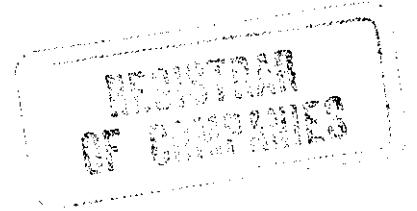


**FIRMDALE HOLDINGS LIMITED  
and Subsidiary Undertakings**

**31 JANUARY 2005**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**COMPANY NUMBER - 4648681**



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**MacIntyre Hudson**

THE FUTURE IS WHAT YOU MAKE IT<sup>®</sup>

**FIRMDALE HOLDINGS LIMITED**  
**and Subsidiary Undertakings**

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**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**REPORT OF THE DIRECTORS**  
**31 JANUARY 2005**

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The directors present their annual report and the audited group financial statements for the year ended 31 January 2005.

**Review of the Business and Future Developments**

The company was incorporated on 27 January 2003. On 21 August 2003, as a result of a share for share exchange, the company acquired the entire share capital of Firmdale Hotels PLC and became a dormant holding company. The company also became the holding company of Charlotte Street Hotel Limited in 2004.

On 20 August 2004, the company acquired 100% of the share capital of Palace Laundry (Fulham) Limited for £59,220. The company has adopted acquisition accounting. Under acquisition accounting, consolidated accounts for the group include the post acquisition results of Palace Laundry (Fulham) Limited.

The Group's principal activity during the year was that of a luxury hotel operator.

In spite of some worldwide economic and political uncertainties, 2004 was a year of continuing recovery for the UK Hospitality industry, and London in particular. With international travellers regaining confidence a record number of visitors came to Britain, surpassing the previous high achieved in 2000. *There was a 10% year on year increase in visitors from the key USA market* although their numbers still remain below the peak reached in 2000.

Total Revenues for the year were £25.3m which is the highest ever recorded by the company.

As a consequence, each of our five established hotels delivered significant growth in Room Revenues and a number of them achieved record average room rates. The Restaurants and Bars within our hotels performed very well and the letting of rooms for meetings, events and film screening continues to be a significant and rapidly growing element of our business.

The Soho Hotel opened at the end of September 2004 and comprises 91 bedrooms, restaurant, bar, two screening rooms, meeting rooms and gym. This award winning property has received a great deal of publicity and critical acclaim and has established a healthy trading pattern ahead of expectation.

The Charlotte Street Hotel and Covent Garden Hotels continued to deliver exceptional performances and both exceeded previous records for total revenues in a single month as well as reporting record Average Room Rates for the full year.

The Knightsbridge Hotel recorded a further leap in Average Room Rate whilst still growing Occupancy in its second full year following redevelopment.

A major refurbishment project was undertaken at the Pelham Hotel which included the introduction of a new meeting room facility and gym. The refreshment of this prime property has been well received.

In its first full year post refurbishment the Number 16 Hotel successfully grew both occupancy and room rate having established itself with a strong and loyal guest base.

The re-development of a prestigious listed building adjacent to the Theatre Royal, Haymarket into a luxury hotel has commenced and is scheduled to be complete by May 2006.

On 20 August 2004, the company acquired the entire share capital of The Palace Laundry (Fulham) Limited. The acquisition of this *laundry and dry cleaning business* has already resulted in the company improving the quality of the service it is able to offer to its clients.

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**REPORT OF THE DIRECTORS**  
**31 JANUARY 2005**

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**Results and Dividends**

The directors do not recommend payment of a dividend. The results of the year are detailed on page 5.

