

**PARAMOUNT HOTELS (DAVENTRY)
LIMITED**

Report and Financial Statements

31 December 2007

**Deloitte & Touche LLP
Leeds**

WEDNESDAY



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PARAMOUNT HOTELS (DAVENTRY) LIMITED

2007 REPORT AND FINANCIAL STATEMENTS

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PARAMOUNT HOTELS (DAVENTRY) LIMITED

2007 REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael Jourdain
Massimo Marcovecchio
Paul Rogers

SECRETARY

Megan Langridge

REGISTERED OFFICE

15-17 Grosvenor Gardens
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SW1W 0BD

BANKERS

Anglo Irish Bank Corporation plc
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London
EC2R 8DN

National Westminster Bank PLC
Leeds City Office
P O Box 154
8 Park Row
Leeds
LS1 1QS

SOLICITORS

Olswangs
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London
WCV 6XX

DLA
Princes Exchange
Princes Square
Leeds
LS1 4BY

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

PARAMOUNT HOTELS (DAVENTRY) LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company's principal activity is that of owning a hotel. On 6 September 2007 the company transferred its trade to Barcelo Hotels and Resorts ("Barcelo"). In return for this the company now receives rental income and the hotel is held as an investment property. The Directors are not aware, at the date of this report of any likely major changes in the Company's activities next year.

As a result of charging rent following the transfer to Barcelo, rather than including the results of operating the hotels the company's turnover has decreased from £3.4m in 2006 to £2.6m in 2007.

The balance sheet on page 7 of the financial statements shows that the Company's financial position at the year end in net liability terms has worsened from last year. This is due to the reported loss after tax for the year of £1,565,000.

DIVIDENDS AND RESULTS

The directors do not propose the payment of a dividend. The retained loss for the year of £1,565,000 was transferred from reserves (31 December 2006 retained loss of £785,000).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were

Colin Campbell	(resigned 10 September 2007)
Massimo Marchovecchio	
Paul Rogers	
Michael Jourdain	(appointed 9 August 2007)

No director had any interest in the shares of the company at 31 December 2007.

Directors' interests in shares in other group companies are shown in the annual report of Dawnay Shore Hotels plc.

CHARITABLE AND POLITICAL DONATIONS

Donations made by the company during the year for charitable purposes amounted to £nil (31 December 2006 £nil). No contributions were made for political purposes (31 December 2006 £nil).

EMPLOYEES

Prior to 6 September 2007, the company policy was to consult and discuss with employees, at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees was given through staff magazines, staff consultative meetings, information bulletins and reports which sought to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy was to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses was given. Once employed, a career plan was developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

CREDITOR PAYMENT POLICY

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

PARAMOUNT HOTELS (DAVENTRY) LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to the risk its hotel manger Barcelo Hotels and Resorts may be unable to meet its rent obligations

The Company is therefore exposed to risks associated with the hotel industry such as new hotel openings close to its existing sites and any general downturn in the hotel industry Market intelligence however suggests that the growth in the provincial UK hotel market during the foreseeable future is likely to be above inflation

AUDITORS

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP, Chartered Accountants, were appointed as auditors during the year and a resolution for the re-appointment of Deloitte & Touche LLP is to be proposed at the forthcoming Annual General Meeting

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



Director

23 OCT 2008

PARAMOUNT HOTELS (DAVENTRY) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that year. 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAMOUNT HOTELS (DAVENTRY) LIMITED

We have audited the individual company financial statements (the "financial statements") of Paramount Hotels (Daventry) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 United Kingdom 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 in accordance with the relevant reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, 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 circumstances of the company, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the company's loss 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

27 October 2008

PARAMOUNT HOTELS (DAVENTRY) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2007

			Year ended 31 December 2007 £'000	Period ended 31 December 2008 £'000
	Note	Discontinued activities £'000	Continuing activities £'000	
TURNOVER		2,263	301	2,564
Cost of sales		(284)	-	(284)
GROSS PROFIT		1,979	301	2,280
Administrative expenses		(2,138)	(144)	(2,282)
OPERATING (LOSS)/PROFIT		(159)	157	(2)
Interest receivable	5			332
Interest payable	6			(2,000)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(1,670)
Tax on loss on ordinary activities	7			105
RETAINED LOSS FOR THE FINANCIAL YEAR	14,15			(1,565)

