Prestbury Hotel Holdings Limited

Directors' Report and Financial Statements

Registered number 5237994

Year Ended 31 March 2010

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Directors

S L Gumm
N M Leslau
J C McMahon
G Whiteland

Secretary and registered office

S L Gumm, Cavendish House, 18 Cavendish Square, London W1G 0PJ

Company number

5237994

Auditors

BDO LLP, Emerald House, East Street, Epsom, Surrey KT17 1HS

The directors present their report together with the audited financial statements for the year ended 31 March 2010

Results and dividends

The profit and loss account is set out on page 6 and shows a loss for the year of £4,130,377 (2009 £4,773,263)

The directors do not recommend the payment of a final ordinary dividend (2009 £nil)

Principal activities, review of business and future developments

The principal activity of the company is the holding of investments directly and indirectly in subsidiary undertakings

The principal activity of the group is that of property investment in the United Kingdom Through its two sub-groups headed by Prestbury Hotels Limited (the "Hotels group') and Prestbury Hotels Finance Limited (the "Hotels Finance group"), the group owns a portfolio of 152 budget hotels that are leased to tenants on long term leases At 31 March 2010, the average unexpired lease terms for the Hotels group and the Hotels Finance group were 21 4 years and 32 7 years respectively and 23 7 years overall

During the financial year, £420,238,475 of the group's secured bank debt was restructured and £61,382,873 of the loans at 31 March 2009 that were due to expire on 31 December 2009 have had their repayment date extended such that these loans are all now repayable in full by October 2014

On 30 June 2010 £115,453,544 of the group's secured debt was due to expire After the balance sheet date, the facilities were refinanced prior to their maturity and repayment dates were extended such that the loans are now repayable in full in October 2014, in line with other loans held by the group The total commitments under these loans remain unchanged

The group has commissioned a director's valuation of its real estate assets as at 31 March 2010 The resultant revaluation surplus of £29,544,000 (2009 £70,616,250 deficit) is largely attributable to improvements in market conditions since 31 March 2009 along with the 1 9% increase in rental income since that time, but the note on "market factors" below should be considered in connection with any consideration of the valuation

The group loss before tax for the year is £4,130,377 compared to a loss of £4,773,263 in the prior year This reflects the net impact of the increase in rent after contractual rent reviews, the increase in interest receivable on loans to shareholders, the decrease in interest received on cash balances and the increase in interest payable on the group's external debt following the debt restructuring

Directors

The directors who held office during the year were

S L Gumm	
N M Leslau	
J C McMahon	
B S Anderson	(resigned 8 May 2009)
G Whiteland	(appointed 8 May 2009)

Principal risks and uncertainties - market factors

Since the summer of 2007, both the bank finance and property markets in the UK have experienced very turbulent conditions Whilst conditions have improved, the environment is still somewhat fragile, in particular as a result of the limited amount of new bank finance available The directors consider the properties owned by the company relatively well placed to withstand market fluctuations by virtue of the quality of the assets, strong tenant, and financing terms and believe that this has been borne out by the results of the group over that period

The properties are held in the financial statements at their 31 March 2010 internal valuation We can confirm that the cash flow projections which supported this valuation at the year end are being achieved or improved upon It has to be recognised, however, that given the limited banking market and lack of depth in the property investment market, any accurate assessment of the value remains extremely difficult, as it has been over the course of the credit crisis The directors consider that valuations should have remained stable or possibly improved since 31 March 2010

Principal risks and uncertainties - risk management objectives and policies

The management of risk is integral to the group's approach to running its financing and investment activities The group utilises secured bank debt and shareholder loans to fund its property investment purchases Cash resources generated from the group's operations, including those resulting from strict credit control over its short term debtors and creditors, are utilised in meeting the group's working capital requirements

Set out below are the policies operated by the group, for the management of the principal risks and uncertainties that it is exposed to in the conduct of its operations

