

COMPANY REGISTRATION NUMBER 4648681

REGISTRAR
OF COMPANIES

**FIRMDALE HOLDINGS LIMITED AND
SUBSIDIARY UNDERTAKINGS**

FINANCIAL STATEMENTS

31 JANUARY 2008

THURSDAY



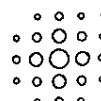
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MacIntyre Hudson

THE FUTURE IS WHAT YOU MAKE IT •

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

J M Keane
T J R Kemp

Company secretary

M T Soden

Registered office

18 Thurloe Place
London
SW7 2SP

Auditor

MacIntyre Hudson LLP
Chartered Accountants
& Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

THE DIRECTORS' REPORT

YEAR ENDED 31 JANUARY 2008

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 January 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group and the subsidiaries during the year was that of a luxury hotel developer and operator, a dry cleaners and laundry and, to own premises which other members of the group use for the purposes of their trading activities

According to the Office of National Statistics the number of overseas visitors to the UK in 2007 increased slightly over 2006 to reach a new record of 32.9m. The number of visitors from North America (representing 13.7% of all arrivals) declined by some 6% as a result of both the slowdown in the US economy and also the strength of the UK pound against the US Dollar. However, the growth in arrivals from the European Union more than compensated for this decline aided by the expansion of low cost airlines and comparative strength of the Euro.

Thus, despite some economic uncertainty, the demand for accommodation in London remained very strong and Room Revenues for the six established hotels increased 9% year on year driven mainly by growth in Rate. This resulted in new records for Average Room Rates at all properties, bringing the group average to £265 (2007: £241). Occupancies remained strong with an annual average of 85% across the group.

Our Restaurants, Bars and Events business at the six established hotels delivered a year on year growth of 10% and income from the letting of rooms for meetings, functions and film screenings plus associated food and refreshment now accounts for more than 11% of our total revenue.

As a result, Total Revenues reached a new group record of £51.2m which was 22% ahead of the previous record last year. The Haymarket Hotel opened on 1st May 2007 to enormous critical acclaim and contributed some £6m of additional revenues to the company in its first 9 months of operation. It quickly established itself commercially and also in terms of visibility in the market and media both locally and internationally. This was recognised through the receipt of the European Hotel Design Awards 2007 (Outstanding Contribution award), the Crown Estate's prestigious Urban Business Award 2007 and inclusion in the Conde Nast Traveller Magazine Hot List 2007 among others.

Our first hotel development in Manhattan, New York is now under construction with an anticipated opening date of March 2009. It is located in the Soho district, accessed from both Crosby Street and Lafayette Street and will comprise 86 bedrooms and suites, a restaurant, bar, screening and meeting rooms. Two other development opportunities in Midtown Manhattan are now in the early stages of planning.

During the year the freehold and long leasehold interests of all hotels other than the Pelham were transferred within the group and occupation was retained through the benefit of Operational Leases.

In autumn 2007 an offer considerably in excess of current net book value was received for the Pelham Hotel which has been owned and operated successfully by the company for some 20 years. Contracts were subsequently exchanged in mid March 2008 and completion will take place shortly after landlord's consent is confirmed.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JANUARY 2008

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,262,663. The directors have not recommended a dividend.

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

	Actual 2008	Actual 2007	Actual 2006
Turnover	51,245,131	41,988,478	35,127,021
Gross Profit	23,162,601	18,081,374	15,608,066
Administrative expenses excluding depreciation	12,802,267	10,681,062	11,203,197
Operating profit before depreciation, interest and tax	10,360,334	7,400,312	4,404,869

DIRECTORS

The directors who served the company during the year were as follows:

J M Keane
T J R Kemp

POLICY ON THE PAYMENT OF CREDITORS

The group 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 group took to pay its creditors was 36 days (2007: 39 days).

DONATIONS

During the year the company made the following contributions:

	2008 £	2007 £
Charitable	<u>100,000</u>	<u>105,000</u>

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

THE DIRECTORS' REPORT *(continued)*

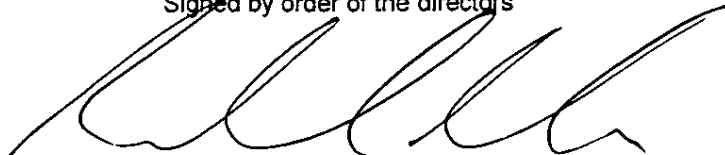
YEAR ENDED 31 JANUARY 2008

AUDITOR

A resolution to reappoint MacIntyre Hudson LLP as auditor 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

Signed by order of the directors

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, representing the signature of M T Soden.

