

**PARAMOUNT HOTELS (DAVENTRY)
LIMITED**

Report and Financial Statements

31 December 2008

**Deloitte LLP
Leeds**



PARAMOUNT HOTELS (DAVENTRY) LIMITED

2008 REPORT AND FINANCIAL STATEMENTS

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PARAMOUNT HOTELS (DAVENTRY) LIMITED

2008 REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael Jourdain
Peter Procopis
Jonathan Paisner

SECRETARY

David Kaye

REGISTERED OFFICE

Bond Street House
14 Clifford Street
London
W1S 4JU

BANKERS

Anglo Irish Bank Corporation plc
10 Old Jewry
London
EC2R 8DN

National Westminster Bank PLC
Piccadilly and new Road Street
63 Piccadilly
London
N1S 0AJ

SOLICITORS

Olswangs
90 High Holborn
London
WCV 6XX

AUDITORS

Deloitte 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 2008.

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 for a full year, rather than including the results of operating the hotels (as was the case for 8 months last year) the company's turnover has decreased from £2.6m in 2007 to £0.9m in 2008.

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 £1,726,000.

DIVIDENDS AND RESULTS

The directors do not propose the payment of a dividend. The retained loss for the year of £1,726,000 was transferred to reserves (31 December 2007: retained loss of £1,565,000).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and up to the date of this report were:

Peter Procopis	(appointed 10 February 2009)
Jonathan Paisner	(appointed 10 February 2009)
Massimo Marchovecchio	(resigned 22 July 2008)
Paul Rogers	(resigned 22 July 2008)
Michael Jourdain	

No director had any interest in the shares of the company at 31 December 2008 or 31 December 2007.

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.

This risk is however mitigated by the rent and other guarantees provided by Barcelo's Corporation Empresarial SA (the tenant's ultimate parent company).

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.

GOING CONCERN

On 13 May 2009, the company's ultimate parent company, Puma Hotels plc, signed an agreement with Anglo Irish Bank Limited ("AIB") to extend the term of its senior debt facility. This facility was due for repayment on 31 December 2009 but will now mature on 31 December 2012. The conditions for the completion of the refinancing were satisfied on 13 July 2009.

The Directors have considered the company's cash flow forecasts for the period to the end of December 2010. As the company is reliant on a letter of support from the ultimate parent company, the Directors have also considered the group cash flow forecasts of Puma Hotels plc for the period to the end of December 2010.

After making enquiries, the Board is satisfied that the Group's forecasts and projections – taking account of the completed extension of the facility and the completed associated £20m fund-raising – show that the Group, and therefore the company, will have adequate resources to continue its operations for the foreseeable future. For this reason the company continues to adopt the going concern basis in preparing its financial statements.

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.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP.

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

8 OCT 2009

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 2008 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 19. 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 circumstance 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 2008 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 LLP
Chartered Accountants and Registered Auditors
Leeds

8 October 2009

PARAMOUNT HOTELS (DAVENTRY) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
TURNOVER		906	2,564
Cost of sales		-	(284)
GROSS PROFIT		906	2,280
Administrative expenses		(221)	(2,282)
Administrative expenses – exceptional (deficit on revaluation of properties)		(403)	(2,282)
OPERATING PROFIT/(LOSS)		282	(2)
Interest receivable	5	285	332
Interest payable	6	(2,293)	(2,000)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,726)	(1,670)
Tax on loss on ordinary activities	7	-	105
RETAINED LOSS FOR THE FINANCIAL YEAR	14,15	(1,726)	(1,565)

All amounts relate to continuing activities.

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

PARAMOUNT HOTELS (DAVENTRY) LIMITED - 5314294

BALANCE SHEET

As at 31 December 2008

		31 December 2008 £'000	31 December 2007 £'000
	Note		
FIXED ASSETS			
Tangible assets	8	13,968	15,938
CURRENT ASSETS			
Stocks	9	-	-
Debtors	10	3,121	1,969
Cash at bank and in hand		-	-
		3,121	1,969
CREDITORS: Amounts falling due within one year	11	(21,836)	(19,400)
NET CURRENT LIABILITIES		(18,716)	(17,431)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,747)	(1,493)
PROVISION FOR LIABILITIES	12	-	-
NET LIABILITIES		(4,747)	(1,493)
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Revaluation reserve	14	-	1,528
Profit and loss account	14	(4,747)	(3,021)
EQUITY SHAREHOLDERS' DEFICIT	15	(4,747)	(1,493)

The financial statements were approved by the Board of Directors on 8 OCT 2009 and signed on its behalf by:

M. E. Parkin

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 2008**

	31 December 2008 £'000	31 December 2007 £'000
Retained loss for the financial year	(1,726)	(1,565)
Unrealised (deficit)/surplus on revaluation of property	<u>(1,528)</u>	<u>106</u>
Total gains and losses recognised	<u><u>(3,254)</u></u>	<u><u>(1,459)</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES **Year ended 31 December 2008**

	31 December 2008 £'000	31 December 2007 £'000
Reported loss on ordinary activities before taxation	(1,726)	(1,670)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	<u>-</u>	<u>1</u>
Historical cost (loss) on ordinary activities before taxation	<u><u>(1,726)</u></u>	<u><u>(1,669)</u></u>
Historical cost (loss) retained after taxation and dividends	<u><u>(1,726)</u></u>	<u><u>(1,564)</u></u>

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

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 Puma Hotels plc.