General treasury policy

The group enters into hedging instruments, such as interest rate swaps, to manage the interest rate risks arising from its operations and its sources of finance

In addition, various financial instruments such as rental and other debtors and trade and other creditors arise directly from the group's operations

All the group's operations are in the UK and it therefore has no currency risks

Working capital requirements are met principally by cash resources generated from the group's operations Cash levels are monitored regularly to ensure sufficient resources are available to meet the group's short term and long term operational requirements Short term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk

Details of interest rate swaps in use at 31 March 2010 are set out in notes 16 and 17 to the financial statements Details of bank and shareholder loan borrowings are set out in notes 15 and 16 to the financial statements

Policy in relation to interest rate risk

The group's policy is to substantially eliminate risk in respect of changes in interest rates such that over the longer term changes in interest rates will have a minimal impact on the reported results and cash flows Interest rate risks are substantially hedged for the term of the relevant loan

The group maintains internal guidelines for interest cover and gearing Management monitor the group's current and projected financial position against these guidelines on a quarterly basis

Policy in relation to liquidity risk

The group seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs

Efficient treasury management and strict credit control over the group's rental debtors minimise the costs and risks associated with this policy, which ensures that funds are available to meet commitments as they fall due

Policy in relation to credit risk

The group's principal financial assets are bank balances, short term deposits, amounts due from fellow group undertakings and shareholder loans The group's credit risk on short term deposits and hedging instruments is limited because the counterparties are banks with high credit ratings The group's credit risk on amounts due from group undertakings and shareholder loans is monitored by the Board and is not considered significant at the balance sheet date

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that year In preparing the 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, and
* 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

The current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information which has not been brought to the attention of the auditors

BDO LLP have expressed their willingness to continue in office

On behalf of the Board

S L Gumm
Director

30 November 2010

We have audited the group and parent company financial statements ("the financial statements") of Prestbury Hotel Holdings Limited for the year ended 31 March 2010 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movements in shareholders' funds, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes These financial statements have been prepared under the accounting policies set out therein The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

BDO LLP

Russell Field (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom, United Kingdom

1 December 2010
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Prestbury Hotel Holdings Limited

Consolidated profit and loss account for the year ended 31 March 2010

	Note	2010 £	2009 £
Occupational rent		**34,961,904**	34,325,133
Head rent recovery		**1,340,498**	1,499,720
Turnover	2	**36,302,402**	35,824,853
Direct property costs		**(1,378,851)**	(1,537,405)
Gross profit		**34,923,551**	34,287,448
Administrative expenses		**(352,036)**	(333,781)
Operating profit	3	**34,571,515**	33,953,667
Interest receivable and similar income	6	**1,069,906**	1,134,770
Interest payable and similar charges	7	**(39,771,798)**	(39,861,700)
Loss on ordinary activities before taxation		**(4,130,377)**	(4,773,263)
Taxation on loss on ordinary activities	8	**-**	-
Loss on ordinary activities after taxation and retained loss for the year	19	**(4,130,377)**	(4,773,263)

All amounts relate to continuing activities

There were no differences between historical cost loss and reported loss on ordinary activities for either year

The notes on pages 11 to 22 form part of the financial statements

Prestbury Hotel Holdings Limited

Consolidated statement of total recognised gains and losses and consolidated reconciliation of movements in shareholders' funds for the year ended 31 March 2010

Consolidated statement of total recognised gains and losses

	Note	2010 £	2009 £
Loss for the year	19	**(4,130,377)**	(4,773,263)
Unrealised surplus/(deficit) on revaluation of investment properties in the year	19	**29,544,000**	(70,616,250)
Total recognised gains and losses for the year		**25,413,623**	(75,389,513)