The Group's results for the last three years , together with a forecast for the year ended 31 January 2006, are summarised as follows:

	<b>2006 Forecast</b>	<b>Year ended 31 January 2005 Actual</b>	<b>2004 Actual</b>	<b>2003 Actual</b>
Turnover	35,350,000	25,294,580	20,042,040	21,006,438
Gross Profit	16,870,000	10,581,422	8,518,410	9,287,189
Administrative expenses excluding depreciation	8,970,000	6,837,323	5,330,130	5,082,968
Operating profit before depreciation, interest and tax	7,900,000	3,744,099	3,621,673	4,204,221

**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.

**FIRMDALE HOLDINGS LIMITED  
And Subsidiary Undertakings**

**REPORT OF THE DIRECTORS  
31 JANUARY 2005**

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**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>2005</u>
T.J.R. Kemp	579,542
J.M. Keane	-

**Auditors**

MacIntyre Hudson were appointed as auditors of the company and, in accordance with Section 385 of the Companies Act 1985, a resolution proposing that MacIntyre Hudson be re-appointed as auditors of the company will be put to the Annual General Meeting.

By Order of the Board



M.T. Soden  
Company Secretary

18 Thurloe Place  
London SW7 2SP

Approved by the directors on

26<sup>th</sup> May 2005

**FIRMDALE HOLDINGS LIMITED  
And Subsidiary Undertakings**

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

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We have audited the financial statements of Firmdale Holdings Limited on pages 6 to 24 which have been prepared under the historical cost convention, as modified by the revaluation of certain freehold and leasehold land and buildings, and 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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**

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**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 31st January 2005 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*

MacIntyre Hudson  
Chartered Accountants  
Registered Auditors

Greenwood House  
4/7 Salisbury Court  
London EC4Y 8BT

Date: *26th May 2005*

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**31 JANUARY 2005**

	Notes	2005 £	2004 £
<b>Turnover</b>	<b>1.4</b>	25,294,580	20,042,040
Cost of sales		(14,713,158)	(11,523,630)
<b>Gross profit</b>		<u>10,581,422</u>	<u>8,518,410</u>
Administrative expenses		(7,926,923)	(5,923,590)
Other operating income		-	433,393
<b>Operating profit</b>	<b>2</b>	<u>2,654,499</u>	<u>3,028,213</u>
Profit on sale of tangible fixed assets	<b>3</b>	12,142	3,390
Other interest receivable		37,243	820
Interest payable	<b>4</b>	(2,696,888)	(2,029,353)
<b>Profit on ordinary activities before taxation</b>		<u>6,996</u>	<u>1,003,070</u>
Tax on profit on ordinary activities	<b>6</b>	(274,582)	(376,831)
<b>Profit on ordinary activities after taxation</b>		<u>(267,586)</u>	<u>626,239</u>
<b>Retained (loss)/profit for the year</b>		<u>£ (267,586)</u>	<u>£ 626,239</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 RECOGNISED GAINS AND LOSSES**  
**31 JANUARY 2005**

		2005 £	2004 £
Retained (loss)/profit for the year	18	(267,586)	626,239
Unrealised surplus on revaluation of properties		7,720,264	9,784,971
Total recognised gains and losses relating to the year		7,452,678	10,411,210
Prior year adjustment		-	-
Total recognised gains and losses recognised since last annual report		<u>£ 7,452,678</u>	<u>£ 10,411,210</u>

**NOTE OF HISTORICAL COST PROFIT AND LOSSES**  
**31 JANUARY 2005**

	2005 £	2004 £
Reported profit on ordinary activities before taxation	6,996	1,003,070
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	125,449	85,663
Historical cost profit on ordinary activities before taxation	<u>£ 132,445</u>	<u>£ 1,088,733</u>
Historic retained (losses)/ profits after taxation	<u>£ (142,137)</u>	<u>£ 711,902</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 31ST JANUARY 2005**

	Note	2005	2004
		£	£
<b>Fixed assets</b>			
Tangible assets	7	134,308,417	101,518,278
<b>Current assets</b>			
Stock	9	175,820	958,220
Debtors	10	1,582,129	731,870
Cash at bank and in hand		146,297	89,472
		<u>1,904,246</u>	<u>1,779,562</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(8,585,587)</u>	<u>(5,338,155)</u>
<b>Net current liabilities</b>		(6,681,341)	(3,558,593)
<b>Total assets less current liabilities</b>		<u>127,627,076</u>	<u>97,959,685</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	(59,227,131)	(37,287,000)
Provisions for liabilities and charges	14	(2,868,563)	(2,593,981)
<b>Net assets</b>		<u>£ 65,531,382</u>	<u>£ 58,078,704</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,667,596	1,667,596
Share premium account		4,592,404	4,592,404
Revaluation reserve	16	34,942,387	27,347,572
Profit and loss account	17	24,328,995	24,471,132
<b>Shareholders' funds</b>	18	<u>£ 65,531,382</u>	<u>£ 58,078,704</u>