M T SODEN
Company Secretary

Approved by the directors on 15 May 2008

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 JANUARY 2008

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 by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

there is no relevant audit information of which the group's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

YEAR ENDED 31 JANUARY 2008

We have audited the group and parent company financial statements ("the financial statements") of Firmdale Holdings Limited and subsidiary undertakings for the year ended 31 January 2008 which comprise the Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Company Balance Sheet, Group Cash Flow Statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing 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 are 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS *(continued)*

YEAR ENDED 31 JANUARY 2008

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 group's and parent company's affairs at 31 January 2008 and of the group's profit for the year 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

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

19 May 2008



MACINTYRE HUDSON LLP
Chartered Accountants
& Registered Auditors

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JANUARY 2008

	Note	2008 £	2007 £
GROUP TURNOVER	2	51,245,131	41,988,478
Cost of sales		<u>28,082,530</u>	<u>23,907,104</u>
GROSS PROFIT		23,162,601	18,081,374
Administrative expenses		<u>15,156,786</u>	<u>12,318,475</u>
OPERATING PROFIT	3	8,005,815	5,762,899
Interest receivable		<u>387,198</u>	<u>13,805</u>
Interest payable and similar charges	6	<u>(4,305,148)</u>	<u>(3,453,092)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,087,865	2,323,612
Tax on profit on ordinary activities	7	<u>1,825,202</u>	<u>1,691,397</u>
PROFIT FOR THE FINANCIAL YEAR	8	<u>2,262,663</u>	<u>632,215</u>

All of the activities of the group are classed as continuing

The company has taken advantage of section 230 of the Companies Act 1985
not to publish its own Profit and Loss Account

The notes on pages 13 to 25 form part of these financial statements.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 JANUARY 2008

	2008	2007
	£	£
Profit for the financial year attributable to the shareholders of the parent company	2,262,663	632,215
Unrealised profit on revaluation of certain fixed assets	57,819,498	27,743,082
Total gains and losses recognised since the last annual report	<u>60,082,161</u>	<u>28,375,297</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008	2007
	£	£
Reported profit on ordinary activities before taxation	4,087,865	2,323,612
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	—	604,495
Historical cost profit on ordinary activities before taxation	<u>4,087,865</u>	<u>2,928,107</u>
Historical cost profit for the year retained after taxation and dividends	<u>2,262,663</u>	<u>632,215</u>

The notes on pages 13 to 25 form part of these financial statements

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP BALANCE SHEET

31 JANUARY 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	9	<u>275,452,121</u>	<u>197,405,181</u>
CURRENT ASSETS			
Stocks	11	293,591	187,718
Debtors	12	4,103,139	2,275,334
Cash at bank and in hand		<u>5,970,053</u>	<u>282,295</u>
		10,366,783	2,745,347
CREDITORS: Amounts falling due within one year	13	<u>13,611,589</u>	<u>9,421,195</u>
NET CURRENT LIABILITIES		<u>(3,244,806)</u>	<u>(6,675,848)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>272,207,315</u>	<u>190,729,333</u>
CREDITORS. Amounts falling due after more than one year	14	<u>92,500,000</u>	<u>72,928,879</u>
		<u>179,707,315</u>	<u>117,800,454</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	18	<u>6,297,000</u>	<u>4,472,300</u>
		<u>173,410,315</u>	<u>113,328,154</u>
CAPITAL AND RESERVES			
Called-up equity share capital	22	1,667,596	1,667,596
Share premium account	23	4,592,404	4,592,404
Revaluation reserve	23	139,364,319	81,544,821
Profit and loss account	23	<u>27,785,996</u>	<u>25,523,333</u>
SHAREHOLDERS' FUNDS	24	<u>173,410,315</u>	<u>113,328,154</u>

These financial statements were approved by the directors and authorised for issue on 15 May 2008, and are signed on their behalf by



T J R KEMP
Director

The notes on pages 13 to 25 form part of these financial statements.