Consolidated reconciliation of movements in shareholders' funds

		2010 £	2009 £
Loss for the year	19	**(4,130,377)**	(4,773,263)
Unrealised surplus/(deficit) on revaluation of investment properties in the year	19	**29,544,000**	(70,616,250)
Net movement in shareholders' funds		**25,413,623**	(75,389,513)
Opening shareholders' funds		**9,230,681**	84,620,194
Closing shareholders' funds		**34,644,304**	9,230,681

The notes on pages 11 to 22 form part of the financial statements

Prestbury Hotel Holdings Limited
Consolidated balance sheet at 31 March 2010

	Note	2010	2010	2009	2009
		£	£	£	£
Fixed assets					
Investment properties	10		**585,301,000**		555,757,000
Investment in gilts	11		**4,802**		4,802
			585,305,802		555,761,802
Current assets					
Debtors due within one year	13	**14,259,639**		13,194,088	
Cash at bank and in hand	14	**602,069**		383,842	
		14,861,708		13,577,930	
Creditors amounts falling due within one year	15	**(128,194,918)**		(185,347,019)	
Net current liabilities			**(113,333,210)**		(171,769,089)
Total assets less current liabilities			**471,972,592**		383,992,713
Creditors. amounts falling due after more than one year	16		**(437,328,288)**		(374,762,032)
Net assets			**34,644,304**		9,230,681
Capital and reserves					
Called up share capital	18		**20,000**		20,000
Profit and loss account	19		**(17,058,212)**		(12,927,835)
Revaluation reserve	19		**51,682,516**		22,138,516
Shareholders' funds			**34,644,304**		9,230,681

The financial statements were approved by the Board and authorised for issue on 30 November 2010

S L Gumm
Director

The notes on pages 11 to 22 form part of the financial statements

Prestbury Hotel Holdings Limited

Company balance sheet at 31 March 2010

Registered number 5237994

	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Investment in subsidiary undertakings	12		**20,001**		20,001
Current assets					
Debtors due within one year	13	-		11,014	
Creditors: amounts falling due within one year	15	**(1)**		(187,220)	
Net current liabilities			**(1)**		(176,206)
Total assets less current liabilities			**20,000**		(156,205)
Creditors: amounts falling due after more than one year	16		**(833)**		(736,825)
Net assets/(liabilities)			**19,167**		(893,030)
Capital and reserves					
Called up share capital	18		**20,000**		20,000
Profit and loss account	19		**(833)**		(913,030)
Shareholders' funds/(deficit)			**19,167**		(893,030)

The financial statements were approved by the Board and authorised for issue on 30 November 2010

S L Gumm
Director

The notes on pages 11 to 22 form part of the financial statements

Prestbury Hotel Holdings Limited

Consolidated cash flow statement for the year ended 31 March 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash inflow from operating activities	22		**34,582,786**		33,867,905
Returns on investments and servicing of finance					
Interest received		**21,617**		165,617	
Interest and other financing costs paid		**(40,729,494)**		(31,882,731)	
Net cash outflow from returns on investment and servicing of finance			**(40,707,877)**		(31,717,114)
Capital expenditure and financial investment					
Payments to enhance investment properties		**-**		(1,105,223)	
Proceeds on maturity of gilts		**-**		5,000	
			-		(1,100,223)
Cash (outflow)/inflow before financing			**(6,125,091)**		1,050,568
Financing					
Bank loans drawn down net of capitalised issue costs		**64,719,842**		1,119,252	
Repayment of bank loans		**(58,376,524)**		(2,416,686)	
Cash inflow/(outflow) from financing			**6,343,318**		(1,297,434)
Increase/(decrease) in cash in the year	23		**218,227**		(246,866)

The notes on pages 11 to 22 form part of the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group s financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and are in accordance with applicable accounting standards

As at 31 March 2010, £115,453,544 of the group's total banking facilities of £544,611,435 which are secured on a portion of the group's assets, including investment properties, were due to expire in June 2010 These facilities were refinanced prior to their maturity date and repayment terms were extended to October 2014 The directors have prepared cash flow forecasts which indicate that with this extended finance the group can continue as a going concern for the foreseeable future Accordingly, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis

Basis of consolidation

The consolidated financial statements incorporate the results of Prestbury Hotel Holdings Limited and entities controlled by the company (its subsidiaries) up to 31 March 2010

Subsidiaries are those entities controlled by the group Control is assumed when the group has the power to govern the financial and operating policies of an entity to benefit from its activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases The reporting year for subsidiaries ends on 31 March 2010

Turnover

Turnover represents rents receivable during the year from the letting of commercial properties at invoiced amounts less value added tax

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual valuation Aggregate surpluses or deficits arising on revaluation are transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in the value, in which case it is charged directly to the profit and loss account

Additions to investment properties include only costs of a capital nature Costs such as interest and other property outgoings are treated as revenue expenditure and are written off as incurred

In accordance with SSAP 19 (as amended), no depreciation or amortisation is provided in respect of freehold or long leasehold investment properties This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets However, the group's investment properties are held not for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate The accounting policy is therefore necessary for the accounts to give a true and fair view Depreciation or amortisation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified of quantified

1 Accounting policies *(continued)*

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

* deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is unable to utilise existing capital losses, and

* the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on hotel buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost Any impairment in value is written off to the profit and loss account

Financial instruments

The group does not trade in derivative financial instruments Hedging instruments are used to protect the group's exposure to movements in interest rates Gains or losses are deferred until the related interest in the hedging instrument is realised

Cash

For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand

Financing costs

Costs relating to the raising of bank loan facilities, are amortised over the life of the loan and charged to the profit and loss account as part of the group's financing costs The bank loans are disclosed net of the unamortised loan issue costs

Premiums or fees arising on the redemption or maturity of bank loan facilities are accrued over the life of the loan to the extent that it is considered probable that such a premium or fee will become payable in the future They are charged to the profit and loss account as part of the group's financing costs

2 Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely in the United Kingdom

3 Operating profit

		2010	2009
		£	£
This is arrived at after charging			
Head lease rentals		**1,331,951**	1,494,630
Auditors' remuneration	- audit services (group)	**54,200**	52,500

Head lease rental payments are recoverable from tenants and that recovery is disclosed within turnover

Fees payable to the company's auditor for the audit of the company's annual consolidated accounts are £6,600 (2009 £6,600)

Fees payable to the company's auditors for other services

- The audit of the company's subsidiaries, pursuant to legislation £47,600 (2009 £45,900)
- Accounting advisory services £2,800 (2009 £nil)

4 Employees

The average number of employees of the group during the year, excluding directors, was nil (2009 nil)

5 Directors

No director received any emoluments from the group during the year (2009 none)

6 Interest receivable and similar income

	2010	2009
	£	£
On bank balances	**20,805**	163,410
On loans to shareholders	**1,048,289**	969,153
Other interest receivable	**812**	2,207
	1,069,906	1,134,770

7 Interest payable and similar charges

	2010	2009
	£	£
On bank loans	**36,035,401**	37,658,315
Amortisation of prepaid finance fees	**1,237,297**	1,966,558
Loan commitment fees	**159,214**	196,319
Loan redemption premiums	**2,204,766**	-
Loan maturity fee	**94,983**	-
Agency fees	**40,000**	40,000
Other interest payable	**137**	508
	39,771,798	39,861,700

8 Taxation

	2010	2009
Taxation on loss on ordinary activities	**£**	£
UK corporation tax		
Current tax on losses of the year	**-**	-

The tax assessed for the year varies from the standard rate of corporation tax in the UK The differences are explained below

	2010	2009
	£	£
Loss on ordinary activities before tax	**(4,130,377)**	(4,773,263)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	**(1,156,506)**	(1,336,514)
Effects of		
Hotel building allowances	**(919,605)**	(1,401,408)
Net movement in losses available to carry forward	**2,074,872**	2,737,922
Disallowed expenses	**1,239**	-
Current tax charge for the year	**-**	-

