

# Prestbury Hotels Finance Limited

## *Directors' Report and Financial Statements*

Registered number 06201066

Year Ended 31 March 2009

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## **Annual report and financial statements for the year ended 31 March 2009**

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### **Directors**

S L Gumm  
N M Leslau  
T J Evans

### **Secretary and registered office**

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

### **Company number**

06201066

### **Auditors**

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

## **Report of the directors for the year ended 31 March 2009**

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The directors present their report together with the audited financial statements for the year ended 31 March 2009.

### **Results and dividends**

The profit and loss account is set out on page 8 and shows a loss for the year of £1,563,386 (2008: £1,377,924).

The comparative figures relate to the period from 3 April 2007 to 31 March 2008.

The directors do not recommend the payment of a final dividend.

### **Principal activities, review of business and future developments**

The principal activity of the group is that of property investment in the United Kingdom.

Subsidiary companies were purchased at various times throughout the prior period and therefore comparisons between the results of 2008 and 2009 are not straightforward. The annualised rent as at 31 March 2008 was £6,865,724 compared to £7,136,221 at 31 March 2009 reflecting the impact of rent reviews in the year. Annualised interest payable as at 31 March 2008 was £7,879,103 compared to £7,936,836 at 31 March 2009.

The group has commissioned a director's valuation of its real estate assets as at 31 March 2009 and the resultant revaluation write down amounts to £17,357,000. The note on "market factors" on page 3 should be read in connection with any consideration of the valuation.

The group's bank loan matured on 21 May 2009. As further discussed in note 1, the directors are currently having constructive discussions with the existing lender to refinance the facilities and, in particular because of the long lease terms and the strength of the tenant, are confident that the necessary finance will be in place in due course. In the meantime, the existing lender has continued to provide the loan on the same terms whilst these discussions are ongoing.

### **Post balance sheet events**

Details of post balance sheet events are contained at note 23 to the accounts.

### **Directors**

The directors who held office during the year were:

S L Gumm  
N M Leslau  
T J Evans

## **Report of the directors for the year ended 31 March 2009 (Continued)**

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### **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. The directors consider the property owned by the company relatively well placed to withstand market fluctuations by virtue of the quality of the assets, strong tenant, and financing terms.

The properties are held in the financial statements at their 31 March 2009 internal valuation. It has to be recognised that at this particular and uniquely difficult time in the cycle, where there is only a limited banking market and no depth to the property market to speak of, that any accurate assessment of value is extremely difficult. We can confirm that the cash flow projections which supported this valuation at the year end are being achieved. In the last few months, good quality real estate has seen a hardening of yields although the market remains thin. The directors consider that valuations should have stabilised or possibly improved since 31 March 2009.

### **Principal risks and uncertainties - risk management objectives and policies**

The management of risk is integral to the company's approach to running its financing and investment activities. The company utilises secured bank debt and shareholder loans to fund property investment purchases of the group of which the company is a member. 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 company and the group, of which the company is a member, for the management of the principal risks and uncertainties that it is exposed to in the conduct of its operations.

#### ***General treasury policy***

The company 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 2009 are set out in notes 13 and 15 to the financial statements. Details of bank and shareholder loan borrowings are set out in notes 13 and 14 to the financial statements.

#### ***Policy in relation to interest rate risk***

The company'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 hedged in full for the term of the relevant loan.

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

## **Report of the directors for the year ended 31 March 2009 (*Continued*)**

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### **Principal risks and uncertainties - risk management objectives and policies (*continued*)**

#### ***Policy in relation to liquidity risk***

The group, of which the company is a member, 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 company's principal financial assets are bank balances, short term deposits, amounts due from fellow group undertakings and shareholder loans. The company's credit risk on short term deposits and hedging instruments is limited because the counterparties are banks with high credit ratings. The company'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 United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 group 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.

**Report of the directors for the year ended 31 March 2009 (Continued)**

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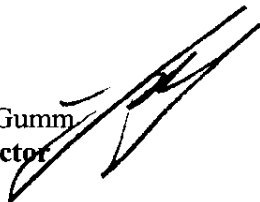
**Auditors**

The 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

A handwritten signature in black ink, appearing to be 'S L Gumm', written over the printed name and title.

17 December 2009

## **Report of the independent auditors to the shareholders of Prestbury Hotels Finance Limited**

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We have audited the group and parent company financial statements ("the financial statements") of Prestbury Hotels Finance Limited for the year ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets and the related notes. These financial statements have been prepared under the accounting policies set out on therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the independent auditors to the shareholders of Prestbury Hotels Finance Limited (*Continued*)**

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**Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- 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.