The financial statements were approved by the Board on 26<sup>TH</sup> May 2005  
and signed on its behalf by:



T.J.R. Kemp  
Director

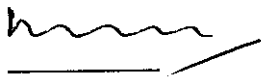
The notes on pages 11 to 24 form an integral part of these accounts.

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**COMPANY BALANCE SHEET**  
**AS AT 31ST JANUARY 2005**

	Note	2005	2004
		£	£
<b>Fixed assets</b>			
Investments	8	1,726,817	1,667,597
<b>Current assets</b>			
Debtors	10	-	-
<b>Creditors: Amounts falling due within one year</b>	11	(59,221)	(1)
<b>Net current liabilities</b>		(59,221)	(1)
<b>Total assets less current liabilities</b>		1,667,596	1,667,596
<b>Net assets</b>		<u>£ 1,667,596</u>	<u>£ 1,667,596</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,667,596	1,667,596
Profit and loss account	17	-	-
<b>Shareholders' funds</b>	18	<u>£ 1,667,596</u>	<u>£ 1,667,596</u>

The financial statements were approved by the Board on 26<sup>th</sup> May 2005  
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 2005**

	Note	<u>2005</u>		<u>2004</u>
		£	£	£
<b>Net Cash Inflows from Operating Activities</b>	<b>25(a)</b>	5,384,426		1,526,053
<b>Returns on Investment and Servicing of Finance</b>				
Interest received		37,243		820
Bank interest paid		(2,688,254)		(2,029,353)
Finance lease interest paid		<u>(2,372)</u>		<u>-</u>
		(2,653,383)		(2,028,533)
<b>Capital Expenditure and Financial Investment</b>				
Receipts from the sale of fixed assets		26,216		6,000
Payments to acquire investments in subsidiary undertakings	<b>25(b)</b>	(59,220)		-
Cash acquired from purchase of subsidiary		9,961		-
Payments to acquire tangible fixed assets		<u>(26,157,021)</u>		<u>(5,036,423)</u>
		(26,180,064)		(5,030,423)
<b>Net Cash Outflow before Financing</b>		<u>(23,449,021)</u>		<u>(5,532,903)</u>
<b>Financing</b>				
Additional amounts borrowed	<b>25(d)</b>	46,335,000		10,005,000
Repayment of loans	<b>25(d)</b>	(24,507,000)		(1,122,000)
Finance lease repayments		<u>(1,378)</u>		<u>-</u>
		21,826,622		8,883,000
<b>Decrease in Cash in the year</b>	<b>25(d)</b>	<u><u>(1,622,399)</u></u>		<u><u>3,350,097</u></u>

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 2005**

---

**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 2005. 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 Fimdale 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 (2004: £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% 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.

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**NOTES TO THE ACCOUNTS**  
**31 JANUARY 2005**  
**Continued**

**1. Accounting policies (Continued)**

**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.

**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**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:-		
Depreciation - owned assets	1,084,870	593,460
Depreciation - held under hire purchase	4,730	
Auditors' Remuneration - Audit Work	25,750	23,500
- Non-Audit Work	26,638	11,452
Foreign Exchange gains	(15,498)	(10,368)
Operating Lease Rentals:-		
Land and Buildings	1,739,269	1,771,456
Plant and Machinery	43,750	32,505
	<u>1,739,269</u>	<u>1,771,456</u>

**3. Exceptional items**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Profit on disposal of fixed assets	12,142	3,390
	<u>12,142</u>	<u>3,390</u>