No provision for UK corporation tax has been made for the year and it is not expected that one will arise for the foreseeable future, due to the availability of hotel building allowances and losses

8 Taxation *(continued)*

Deferred taxation

The group and company has an unprovided deferred tax asset/(liability) which is made up as follows

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Losses available to carry forward	**12,870,698**	10,818,195	-	205,062
Inherent capital gain arising on investment properties at valuation	**(76,857,616)**	(72,188,511)	-	-
	(63,986,918)	(61,370,316)	-	205,062

9 Loss for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements The group loss for the year includes a profit after tax of £912,197 (2009 £330,501 loss) which is dealt with in the financial statements of the parent company

10 Investment properties - group

Cost or valuation	Long leasehold land and buildings £	Freehold land and buildings £	Total land and buildings £
At 1 April 2009	247,850,000	307,907,000	555,757,000
Surplus on revaluation	16,111,000	13,433,000	29,544,000
At 31 March 2010	**263,961,000**	**321,340,000**	**585,301,000**

At 31 March 2010 the group's investment properties were valued at £585,301,000 (2009 £555,757,000) on an open market basis by N M Leslau BSc (Hons) MRICS, a chartered surveyor and director of the company

The historical cost of the investment properties to the group is £533,618,484 (2009 £533,618,484)

The group's investment properties are held as security by a fixed charge in respect of bank borrowings provided to subsidiary undertakings, Prestbury Hotels Limited and Prestbury Hotels Finance Limited

11 Investment in gilts - group

	£
At cost and net book value	
At 1 April 2009 and 31 March 2010	**4,802**

12 Investments in subsidiary undertakings - company

	£
At cost and net book value	
At 1 April 2009 and at 31 March 2010	20,001

Subsidiary undertakings

The following companies were the principal subsidiary undertakings at the end of the year

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Prestbury Hotels Limited	England	100%	Provision of finance to group companies
Prestbury Hotels Finance Limited	England	100%	Provision of finance to group companies
Prestbury Hotels Assets Limited	England	100%	Property investment*
Prestbury Hotels Two Limited	England	100%	Dormant*
Prestbury Hotels Three Limited	England	100%	Investment
TLLC Bridgeco1 Limited	England	100%	Property investment**
TLLC Bridgeco2 Limited	England	100%	Property investment**
TLLC Bridgeco3 Limited	England	100%	Property investment***
TLLC Bridgeco4 Limited	England	100%	Property investment***
TLLC Bridgeco5 Limited	England	100%	Property investment**
TLLC Bridgeco6 Limited	England	100%	Property investment**
TLLC Bridgeco7 Limited	England	100%	Property investment***
TLLC Bridgeco10 Limited	England	100%	Property investment***
TLLC Cmpropco1 Limited	England	100%	Property investment**
TLLC Cmpropco2 Limited	England	100%	Property investment**
TLLC Cmpropco3 Limited	England	100%	Property investment**
TLLC Cmpropco4 Limited	England	100%	Property investment**
TLLC Cmpropco5 Limited	England	100%	Property investment**
TLLC Cmpropco8 Limited	England	100%	Property investment**
TLLC Cmpropco9 Limited	England	100%	Property investment**
TLLC Cmpropco10 Limited	England	100%	Property investment**
TLLC Cmpropco11 Limited	England	100%	Property investment**
TLLC Cmpropco12 Limited	England	100%	Property investment**
TLLC Levpropco2 Limited	England	100%	Property investment**
TLLC Levpropco8 Limited	England	100%	Property investment**
TLLC Levpropco9 Limited	England	100%	Property investment**
TLLC Levpropco10 Limited	England	100%	Property investment**