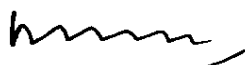
FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

BALANCE SHEET

31 JANUARY 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Investments	10	1,726,818	1,726,818
CREDITORS: Amounts falling due within one year / NET CURRENT LIABILITIES	13	59,222	59,222
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,667,596</u>	<u>1,667,596</u>
CAPITAL AND RESERVES			
Called-up equity share capital	22	<u>1,667,596</u>	<u>1,667,596</u>
SHAREHOLDERS' FUNDS		<u>1,667,596</u>	<u>1,667,596</u>

These financial statements were approved by the directors and authorised for issue on 15 May 2008, and are signed on their behalf by



T J R KEMP
Director

The notes on pages 13 to 25 form part of these financial statements.

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2008

	Note	2008 £	2007 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	9,041,807	8,250,024
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(3,917,950)	(3,439,287)
TAXATION	25	(502)	(378)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(22,581,961)	(11,422,968)
CASH OUTFLOW BEFORE FINANCING		(17,458,606)	(6,612,609)
FINANCING	25	23,146,364	6,760,181
INCREASE IN CASH	25	<u>5,687,758</u>	<u>147,572</u>

The notes on pages 13 to 25 form part of these financial statements

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 50 years straight line
Leasehold Properties	- 50 years straight line
Fixtures & Fittings	- 15% and 20% per annum on cost
Motor Vehicles	- 20% and 33% per annum on cost
Short leasehold	- Straight line over lease life

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Leasing and hire purchase commitments

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 FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit

Finance costs

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

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2008 £	2007 £
United Kingdom	<u>51,245,131</u>	<u>41,988,478</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2008 £	2007 £
Depreciation of owned fixed assets	2,350,026	1,633,303
Depreciation of assets held under hire purchase agreements	4,110	4,110
Loss/(profit) on disposal of fixed assets	383	(687,115)
Auditor's remuneration		
- as auditor	36,350	29,850
- for other services	64,685	38,455
Net loss on foreign currency translation	<u>102,285</u>	<u>93,229</u>

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to

	2008 No	2007 No
Hotels and restaurants	677	529
Administration	44	41
Sales and marketing	9	9
Laundry	58	59
	<u>788</u>	<u>638</u>

The aggregate payroll costs of the above were

	2008 £	2007 £
Wages and salaries	17,775,391	13,860,561
Social security costs	1,702,805	1,316,003
Pension contributions	1,503,600	3,600
	<u>20,981,796</u>	<u>15,180,164</u>

5 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2008 £	2007 £
Emoluments receivable	<u>1,315,222</u>	<u>982,056</u>

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	<u>1,306,472</u>	<u>973,806</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable on bank borrowing	4,304,946	3,452,605
Finance charges	202	487
	<u>4,305,148</u>	<u>3,453,092</u>

Bank interest charged at LIBOR + 1.5625% amounting to £426,573 (2007 - £1,217,380) was capitalised as part of tangible fixed assets during the year

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2008 £	2007 £
Current tax		
UK Corporation tax	-	-
US State Taxes	502	378
Total current tax	502	378
Deferred tax		
Origination and reversal of timing differences	1,824,700	1,691,019
Tax on profit on ordinary activities	1,825,202	1,691,397

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2007 - 30%)

	2008 £	2007 £
Profit on ordinary activities before taxation	4,087,865	2,323,612
Profit on ordinary activities by rate of tax	1,226,360	697,084
Expenses not deductible for tax purposes	1,109	472,746
Capital allowances for period in excess of depreciation	(504,350)	(1,341,942)
Utilisation of tax losses	(1,447,541)	-
Unrelieved tax losses	620,651	-
Capital disposal	-	465,929
Other short term timing differences	104,273	(293,439)
Total current tax (note 7(a))	502	378

8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £Nil (2007 - £Nil)

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

9. TANGIBLE FIXED ASSETS

Group	Freehold & Leasehold Hotels £	In the course of construc'n £	Fixtures & Fittings £	Motor Vehicles £	Other Properties £	Total £
COST OR VALUATION						
At 1 Feb 2007	171,471,919	27,993,128	891,935	385,394	1,538,480	202,280,856
Additions	1,974,209	13,286,439	135,172	12,515	7,174,426	22,582,761
Disposals	—	—	—	(4,438)	—	(4,438)
Revaluation	47,763,674	8,505,585	—	—	—	56,269,259
Reclassification	41,613,730	(43,234,252)	—	—	1,620,522	—
At 31 Jan 2008	262,823,532	6,550,900	1,027,107	393,471	10,333,428	281,128,438
DEPRECIATION						
At 1 Feb 2007	4,212,055	—	315,503	189,452	158,665	4,875,675
Charge for the year	2,111,716	—	154,066	80,876	7,478	2,354,136
On disposals	—	—	—	(3,255)	—	(3,255)
Revaluation adjustment	(1,550,239)	—	—	—	—	(1,550,239)
At 31 Jan 2008	4,773,532	—	469,569	267,073	166,143	5,676,317
NET BOOK VALUE						
At 31 Jan 2008	258,050,000	6,550,900	557,538	126,398	10,167,285	275,452,121
At 31 Jan 2007	167,259,864	27,993,128	576,432	195,942	1,379,815	197,405,181