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**NOTES TO THE ACCOUNTS**  
**31 JANUARY 2005**  
**Continued**

4. Interest Payable	Group 2005	2004
	£	£
On bank loans and overdrafts	2,694,516	2,029,353
On finance leases	2,372	-
	<u>£ 2,696,888</u>	<u>£ 2,029,353</u>

Bank interest, charged at LIBOR + 1.5625% amounting to £622,779 (2004: £125,284) was capitalised as part of tangible fixed assets during the year

5. Directors and Employees	Group 2005	2004
	£	£
<u>Directors' emoluments</u>		
Emoluments	942,895	932,461
Contributions to Money Purchase Pension Schemes	36,000	46,450
	<u>£ 978,895</u>	<u>£ 978,911</u>
<u>Highest paid director</u>		
Emoluments	644,673	486,611
Contribution to Money Purchase Pension Scheme	36,000	36,000
	<u>£ 680,673</u>	<u>£ 522,611</u>

Benefits are accruing in respect of one director under Money Purchase Pension Schemes (2004: 1).

	2005 £	2004 £
Staff costs:-		
Wages and salaries	9,165,417	7,132,455
Social Security costs	853,448	702,859
Other Pension Costs	39,750	46,450
	<u>£ 10,058,615</u>	<u>£ 7,881,764</u>

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

	Number	Number
Hotels and Restaurants	396	303
Administration	13	12
Sales and Marketing	8	7
Laundry	50	-
	<u>467</u>	<u>322</u>

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**NOTES TO THE ACCOUNTS**  
**31 JANUARY 2005**  
**Continued**

6. Taxation	2005	Group 2004
	£	£
UK Corporation tax	-	-
Underprovision prior year	-	-
Deferred tax	274,582	376,831
Origination and reversal of timing differences (note 14)		
Tax on profit on ordinary activities	<u>274,582</u>	<u>376,831</u>

There is no corporation tax charge for the year (2004: £nil) due to the availability of corporation tax losses brought forward and capital allowances.

Factors affecting the corporation tax charge for the period:

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

	2005 £	2004 £
Profit on ordinary activities before tax	<u>6,996</u>	<u>1,003,070</u>
Profit on ordinary activities multiplied by standard UK corporation tax rate (30%)	2,099	300,921
Effects of:		
Expenses not deductible for tax purposes	72,338	57,168
Capital allowances for period in excess of depreciation	(944,085)	(361,265)
Other timing differences	880,475	3,176
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 2005**  
**Continued**

**7. 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	38,060,192	866,000			38,926,192
Long leasehold	56,501,393	15,815,718	5,819,419	7,582,223	85,718,753
In the course of construction	5,819,419	7,544,586	(5,819,419)		7,544,586
Other freeholds	3,749,029	1,193,034			4,942,063
Fixtures & Fittings	70,089	498,427			568,516
Motor Vehicles	149,997	255,695	(51,600)		354,092
	<u>104,350,119</u>	<u>26,173,460</u>	<u>(51,600)</u>	<u>7,582,223</u>	<u>138,054,202</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	84,602	295,872			380,474
Long leasehold	2,186,213	632,818		(138,041)	2,680,990
In the course of construction	-				-
Other freeholds	415,577	62,125			477,702
Fixtures & Fittings	35,250	49,328			84,578
Motor Vehicles	110,199	49,457	(37,615)		122,041
	<u>2,831,841</u>	<u>1,089,600</u>	<u>(37,615)</u>	<u>(138,041)</u>	<u>3,745,785</u>

**FIRMDALE HOLDINGS LIMITED**  
**And Subsidiary Undertakings**

**NOTES TO THE ACCOUNTS**  
**31 JANUARY 2005**  
**Continued**

**7. Tangible fixed assets - Group and company (continued)**

	End of year	Beginning of year
<u>Net book value</u>		
Properties		
Hotels		
Freehold	38,545,718	37,975,590
Long leasehold	83,037,763	54,315,180
In the course of construction	7,544,586	5,819,419
Other freeholds	4,464,361	3,333,452
Fixtures & Fittings	483,938	34,839
Motor Vehicles	232,051	39,798
	<u>£ 134,308,417</u>	<u>£ 101,518,278</u>