* Prestbury Hotels Limited holds the group's 100% interest in these undertakings
** Prestbury Hotels Limited holds the group's 100% interest in these undertakings, each of which acts as an intermediate parent company to a wholly owned subsidiary undertaking which undertakes property investment activities
*** Prestbury Hotels Finance Limited holds the group's 100% interest in these undertakings

For all undertakings listed above, the country of operation is the same as its country of incorporation

13 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Amounts due within one year				
Trade debtors	1,611	2,547	-	-
Other debtors	12,810	-	-	-
VAT recoverable	20,730	27,880	-	11,014
Prepayments and accrued income	329,505	316,967	-	-
Amounts due from shareholders	13,894,983	12,846,694	-	-
	14,259,639	13,194,088	-	11,014

The amounts due from the shareholders are unsecured, bear interest at a rate of 8% compounding half yearly and have no fixed repayment date The above amount includes interest of £3,554,713 (2009 £2,506,424)

14 Cash - group

Included within the cash balances at 31 March 2010 is £3,733 (2009 £11,407) of cash held in accounts held as security by the provider of the secured bank debt

15 Creditors amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Current portion of secured bank debt (note 16)	122,238,514	179,396,568	-	-
Prepaid finance fees and interest (note 16)	-	(105,335)	-	-
	122,238,514	179,291,233	-	-
Trade creditors	62,617	68,563	-	60,720
Other creditors	114	-	1	-
Accruals and deferred income	5,893,673	5,987,223	-	126,500
	128,194,918	185,347,019	1	187,220

16 Creditors: amounts falling due after more than one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Secured bank loans	544,611,435	543,190,855	-	-
Redemption premiums	2,204,766	-	-	-
Maturity fee	94,983	-	-	-
Prepaid finance fees and interest	(3,669,974)	(5,463,182)	-	-
	543,241,210	537,727,673	-	-
Less secured debt due within one year (note 15)	(122,238,514)	(179,291,233)	-	-
	421,002,696	358,436,440	-	-
Shareholders' loans	16,325,592	16,325,592	-	-
Amounts due to subsidiary undertakings	-	-	833	736,825
	437,328,288	374,762,032	833	736,825

The shareholders' loans are unsecured, interest free and have no fixed repayment date

16 Creditors amounts falling due after more than one year *(continued)*

Secured bank loans are due:

	2010	2009
	£	£
Within one year	**122,238,514**	179,396,568
In more than one year but not more than two years	**8,155,553**	3,437,274
In more than two years but not more than five years	**414,217,368**	17,297,136
In more than five years but not more than ten years	-	343,059,877
	544,611,435	543,190,855

The bank loans are secured by charges over the shares in the subsidiary undertakings and by fixed and floating charges over the assets of all the group companies, including investment properties

The group's strategy in respect of the use of financial instruments is to hedge future interest rate risk for the term of the loan to ensure that expected loan balances are substantially hedged

On 29 January 2010 £420,238,475 of the group's secured bank debt was restructured and £61,382,873 of the loans at 31 March 2009 that were due to expire on 31 December 2009 have had their repayment date extended such that these loans are all now repayable in full by October 2014

At the balance sheet date, £115,453,544 of the group's secured debt was repayable in full on 30 June 2010 These facilities were refinanced prior to their maturity and repayment dates were extended such that the loans are now repayable in full in October 2014, in line with other loans held by the group

The bank loans bear interest at 3 month LIBOR plus a lenders' blended margin Interest on 94% (2009 100%) of the loans has been fixed by way of purchases of interest rate hedging products (swaps) which fix the interest rate payable (inclusive of the lenders margin) at approximately 6 36% (2009 6 83%)

Bank loans are repayable quarterly from the rental surpluses within the group and the balance repayable in full by no later than October 2014

17 Financial instruments

The narrative disclosures required by FRS 25 in relation to the principal risks arising from the company's financial instruments and the policies in respect of them are shown in the Directors' Report