As the company ceased to carry on the business of hoteliers on their own account on 6 September 2007 the results of the hotel operations up to that date including the prior period are shown as discontinued

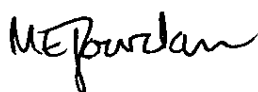
The accompanying notes are an integral part of this profit and loss account

PARAMOUNT HOTELS (DAVENTRY) LIMITED

BALANCE SHEET As at 31 December 2007

		As at 31 December 2007 £'000	As at 31 December 2006 £'000
	Note		
FIXED ASSETS			
Tangible assets	8	15,938	14,300
CURRENT ASSETS			
Stocks	9	-	39
Debtors	10	1,969	2,728
Cash at bank and in hand		-	34
		1,969	2,801
CREDITORS: Amounts falling due within one year	11	(19,400)	(17,135)
NET CURRENT LIABILITIES		(17,431)	(14,334)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,493)	(34)
PROVISION FOR LIABILITIES	12	-	-
NET LIABILITIES		(1,493)	(34)
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Revaluation reserve	14	1,528	1,423
Profit and loss account	14	(3,021)	(1,457)
EQUITY SHAREHOLDERS' DEFICIT	15	(1,493)	(34)

The financial statements were approved by the Board of Directors on 23 OCT 2008 and signed on its behalf by



Director

The accompanying notes are an integral part of this balance sheet

PARAMOUNT HOTELS (DAVENTRY) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2007

	Year ended 31 December 2007 £'000	Period ended 31 December 2006
Retained loss for the financial year	(1,565)	(785)
Unrealised surplus on revaluation of property	106	1,376
Total gains and losses recognised	<u>(1,459)</u>	<u>591</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 31 December 2007

	Year ended 31 December 2007 £'000	Period ended 31 December 2006
Reported loss on ordinary activities before taxation	(1,670)	(1,065)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	<u>1</u>	<u>1</u>
Historical cost (loss) on ordinary activities before taxation	<u>(1,669)</u>	<u>(1,064)</u>
Historical cost (loss) retained after taxation and dividends	<u>(1,564)</u>	<u>(784)</u>

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified to include the revaluation of tangible fixed assets.

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

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

Depreciation

No depreciation is provided on freehold land. Depreciation is provided on all tangible fixed assets, other than freehold land, on a straight line basis calculated to write off the cost or valuation, less estimated residual value, over their estimated useful economic lives as follows:

Freehold property	up to 50 years
Plant and machinery	15 to 20 years
Furniture, fittings, equipment and motor vehicles	5 to 15 years

It is the company's policy to periodically revalue its freehold property and recognise the assets at the revalued amount.

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 *Accounting of investment properties*.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Taxation

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

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

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

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

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

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

1 ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value

Turnover

Turnover, which excludes value added tax, transactions between group companies and trade discounts, represents the invoiced value of goods and services supplied

Pension scheme arrangements

The company operates a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period

2. SEGMENTAL ANALYSIS

The company's turnover, loss before taxation and net liabilities are derived from its principal activity within the UK and as such no segmental information has been disclosed

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments in the financial year. Emoluments paid to the directors are disclosed in the financial statements of Dawnay Shore Hotels plc

	Year ended 31 December 2007		Period ended 31 December 2006	
	Full-time No.	Part-time No.	Full-time No.	Part-time No.
Average monthly number of persons employed				
Staff in hotel outlets	40	54	46	54

	Year ended 31 December 2007 £'000	Period ended 31 December 2006
Staff costs during the year (including directors)		
Wages and salaries	717	942
Social security costs	46	66
Other pension costs	1	1
	<u>764</u>	<u>1,009</u>

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated

	Year ended 31 December 2007 £'000	Period ended 31 December 2006
After charging:		
Auditors' remuneration and expenses	5	4
Depreciation charge for the year		
Tangible owned fixed assets	183	193
Rental payable under operating leases		
Plant machinery	<u>20</u>	<u>12</u>

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Interest receivable from group undertakings	332	315

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Interest payable to group undertakings	2,000	1,744

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2007	Period ended 31 December 2006
Corporation tax credit in respect of :		
Group relief - current year	-	(280)
Adjustment in respect of prior period	(105)	-
Total current tax	(105)	(280)
Deferred tax (note 12)		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	(105)	(280)

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

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Current tax reconciliation		
Loss on ordinary activities before taxation	(1,670)	(1,065)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30%	(501)	(319)
Effects of		
Effect of unutilised losses	632	-
Capital allowances in excess of depreciation	(131)	39
Prior period adjustment	(105)	-
Current tax credit for year	(105)	(280)