The historical cost and accumulated depreciation of the group's properties as at 31 January 2005 were as follows:

	2004		2005	
	Cost £	Depreciation £	Cost £	Depreciation £
Hotels:				
Freehold	17,418,192	304,069	16,552,192	63,275
Long leasehold	56,468,404	2,597,723	26,086,267	2,072,591
Other freeholds	4,942,063	477,700	3,749,029	415,575
	<u>78,828,659</u>	<u>3,379,492</u>	<u>46,387,488</u>	<u>2,551,441</u>

The directors revalued one long leasehold hotel during the year ended 31 January 2005 in accordance with professional valuations carried out by ATIS REAL Limited, a firm of chartered surveyors. The directors valued the remaining hotels at 31 January 2005 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.

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**8. Fixed asset investments - Company**

Shares in  
group  
undertakings

Cost	£
At 1st February 2004	1,667,597
Additions	59,220
At 31st January 2005	<u>£ 1,726,817</u>
Net Book Value	
At 31st January 2005	<u>£ 1,726,817</u>
At 1st February 2004	<u>£ 1,667,597</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% *
Palace Laundry (Fulham) Ltd	England	Laundry	Ordinary	100%	100%

All group companies are consolidated in the group financial statements.

\* Wholly owned subsidiary of Firmdale Hotels Plc.

**Acquisitions during the year**

	Book value at acquisition	Fair value to group
The total cost of acquisitions during the year comprises:	£	£
Fixed Assets	1,287,058	1,287,058
Working capital	54,583	54,583
Long term creditors	<u>(1,282,421)</u>	<u>(1,282,421)</u>
	59,220	59,220
Total cost of acquisition		<u>(59,220)</u>
Goodwill arising on acquisitions		<u>-</u>

Acquisitions comprise Palace Laundry (Fulham) Limited, which was acquired on 20 August 2004. The consideration paid was £59,220. This business has been accounted for as acquisitions and consolidated in the financial statements from the date of acquisition.

The turnover and operating loss of Palace Laundry (Fulham) Limited from 1 January 2004 to the date of acquisition were £388,366 and £109,828 respectively. The loss for Palace Laundry (Fulham) Limited's previous financial year was £92,470.

**9. Stocks**

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Refurbishment and maintenance stock	34,239	105,082	-	-
Food and beverage stock	141,581	76,896	-	-
Properties for resale	-	776,242	-	-
	<u>£ 175,820</u>	<u>£ 958,220</u>	<u>£ -</u>	<u>£ -</u>

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**10. Debtors**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	799,011	323,954	-	-
Other Debtors	204,032	20,761	-	1
Director's current account (T.J.R. Kemp)	309	25,814	-	-
Prepayments and accrued income	578,777	361,341	-	-
	<u>£ 1,582,129</u>	<u>£ 731,870</u>	<u>£ -</u>	<u>£ 1</u>

The maximum amount outstanding on the Director's loan account during the year was £200,309 (2004: £25,814)

**11. Creditors: Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	3,914,383	2,338,332	-	-
Payments received on account	-	109	-	-
Trade creditors	1,525,829	785,109	-	-
Taxation	-	-	-	-
Amounts owed to group undertaking	-	-	59,221	-
Other taxes and social security	1,237,189	605,118	-	-
Other creditors	349,628	175,870	-	-
Hire purchase agreements	3,682	-	-	-
Accruals and deferred income	1,554,876	1,433,617	-	-
	<u>£ 8,585,587</u>	<u>£ 5,338,155</u>	<u>£ 59,221</u>	<u>£ -</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.

**12. Creditors (Amounts falling due after more than one year)**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	59,218,173	37,287,000	-	-
Hire purchase agreements	8,958	-	-	-
	<u>£ 59,227,131</u>	<u>£ 37,287,000</u>	<u>£ -</u>	<u>£ -</u>

Bank loans and overdrafts are secured as detailed in note 11 above.