The following financial instruments were in place at 31 March 2010

	Protected rate %	Expiry	2010 Market value loss pre-tax £	2009 Market value gain / (loss) pre-tax £
£398 million (2009 £366 million) amortising/accreting swap	5 04	October 2020 (2009 October 2024)	**(50,596,685)**	(59,585,044)
£nil (2009 £56 million) zero coupon swap	7 78	December 2009	-	(7,139,951)
£116 million accreting swap	4 655	September 2014	**(11,119,516)**	-
£nil (2009 £115 million) accreting cap	5 70	July 2017	-	(20,349,680)
£nil (2009 £116 million) amortising/ accreting receivers swaption	5 06	July 2017	-	13,627,275
Total net loss pre-tax			**(61,716,201)**	(73,447,400)
Total net loss post-tax			**(44,435,665)**	(52,822,128)

17 Financial instruments *(continued)*

On 20 July 2009, the £115 million hedging in place at that date at a rate of 5 7% was restructured at zero gain or loss and no cash cost, taking effect from 29 July 2009 The rate of the hedging following the restructure is 4 655%

The market value of the hedging portfolio changes with interest rate fluctuations, but the exposure of the group to movements in interest rates is protected by way of the hedging products listed above In accordance with accounting standards, the valuations are struck using a mid-market interest rate The valuation therefore does not reflect the cost or gain to the group of cancelling its interest rate protection at 31 March 2010, which is generally a marginally higher cost (or smaller gain) than a market valuation

18 Share capital

	2010 Number	**2010 £**	2009 Number	2009 £
Allotted, called up and fully paid				
A ordinary shares of £1 each	**2,000**	**2,000**	2,000	2,000
B ordinary shares of £1 each	**8,500**	**8,500**	8,500	8,500
C ordinary shares of £1 each	**5,500**	**5,500**	5,500	5,500
D ordinary shares of £1 each	**2,000**	**2,000**	2,000	2,000
M ordinary shares of £1 each	**2,000**	**2,000**	2,000	2,000
	20,000	**20,000**	20,000	20,000

Class rights

All ordinary shares rank pari passu in relation to income and capital Voting rights are pari passu for all shares except in relation to the procedure for the appointment and removal of directors

19 Reserves

Group	**Revaluation reserve £**	**Profit and loss account £**
At 1 April 2009	22,138,516	(12,927,835)
Loss for the year	-	(4,130,377)
Unrealised surplus on revaluation of investment properties in the year	29,544,000	-
At 31 March 2010	**51,682,516**	**(17,058,212)**

Company	**Profit and loss account £**
At 1 April 2009	(913,030)
Profit for the year	912,197
At 31 March 2010	**(833)**

The company had no recognised gains or losses or movements in shareholders' funds in either the current or preceding year, other than the profit or loss for that year

20 Related party transactions

The aggregate loans due from shareholders are set out in note 13 and the aggregate loans due to shareholders are set out in note 16 These include the following amounts due to investors holding a 20% or more interest in the equity of the company

	2010 £	2009 £
West Coast Capital		
- due from shareholder	**5,284,262**	4,885,598
- due to shareholder	**(6,898,469)**	(6,898,469)
Uberior Ventures Limited		
- due from shareholder	**3,821,120**	3,532,841
- due to shareholder	**(4,988,375)**	(4,988,375)
Prestbury Investment Holdings Limited		
- due from shareholder*	**2,778,996**	2,569,339
- due to shareholder	**(1,813,955)**	(1,813,955)

*Includes an amount of £1,389,498 (2009 £1,284,669) due from PIHL Wentworth Manager Limited ("PIHLWML")

Prestbury Investment Holdings Limited ("PIHL"), a shareholder in Prestbury Hotel Holdings Limited, has a 100% interest in PIHLWML PIHLWML holds 10% of PIHL's 20% interest in the company PIHLWML has agreed, pursuant to a Management Agreement dated 12 October 2004, as amended 14 March 2005, to provide investment and property management and other services to the group PIHL has agreed to guarantee the performance by PIHLWML of its obligations under the agreement No fees have been charged for these services