The historical cost and accumulated depreciation of the company's properties as at 31 January 2008 were as follows

	Cost 2008 £	Depreciation 2008 £	Cost 2007 £	Depreciation 2007 £
Hotels				
Freehold	51,200,000	276,743	16,552,192	537,460
Long leasehold	175,909,399	4,540,175	77,335,900	3,091,566
Other properties	1,538,480	163,350	1,538,480	162,279
	228,647,879	4,980,268	95,426,572	3,791,305

Two freehold and four leasehold properties were transferred within the group during the year in accordance with professional valuations based on 'Market Value', undertaken by Jones Lang LaSalle Hotels, Chartered Surveyors, as at March 2007

A group company retained certain leasehold interests at values in accordance with professional valuations based on 'Existing Use Value', undertaken by Jones Lang LaSalle Hotels, as at March 2007

The freehold and leasehold properties were revalued by Jones Lang LaSalle Hotels as at 31 January 2008 based on 'Market Value', the properties being valued with the benefit of the leases with fellow group companies. These valuations have been uplifted to recognise 'Existing Use Value'

The leasehold interests retained by one group company were subsequently revalued by Jones Lang LaSalle Hotels as at 31 January 2008 based on 'Existing Use Value', the properties being valued with the benefit of the leases from fellow group companies

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

9. TANGIBLE FIXED ASSETS *(continued)*

Hire purchase agreements

Included within the net book value of £275,452,121 is £1,506 (2007 - £5,616) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £4,110 (2007 - £4,110)

Capital commitments

	2008 £	2007 £
Contracted but not provided for in the financial statements	<u>3,500,000</u>	<u>4,500,000</u>

10. INVESTMENTS

Company

Group companies £

COST

At 1 February 2007 and 31 January 2008

1,726,818

NET BOOK VALUE

At 31 January 2008

1,726,818

At 31 January 2007

1,726,818

Name of group undertaking	Nature of business	Class of shares held	Country of registration
Firmdale Hotels Plc	Hotel	Ordinary	England
Palace Laundry (Fulham) Ltd	Laundry	Ordinary	England
Firmdale Property Investments Ltd	Property	Ordinary	England
Soho Hotel Ltd	Property	Ordinary	England
Charlotte Street Hotel Ltd	Dormant	Ordinary	England
Covent Garden Hotel Ltd *	Dormant	Ordinary	England
Town House Hotels Ltd *	Dormant	Ordinary	England
Haymarket Hotel Ltd	Dormant	Ordinary	England
Firmdale Holdings (USA) Inc	Non trading	Ordinary	USA
Crosby Street Hotel LLC **	Property	N/A	USA

100% of the ordinary share capital and voting rights are held in all group companies

All material group companies are consolidated in the group financial statements

* Wholly owned subsidiary of Firmdale Hotels Plc

** Wholly owned subsidiary of Firmdale Holdings (USA) Inc

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

11. STOCKS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Refurbishment and maintenance stock	61,670	14,658	—	—
Food and beverage stock	231,921	173,060	—	—
	<u>293,591</u>	<u>187,718</u>	<u>—</u>	<u>—</u>

12. DEBTORS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	890,718	761,776	—	—
Other debtors	1,556,250	819,181	—	—
Prepayments and accrued income	1,656,171	694,377	—	—
	<u>4,103,139</u>	<u>2,275,334</u>	<u>—</u>	<u>—</u>

13. CREDITORS: Amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	6,340,518	2,761,762	—	—
Trade creditors	2,499,696	3,423,009	—	—
Amounts owed to group undertakings	—	—	59,222	59,222
Hire purchase agreements	739	4,252	—	—
Other creditors	2,203,369	919,499	—	—
Accruals and deferred income	2,567,267	2,312,673	—	—
	<u>13,611,589</u>	<u>9,421,195</u>	<u>59,222</u>	<u>59,222</u>

Bank loans and overdrafts, both due within and 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.

14. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans	92,500,000	72,928,140	—	—
Hire purchase agreements	—	739	—	—
	<u>92,500,000</u>	<u>72,928,879</u>	<u>—</u>	<u>—</u>

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

YEAR ENDED 31 JANUARY 2008

15. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amounts payable within 1 year	739	4,252	-	-
Amounts payable between 1 and 2 years	-	739	-	-
	<u>739</u>	<u>4,991</u>	<u>-</u>	<u>-</u>

16. PENSIONS

The group operates a defined contribution scheme for certain employees. The assets of the scheme 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 £1,503,600 (2007 - £3,600)

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

17 FINANCIAL INSTRUMENTS

		2008 £	2007 £
Analysis by year of repayment			
After five years by instalment		64,500,000	12,344,325
From two to five years		27,500,000	1,830,313
From one to two years		500,000	58,753,502
Due after more than one year		92,500,000	72,928,140
Due within one year		6,340,518	2,761,762
		<u>98,840,518</u>	<u>75,689,902</u>
Cash at bank and in hand		(5,970,053)	(282,295)
Net borrowings		<u>92,870,465</u>	<u>75,407,607</u>
Bank loans and overdrafts include			
	Year end interest	2008 £	2007 £
Barclays Bank Plc			
Floating rate loan			
Repayable by a final balloon payment of £6,000,000 on 30 June 2008	LIBOR + 1.00%	6,000,000	—
Floating rate loan			
Repayable by quarterly instalments of £125,000 from April 2009, increasing to £187,500 from April 2012, then £250,000 from April 2014 with a final balloon payment of £61,500,000 on 17 April 2017	LIBOR + 0.75%	67,500,000	—
Floating rate loan			
No interim repayments Repayable as a final balloon payment of £25,000,000 on 10 September 2010	LIBOR + 1.00%	25,000,000	—
Floating rate loan			
Repayable by quarterly instalments of £500,000 and final balloon payment of £33,611,585 on 1 February 2008	LIBOR + 1.35%	—	35,611,585
Floating rate development loan			
Becomes an investment loan on completion of Haymarket Hotel Repayable as a balloon payment on 1 February 2008	LIBOR + 1.50%	—	24,610,147
Overdraft repayable on demand	Base Rate + 1.50%	340,518	261,733
		<u>98,840,518</u>	<u>60,483,465</u>

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

Bank of Scotland Plc

Term loan			
Repayable by quarterly instalments maturing September 2018	LIBOR + 1.40%	–	8,631,437
Term loan			
Repayable in full at expiry of facility at September 2018	LIBOR + 1.40%	–	6,575,000
		–	<u>15,206,437</u>

Some group companies have entered into a hedging agreement with a counterparty in respect of interest payable on loans of £80m. The result is a net base rate, before margin, of 4.42% per annum.

The loans outstanding as at 31 January 2007 were repaid during the year as a result of the sale and purchase of properties referred to in note 9.

18. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Provision brought forward	4,472,300	2,781,281	-	-
Increase in provision	1,824,700	1,691,019	-	-
Provision carried forward	<u>6,297,000</u>	<u>4,472,300</u>	<u>-</u>	<u>-</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of

Group	2008		2007	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	7,474,000	-	6,720,481	-
Tax losses available	(897,000)	-	(2,056,385)	-
Other timing differences	(280,000)	-	(191,796)	-
	<u>6,297,000</u>	<u>-</u>	<u>4,472,300</u>	<u>-</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 31 January 2008 the group had annual commitments under non-cancellable operating leases as set out below

Group	2008		2007	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire				
Within 1 year	148,920	61,068	76,600	56,039
After more than 5 years	3,374,315	-	4,201,815	-
	<u>3,523,235</u>	<u>61,068</u>	<u>4,278,415</u>	<u>56,039</u>

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

20. CONTINGENCIES

In November 2002, the company 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, the company has a contingent liability for rent of £565,620 per annum.

The company has deposited a clean irrevocable letter of credit of \$1,340,000 in favour of SOL Goldman Investments LLC to secure a group company's obligation under the lease of 79-85 Crosby Street and 242 Lafayette Street, New York, USA.