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 recognized 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 recognized 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.

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.

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.

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

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 2008		Period ended 31 December 2007	
	Full-time No.	Part-time No.	Full-time No.	Part-time No.
Average monthly number of persons employed				
Staff in hotel outlets	-	-	40	54

	31 December 2008 £'000	31 December 2007 £'000
Staff costs during the year (including directors)		
Wages and salaries	-	717
Social security costs	-	46
Other pension costs	-	1
	-	764

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated

	31 December 2008 £'000	31 December 2007 £'000
After charging:		
Auditors' remuneration and expenses	-	5
Depreciation charge for the year:		
Tangible owned fixed assets	-	183
Rental payable under operating leases:		
Plant machinery	-	20

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31 December 2008 £'000	31 December 2007 £'000
Interest receivable from group undertakings	285	332

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31 December 2008 £'000	31 December 2007 £'000
Interest payable to group undertakings	2,293	2,000

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	31 December 2008 £'000	31 December 2007 £'000
Corporation tax credit in respect of :		
Group relief - current year	-	-
Adjustment in respect of prior period	-	(105)
Total current tax	-	(105)
Deferred tax (note 12)		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	(105)

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:

	31 December 2008 £'000	31 December 2007 £'000
Current tax reconciliation		
Loss on ordinary activities before taxation	(1,726)	(1,670)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2007: 30%)	(483)	(501)
Effects of:		
Write down of assets	106	-
Effect of unutilised losses	420	632
Capital allowances in excess of depreciation	(43)	(131)
Prior period adjustment	-	(105)
Current tax credit for year	-	(105)

8. TANGIBLE FIXED ASSETS

	Investment properties £'000
Cost or valuation	
At 1 January 2008	15,938
Revaluation	(1,931)
Additions	9
Disposal	(48)
At 31 December 2008	13,968
Net book value	
At 31 December 2008	13,968
At 31 December 2007	15,938

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

8. TANGIBLE FIXED ASSETS (continued)

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 2008.

Prior to September 2007, the freehold land and buildings were treated as tangible fixed assets. From 6 September 2007 the freehold land and buildings are treated as investment properties.

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

	Investment properties	
	31 December	31 December
	2008	2007
	£'000	£'000
Historical cost	13,302	13,295
Historical net book value	13,302	13,196

9. STOCKS

	31 December	31 December
	2008	2007
	£'000	£'000
Raw materials and consumables	-	-
Goods for resale	-	-
	-	-

10. DEBTORS

	31 December	31 December
	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Amounts due from group undertakings	-	1,958
Trade debtors	3,121	-
Other debtors	-	11
	3,121	1,969

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December	31 December
	2008	2007
	£'000	£'000
Amounts due to group undertakings	21,623	19,109
Other taxes and social security costs	-	86
Other creditors	-	7
Accruals and deferred income	213	198
	21,836	19,400

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

12. PROVISIONS FOR LIABILITIES

	31 December 2008 £'000	31 December 2007 £'000
<i>Deferred taxation</i>		
At beginning of year	-	-
Transfer to profit and loss account	-	-
At end of year	-	-

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

	31 December 2008		31 December 2007	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	-	-	(124)
On revaluation of land and buildings	-	(134)	-	338
	-	-	-	214

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.

13. SHARE CAPITAL

	31 December 2008 £	31 December 2007 £
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 2008	1,528	(3,021)	(1,493)
Retained loss for the financial year	-	(1,726)	(1,726)
Revaluation	(1,528)	-	(1,528)
At 31 December 2008	-	(4,747)	(4,747)

PARAMOUNT HOTELS (DAVENTRY) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2008

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	31 December 2008 £'000	31 December 2007 £'000
Opening equity shareholders' deficit	(1,493)	(34)
Loss for the financial year	(1,726)	(1,565)
Revaluation	(1,528)	106
Closing equity shareholders' deficit	<u>(4,747)</u>	<u>(1,493)</u>

16. CAPITAL COMMITMENTS

	31 December 2008 £'000	31 December 2007 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	7

17. FINANCIAL COMMITMENTS

The company has no annual commitments under non-cancellable operating leases.

18. CONTINGENT LIABILITIES

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

19. ULTIMATE CONTROLLING PARTY

The entire issued share capital of this company is indirectly owned by Puma Hotels plc, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of Puma 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.