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**13. Financial instruments**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
<b>Analysis by year of repayment</b>				
After five years: by instalment	5,838,942	9,377,656	-	-
other	6,375,000	6,375,000	-	-
From two to five years	44,336,923	9,711,344	-	-
From one to two years	2,667,308	11,823,000	-	-
<b>Due after more than one year</b>	<u>59,218,173</u>	<u>37,287,000</u>	<u>-</u>	<u>-</u>
<b>Due within one year</b>	<u>3,914,383</u>	<u>2,338,332</u>	<u>-</u>	<u>-</u>
	63,132,556	39,625,332	-	-
Cash at bank and in hand	(146,297)	(89,472)	-	-
<b>Net borrowings</b>	<u>£ 62,986,259</u>	<u>£ 39,535,860</u>	<u>£ -</u>	<u>£ -</u>

	<b>Year end interest rates</b>	<u>Group</u>	
		2005	2004
		£	£
Bank loans and overdrafts include:			
Term loan	LIBOR +	8,675,000	8,675,000
Repayable by quarterly instalments	1.40%		
Maturing on 30 September 2018			
Term loan	LIBOR +	6,375,000	6,375,000
Repayable in full at expiry of facility	1.40%		
Maturing on 30 September 2018			
Floating rate loan	LIBOR +	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 +	7,431,000	
Becomes an investment loan on completion	1.50%		
of Haymarket Hotel. Repayable as a balloon			
payment on 1 February 2008			
Fixed rate loan	9.05%		2,400,000
Repayable by quarterly instalments of £184,000	(Fixed)		
Maturing on 31 January 2007			
Floating rate loan	LIBOR +		5,300,000
Repayable by quarterly instalments of £70,000	1.5625%		
Maturing on 31 January 2007			
Treasury loan	LIBOR +		7,000,000
Repayable by quarterly instalments of £250,000	1.5011%		
maturing on 1 December 2010			
Treasury loan	LIBOR +		4,220,000
Repayable on demand	1.5625%		
Floating rate loan	LIBOR +		5,587,000
Repayable on 30 September 2002	1.5625%		
Short term overdraft	Base Rate +	1,747,556	68,332
Repayable on demand	1.5%		
		<u>£ 63,132,556</u>	<u>£ 39,625,332</u>

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14. Provision for deferred taxation	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Accelerated capital allowances	4,229,447	2,995,681	-	-
Tax losses carried forward	(1,360,884)	(401,700)	-	-
Undiscounted provision for deferred tax	<u>£ 2,868,563</u>	<u>£ 2,593,981</u>	<u>£ -</u>	<u>£ -</u>

**Group**  
**2005**  
**£**

The movement for the year is as follows:

Provision at 1 February 2004	2,593,981
Charge for the year (note 6)	274,582
Provision at 31 January 2005	<u>£ 2,868,563</u>

**15. Share capital**

**Company and Group**

	2005	2004
	£	£
<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>

**16. Revaluation reserve**

	Group	
	2005	2004
	£	£
Balance at 1 February 2004	27,347,572	26,246,880
Transfer to profit and loss account (note 17)	(125,449)	(8,684,279)
Revaluation in year	7,720,264	9,784,971
Balance at 31 January 2005	<u>£ 34,942,387</u>	<u>£ 27,347,572</u>

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**17. Profit and loss account**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Accumulated profits at 1 February 2004	24,471,132	15,160,614	-	-
Profit for the year	(267,586)	626,239	-	-
Transfer from revaluation reserve (note 16)	125,449	8,684,279	-	-
Accumulated profits at 31 January 2005	<u>£ 24,328,995</u>	<u>£ 24,471,132</u>	<u>£ -</u>	<u>£ -</u>