21. RELATED PARTY TRANSACTIONS

A group company has entered into a commercial sponsorship agreement with Miss W Kemp who competes at International level for Great Britain Young Dressage Riders under 21, and is the daughter of T J R Kemp, a director of the company. Under the terms of this agreement £50,000 (2007 - £50,000) was paid to Miss Kemp during the year and at the balance sheet date she owed the group company £456,632 (2007 - £nil) being an interest free loan for up to 24 months to enable Miss Kemp to acquire suitable horses.

During the year, a group company commenced the rental of a residential property at market value on an arms length basis. One of the tenants renting the property is Miss Kemp and rent of £400 (2007 - £nil) was paid to the group company during the year. No (2007 - £nil) amounts were outstanding at the balance sheet date.

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

22. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	<u>1,667,596</u>	<u>1,667,596</u>	<u>1,667,596</u>	<u>1,667,596</u>

23. RESERVES

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	4,592,404	81,544,821	25,523,333
Profit for the year	—	—	2,262,663
Other gains and losses			
- Revaluation of fixed assets	—	57,819,498	—
Balance carried forward	<u>4,592,404</u>	<u>139,364,319</u>	<u>27,785,996</u>
Company			Profit and loss account £
Balance brought forward and carried forward			<u>—</u>

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	2,262,663	632,215
Other net recognised gains and losses	57,819,498	27,743,082
Transfer from revaluation reserve	—	604,495
Transfer to profit and loss account	—	(604,495)
Net addition to shareholders' funds	60,082,161	28,375,297
Opening shareholders' funds	113,328,154	84,952,857
Closing shareholders' funds	173,410,315	113,328,154

25. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	8,005,815	5,762,899
Depreciation	2,354,136	1,637,413
Loss/(profit) on disposal of fixed assets	383	(687,115)
(Increase)/decrease in stocks	(105,873)	27,252
Increase in debtors	(1,827,805)	(659,028)
Increase in creditors	615,151	2,168,603
Net cash inflow from operating activities	9,041,807	8,250,024

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008 £	2007 £
Interest received	387,198	13,805
Interest paid	(4,304,946)	(3,452,605)
Interest element of hire purchase payments	(202)	(487)
Net cash outflow from returns on investments and servicing of finance	(3,917,950)	(3,439,287)

TAXATION

	2008 £	2007 £
Taxation	(502)	(378)

CAPITAL EXPENDITURE

	2008 £	2007 £
Payments to acquire tangible fixed assets	(22,582,761)	(15,361,472)
Receipts from sale of fixed assets	800	3,938,504
Net cash outflow from capital expenditure	(22,581,961)	(11,422,968)

FIRMDALE HOLDINGS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JANUARY 2008

25. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

FINANCING

	2008 £	2007 £
Increase in bank loans	23,150,616	6,764,148
Decrease in capital element of hire purchase	(4,252)	(3,967)
Net cash inflow from financing	<u>23,146,364</u>	<u>6,760,181</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 £	2007 £
Increase in cash in the period	5,687,758	147,572
Net cash inflow from bank loans	(23,150,616)	(6,764,148)
Cash outflow in respect of hire purchase	4,252	3,967
Change in net debt	<u>(17,458,606)</u>	<u>(6,612,609)</u>
Net debt at 1 February 2007	<u>(75,412,598)</u>	(68,799,989)
Net debt at 31 January 2008	<u>(92,871,204)</u>	<u>(75,412,598)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Feb 2007 £	Cash flows £	At 31 Jan 2008 £
Net cash			
Cash in hand and at bank	<u>282,295</u>	<u>5,687,758</u>	<u>5,970,053</u>
Debt			
Debt due within 1 year	(2,761,762)	(3,578,756)	(6,340,518)
Debt due after 1 year	(72,928,140)	(19,571,860)	(92,500,000)
Hire purchase agreements	(4,991)	4,252	(739)
	<u>(75,694,893)</u>	<u>(23,146,364)</u>	<u>(98,841,257)</u>
Net debt	<u>(75,412,598)</u>	<u>(17,458,606)</u>	<u>(92,871,204)</u>

26. POST BALANCE SHEET EVENTS

At the balance sheet date the group had forward contracts to purchase foreign currencies with a sterling value of £28,669,091 (2007 - £690,369)

27. CONTROL

In the opinion of the directors, there is no ultimate individual controlling party