>	<u>£ -</u>

	Year end interest rates	<u>Group</u>	
		2006 £	2005 £
Bank loans and overdrafts include:			
Term loan	LIBOR +	9,107,640	8,675,000
Repayable by quarterly instalments	1.40%		
<i>Maturing on 30 September 2018</i>			
Term loan	LIBOR +	6,575,000	6,375,000
Repayable in full at expiry of facility	1.40%		
<i>Maturing on 30 September 2018</i>			
Floating rate loan	LIBOR +	37,611,585	38,904,000
Repayable by quarterly instalments of £500,000	1.35%		
and a final balloon payment of £32,904,000 on			
1 February 2008			
Floating rate development loan	LIBOR +	13,355,818	7,431,000
Becomes an investment loan on completion	1.50%		
of Haymarket Hotel. Repayable as a balloon			
payment on 1 February 2008			
Short term overdraft	Base Rate +	2,275,710	1,747,556
Repayable on demand	1.5%		
		<u>£ 68,925,753</u>	<u>£ 63,132,556</u>

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13. Provision for deferred taxation

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Accelerated capital allowances	5,377,301	4,229,447	-	-
Tax losses carried forward	(2,212,428)	(1,360,884)	-	-
Other short term timing differences	(383,592)			
Undiscounted provision for deferred tax	<u>£ 2,781,281</u>	<u>£ 2,868,563</u>	<u>£ -</u>	<u>£ -</u>

	Group
	2006
	£
The movement for the year is as follows:	
Provision at 1 February 2005	2,868,563
Charge for the year (note 5)	(87,282)
Provision at 31 January 2006	<u>£ 2,781,281</u>

14. Share capital

Company and Group

	2006	2005
	£	£
<u>Authorised</u>		
2,000,000 Ordinary shares of £1 each	<u>£ 2,000,000</u>	<u>£ 2,000,000</u>
<u>Allotted, called up and fully paid</u>		
1,667,596 Ordinary shares of £1 each	<u>£ 1,667,596</u>	<u>£ 1,667,596</u>

15. Revaluation reserve

	Group	
	2006	2005
	£	£
Balance at 1 February 2005	34,942,387	27,347,572
Transfer to profit and loss account (note 16)	(553,692)	(125,449)
Revaluation in year	20,017,539	7,720,264
Balance at 31 January 2006	<u>£ 54,406,234</u>	<u>£ 34,942,387</u>

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16. Profit and loss account

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Accumulated profits at 1 February 2005	24,328,995	24,471,132	-	-
Profit for the year	(596,064)	(267,586)	-	-
Transfer from revaluation reserve (note 15)	553,692	125,449	-	-
Accumulated profits at 31 January 2006	<u>£ 24,286,623</u>	<u>£ 24,328,995</u>	<u>£ -</u>	<u>£ -</u>

17. Reconciliation of movements in shareholders' funds

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Shareholders' funds at 1 February 2005	65,531,382	58,078,704	1,667,596	1,667,596
Result for the financial year	(596,064)	(267,586)	-	-
Issue of shares	-	-	-	-
Revaluation of properties in year	20,017,539	7,720,264	-	-
Shareholders' funds at 31 January 2006	<u>£ 84,952,857</u>	<u>£ 65,531,382</u>	<u>£ 1,667,596</u>	<u>£ 1,667,596</u>

18. Capital commitments

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Details of capital commitments at the accounting date are as follows:				
Contracted for (Haymarket Hotel)	<u>£ 13,067,469</u>	<u>£ 16,069,906</u>	<u>£ -</u>	<u>£ -</u>

This relates to capital commitments in Firmdale Hotels Plc.

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19. Operating lease commitments

The amounts payable in the ensuing year in respect of operating leases are shown below, analysed according to expiry date of the lease :-

<u>Group</u>	<u>Land and buildings</u>		<u>Other</u>	
	2006	2005	2006	2005
	£	£	£	£
Expiry date:				
Within one year	29,600	39,190	49,769	41,651
Between one and five years	46,000	46,000	-	-
After five years	4,087,988	2,657,988	-	-
	<u>£ 4,163,588</u>	<u>£ 2,743,178</u>	<u>£ 49,769</u>	<u>£ 41,651</u>

20. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Expiry date:				
Within one year	3,967	3,682	-	-
Between one and five years	4,253	3,967	-	-
After five years	738	4,991	-	-
	<u>£ 8,958</u>	<u>£ 12,640</u>	<u>£ -</u>	<u>£ -</u>

21. Pension costs

The group operates a defined contribution pension scheme for certain employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £1,955,844 (2005: £39,750).

22. Related party transactions

Any transactions with related parties in the year were conducted at arms length.

23. Contingent liability

In November 2002, Firmdale Hotels Plc granted a sub lease in respect of a property which mirrored an original lease. In the event that the sub lessee fails to meet its commitments under the sub lease, Firmdale Hotels Plc has a contingent liability for rent of £565,620 per annum.

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24. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2006	2005
	£	£
Operating profit	2,870,242	2,666,641
Depreciation charges	1,534,631	1,089,600
(Profit)/Loss on disposal of fixed assets	(8,647)	(12,142)
(Increase)/Decrease in stocks	(39,150)	782,400
(Increase) in debtors	(34,177)	(772,205)
(Decrease) / Increase in creditors	1,353,183	1,630,132
Net cash inflow from operating activities	<u>£ 5,676,082</u>	<u>£ 5,384,426</u>

(b) Purchase of subsidiary undertaking

	2006	2005
	£	£
Net assets acquired		
Tangible fixed assets	-	1,287,058
Debtors	-	78,054
Cash at bank and in hand	-	9,961
Trade creditors	-	(22,273)
Other tax and social security	-	(11,159)
Other creditors	-	(1,282,421)
	<u>£ -</u>	<u>£ 59,220</u>
Satisfied by:		
Cash	<u>£ -</u>	<u>£ 59,200</u>

(c) Analysis of changes in net debt

	At 1 Feb 2005 £	Cash Flows £	Other Changes £	At 31 Jan 2006 £
Year ended 31 January 2006				
Cash at bank and in hand	146,297	(11,574)	-	134,723
Overdrafts	<u>(1,747,556)</u>	<u>(528,153)</u>	-	<u>(2,275,709)</u>
	(1,601,259)	(539,727)	-	(2,140,986)
Bank loans due <1 year	(2,166,827)	(319,311)		(2,486,138)
Bank loans due >1 year	(59,218,173)	(4,945,732)		(64,163,906)
	<u>£ (62,986,259)</u>	<u>£ (5,804,770)</u>	<u>£ -</u>	<u>£ (68,791,030)</u>

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Notes to the cash flow statement (continued)

(d) Reconciliation of net cash flow to movement in net debt

	2006		2005	
	£	£	£	£
(Decrease) in cash in the year		(539,727)		(1,622,399)
Cash inflow from increase in debt and lease financing	<u>(5,265,044)</u>	(5,265,044)	<u>(21,828,000)</u>	(21,828,000)
Net debt at 1 February 2005		<u>(62,986,259)</u>		<u>(39,535,860)</u>
Net Debt at 31 January 2006		<u><u>£ (68,791,030)</u></u>		<u><u>£ (62,986,259)</u></u>