**18. Reconciliation of movements in shareholders' funds**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Shareholders' funds at 1 February 2004	58,078,704	47,667,494	1,667,596	1
Result for the financial year	(267,586)	626,239	-	-
Issue of shares	-	-	-	1,667,595
Revaluation of properties in year	7,720,264	9,784,971	-	-
Shareholders' funds at 31 January 2005	<u>£ 65,531,382</u>	<u>£ 58,078,704</u>	<u>£ 1,667,596</u>	<u>£ 1,667,596</u>

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**19. Capital Commitments**

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Details of capital commitments at the accounting date are as follows:				
Contracted for	£ 16,069,906	£ 9,180,581	-	-

**20. 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>	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	39,190	29,600	41,651	68,090
Between one and five years	46,000	146,000	-	-
After five years	2,657,988	1,136,300	-	-
	£ 2,743,178	£ 1,311,900	£ 41,651	£ 68,090

**21. Commitments under Hire purchase agreements**

Future commitments under hire purchase agreements are as follows:

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	3,682	-	-	-
Between one and five years	3,967	-	-	-
After five years	4,991	-	-	-
	£ 12,640	-	-	£ 68,090

**22. 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 £39,750 (2004: £46,450).



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**23. Related party transactions**

During the year ended 31 January 2004, the company entered into a loan agreement with Firmdale Hotels PLC Retirement Benefits Scheme for a loan of £176,000. The repayment date for this loan is not fixed and it attracts interest at a rate of 3% above the clearing bank base rate. At the year end the company owed Firmdale Hotels PLC Retirement Benefits Scheme £176,000 (2004: £176,000) in respect of this loan.

During the year ended 31 January 2005, the company entered into a loan agreement with Firmdale Hotels PLC Retirement Benefits Scheme for a loan of £185,000. The repayment date for this loan is not fixed and it attracts interest at a rate of 3.5% above the clearing bank base rate. At the year end the company owed Firmdale Hotels PLC Retirement Benefits Scheme £167,477 (2004: £nil) in respect of this loan.

The above loans are included within other creditors.

**24. 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 £500,000 per annum.

**25. Notes to the cash flow statement**

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

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Operating profit	2,654,499	3,028,213
Depreciation charges	1,089,600	593,460
(Profit)/Loss on disposal of fixed assets	-	(3,390)
(Increase)/Decrease in stocks	782,400	-
Decrease/(Increase) in debtors	(772,205)	-
Decrease in investments	-	-
Decrease in creditors	1,630,132	(2,103)
Net cash inflow from operating activities	<u>£ 5,384,426</u>	<u>£ 3,616,180</u>

**(b) Purchase of subsidiary undertaking**

<b>Net assets acquired</b>	<b>£</b>
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>£ 59,220</u>
<b>Satisfied by:</b>	
Cash	<u>£ 59,220</u>

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**Notes to the cash flow statement (continued)**

**(c) Analysis of changes in net debt**

	At 1 Feb 2004 £	Cash Flows £	Other Changes £	At 31 Jan 2005 £
<b>Year ended 31 January 2004</b>				
Cash at bank and in hand	89,472	56,825	-	146,297
Overdrafts	(68,332)	(1,679,224)	-	(1,747,556)
	<u>21,140</u>	<u>(1,622,399)</u>	<u>-</u>	<u>(1,601,259)</u>
 Finance leases due < 1 year	 -	 -	 -	 -
Finance leases due > 1 year	-	-	-	-
Bank loans due < 1 year	(2,270,000)	270,000	(166,827)	(2,166,827)
Bank loans due > 1 year	(37,287,000)	(22,098,000)	166,827	(59,218,173)
	<u>(39,535,860)</u>	<u>(23,450,399)</u>	<u>-</u>	<u>(62,986,259)</u>

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

	2004			
	£	£	£	£
<b>(Decrease) in cash in the year</b>		(1,622,399)		3,350,086
 Cash inflow from increase in debt and lease financing	 (21,828,000)	 (21,828,000)	 (8,883,000)	 (8,883,000)
Net debt at 1 February 2003		(39,535,860)		(34,002,946)
Net Debt at 31 January 2004		<u>£ (62,986,259)</u>		<u>£ (39,535,860)</u>