Uberior Ventures Limited, a shareholder in Prestbury Hotel Holdings Limited at the balance sheet date, is a wholly owned group undertaking of Lloyds Banking Group plc ("Lloyds") Lloyds provides banking and credit facilities to the group

20 Related party transactions *(continued)*

The following is a summary of the significant transactions undertaken by the group with Lloyds during the year and balances with Lloyds as at 31 March 2010 and 31 March 2009

	2010	2009
Profit and loss account	**£**	£
Bank loan interest payable	**32,266,311**	27,386,392
Financing costs amortised	**1,024,042**	1,633,753
Loan commitment fees	**159,214**	196,319
Loan redemption premiums	**2,204,766**	-
Loan maturity fees	**94,983**	-
Agency fees	**40,000**	40,000
Bank interest receivable	**20,805**	163,410
Balance sheet		
Unamortised financing costs and prepaid interest	**2,941,895**	4,675,341
Bank loans falling due within one year	**117,577,918**	178,131,474
Bank loans falling due in more than one year	**270,032,496**	207,077,018

All transactions with the Lloyds group are undertaken on an arm's length basis

21 Controlling party information

Prestbury Hotel Holdings Limited is a joint venture company and is not controlled by any one individual or entity

22 Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£	£
Operating profit	**34,571,515**	33,953,667
Increase in debtors	**(17,262)**	(41,790)
Increase/(decrease) in creditors	**28,533**	(43,972)
Net cash inflow from operating activities	**34,582,786**	33,867,905

23 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Increase/(decrease) in cash in the year	**218,227**	(246,866)
Cash (inflow)/outflow from changes in debt	**(6,343,318)**	1,297,434
Movement in net debt resulting from cash flows	**(6,125,091)**	1,050,568
Non cash movements		
Amortisation of prepaid finance fees and interest	**(1,946,701)**	(2,912,430)
Net movement in interest capitalised on bank loans	**4,996,896**	(5,154,444)
Accrued redemption premiums	**(2,204,766)**	-
Accrued maturity fee	**(94,983)**	-
Accrued finance fees	**79,335**	-
Movement in net debt	**(5,295,310)**	(7,016,306)
Opening debt	**(553,669,423)**	(546,653,117)
Closing debt	**(558,964,733)**	(553,669,423)

24 Analysis of net debt

	At 1 April 2009 £	Cash flow £	Other non-cash changes £	At 31 March 2010 £
Cash at bank and in hand	383,842	218,227	-	602,069
Cash and liquid resources	383,842	218,227	-	602,069
Debt due after one year	(380,119,879)	(64,794,000)	3,915,617	(440,998,262)
Debt due within one year	(179,396,568)	58,376,524	(1,218,470)	(122,238,514)
Prepaid finance fees and interest	5,463,182	74,158	(1,867,366)	3,669,974
Financing	(554,053,265)	(6,343,318)	829,781	(559,566,802)
Total	**(553,669,423)**	**(6,125,091)**	**829,781**	**(558,964,733)**

The non-cash changes above relate to the amortisation of prepaid finance fees, the net movement in capitalised interest, the accrual of redemption premiums, maturity fees and finance fees, and the change in the ageing profile of the bank debt

25 Head lease rental commitments

The group s annual commitments to pay head lease rentals in respect of certain leasehold properties held as assets at the balance sheet date are as follows

	Land and buildings 2010 £	2009 £
Expiry date		
After 5 years	**1,135,510**	1,084,536

The group has the right to recover the above costs from tenants

26 Post balance sheet events

£115,453,544 of the group's secured bank debt was due to expire on 30 June 2010 The facilities were refinanced prior to their maturity and repayment dates were extended such that the loans are now repayable in full in October 2014, in line with other loans held by the group The total commitments under these loans remain unchanged