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Assets in course of construction £'000	Total £'000
Cost or valuation				
At 1 January 2007	13,218	867	321	14,406
Transfers	201	120	(321)	-
Additions	1,069	646	-	1,715
	<u>14,488</u>	<u>1,633</u>	<u>-</u>	<u>16,121</u>
At 31 December 2007				
Depreciation				
At 1 January 2007	-	(106)	-	(106)
Charge for the year	(124)	(59)	-	(183)
Revaluation	106	-	-	106
	<u>(18)</u>	<u>(165)</u>	<u>-</u>	<u>(183)</u>
At 31 December 2007				
Net book value				
At 31 December 2007	<u>14,470</u>	<u>1,468</u>	<u>-</u>	<u>15,938</u>
At 31 December 2006	<u>13,218</u>	<u>761</u>	<u>321</u>	<u>14,300</u>

The company's freehold property was valued externally subject to and having the benefits of the leases granted to Barcelo by Colliers Robert Barry Chartered Surveyors, on 31 December 2007

Prior to 6 September 2007 the freehold property was treated as a tangible fixed asset. From 6 September 2007 the freehold property is treated as an investment property.

The historical cost and net book value of the company's freehold land and buildings include at valuation is as follows:

	31 December 2007 £'000	31 December 2006 £'000
Historical cost	<u>13,295</u>	<u>12,026</u>
Historical net book value	<u>13,196</u>	<u>11,926</u>

9. STOCKS

	31 December 2007 £'000	31 December 2006 £'000
Raw materials and consumables	-	28
Goods for resale	-	11
	<u>-</u>	<u>39</u>

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

10. DEBTORS

	31 December 2007 £'000	31 December 2006 £'000
Amounts falling due within one year		
Amounts due from group undertakings	1,958	2,303
Trade debtors	-	361
Other debtors	11	-
Prepayments and accrued income	-	64
	<u>1,969</u>	<u>2,728</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2007 £'000	31 December 2006 £'000
Trade creditors	-	210
Amounts due to group undertakings	19,109	16,665
Other taxes and social security costs	86	119
Other creditors	7	56
Accruals and deferred income	198	85
	<u>19,400</u>	<u>17,135</u>

12 PROVISIONS FOR LIABILITIES

	31 December 2007 £'000	31 December 2006 £'000
<i>Deferred taxation</i>		
At beginning of year	-	-
Transfer to profit and loss account	-	-
At end of year	<u>-</u>	<u>-</u>

The amounts provided for the deferred taxation liability and the amounts not provided are set out below

	31 December 2007		31 December 2006	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	(124)	-	(81)
On revaluation of land and buildings	-	338	-	451
	<u>-</u>	<u>214</u>	<u>-</u>	<u>370</u>

No provision has been made in respect of the unrealised property revaluation surplus as it is not the directors' current intention to dispose of the related property

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

13. SHARE CAPITAL

	31 December 2007 £	31 December 2006 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid		
1 Ordinary share of £1 each	1	1

14. RESERVES

	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	1,423	(1,457)	(34)
Retained loss for the financial year	-	(1,565)	(1,565)
Revaluation	106	-	106
Transfer in respect of depreciation provided on revaluation surplus	(1)	1	-
At 31 December 2007	1,528	(3,021)	(1,493)

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	31 December 2007 £'000	31 December 2006 £'000
Opening equity shareholders' deficit	(34)	(625)
Loss for the financial year	(1,565)	(785)
Revaluation	106	1,376
Closing equity shareholders' deficit	(1,493)	(34)

16. CAPITAL COMMITMENTS

	31 December 2007 £'000	31 December 2006 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	7	1,458

17. FINANCIAL COMMITMENTS

The company has annual commitments under non-cancellable operating leases as follows

	31 December 2007 Property £'000	31 December 2006 Plant and machinery £'000	31 December 2007 Property £'000	31 December 2006 Plant and machinery £'000
Expiring	-	-	-	12
Within one year	-	-	-	-

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

18 PENSION ARRANGEMENTS

The company maintains a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charged in the year represents contributions payable by the company to the fund and amounted to £1,000 (31 December 2006 £1,000).

19. CONTINGENT LIABILITIES

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

20 ULTIMATE CONTROLLING PARTY

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