**BDO LLP**

*Chartered Accountants and Registered Auditors*

Epsom

United Kingdom

17 December 2009

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



**Consolidated profit and loss account for the year ended 31 March 2009**

	Note	Year ended 31 March 2009 £	Period ended 31 March 2008 £
<b>Turnover</b>	2	7,860,521	5,396,034
Cost of sales		(765,978)	(211,614)
<b>Gross profit</b>		7,094,543	5,184,420
Administrative expenses		(43,183)	(27,797)
<b>Operating profit</b>	3	7,051,360	5,156,623
Interest receivable	6	40,750	86,723
Interest payable and similar charges	7	(8,655,496)	(6,621,270)
<b>Loss on ordinary activities before taxation</b>		(1,563,386)	(1,377,924)
Taxation on loss on ordinary activities	8	-	-
<b>Loss on ordinary activities after taxation and retained loss for the year / period</b>	17	(1,563,386)	(1,377,924)

All amounts relate to continuing activities.

There was no difference between the historical cost loss and the reported loss on ordinary activities for the current year or preceding period.

The notes on pages 12 to 24 form part of the financial statements.

**Consolidated statement of recognised gains and losses for the year ended 31 March 2009**

		<b>Year ended 31 March 2009 £</b>	<b>Period ended 31 March 2008 £</b>
	<b>Note</b>		
Loss for the financial year / period		<b>(1,563,386)</b>	<b>(1,377,924)</b>
Unrealised (deficit) / surplus on revaluation of investment properties in the year / period	17	<b>(17,357,000)</b>	<b>274,436</b>
<b>Total recognised gains and losses for the year / period</b>		<b><u>(18,920,386)</u></b>	<b><u>(1,103,488)</u></b>

The notes on pages 12 to 24 form part of these financial statements.

**Consolidated balance sheet at 31 March 2009**

	Note	31 March 2009 £	31 March 2009 £	31 March 2008 £	31 March 2008 £
<b>Fixed assets</b>					
Investment properties	10		112,470,000		129,827,000
<b>Current assets</b>					
Debtors due within one year	12	150,696		158,893	
Debtors due after one year	12	130,274		-	
		<u>280,970</u>		<u>158,893</u>	
Cash at bank and in hand		136,629		263,910	
		<u>417,599</u>		<u>422,803</u>	
<b>Creditors: amounts falling due within one year</b>	13	(116,585,880)		(1,598,975)	
<b>Net current liabilities</b>			(116,168,281)		(1,176,172)
<b>Total assets less current liabilities</b>			(3,698,281)		128,650,828
<b>Creditors: amounts falling due after more than one year</b>	14		(16,325,592)		(129,754,315)
<b>Net liabilities</b>			(20,023,873)		(1,103,487)
<b>Capital and reserves</b>					
Called up share capital	16		1		1
Profit and loss account	17		(2,941,310)		(1,377,924)
Revaluation reserve	17		(17,082,564)		274,436
<b>Shareholders' deficit</b>	18		(20,023,873)		(1,103,487)

The financial statements were approved by the Board and authorised for issue on 17 December 2009.

  
S L Gurnin  
Director

The notes on pages 12 to 24 form part of these financial statements.

**Company balance sheet at 31 March 2009**

**Registered number**  
**06201066**

	Note	31 March 2009 £	31 March 2009 £	31 March 2008 £	31 March 2008 £
<b>Fixed assets</b>					
Investment in subsidiary undertakings	11		35,602,310		50,761,472
<b>Current assets</b>					
Debtors due within one year	12	652		16,657	
Debtors due after one year	12	76,525,805		77,995,900	
			76,526,457	78,012,557	
Cash at bank and in hand		136,629		263,910	
			76,663,086	78,276,467	
<b>Creditors: amounts falling due within one year</b>	13	(116,322,810)		(1,338,568)	
<b>Net current (liabilities) / assets</b>			(39,659,724)		76,937,899
<b>Total assets less current liabilities</b>			(4,057,414)		127,699,371
<b>Creditors: amounts falling due after more than one year</b>	14		(16,325,592)		(129,754,315)
<b>Net liabilities</b>			(20,383,006)		(2,054,944)
<b>Capital and reserves</b>					
Called up share capital	16		1		1
Profit and loss account	17		(20,383,007)		(2,054,945)
<b>Shareholders' deficit</b>	18		(20,383,006)		(2,054,944)

The financial statements were approved by the Board and authorised for issue on 17 December 2009.

S L Gurnin  
Director

The notes on pages 12 to 24 form part of these financial statements.

## Notes forming part of the financial statements for the year ended 31 March 2009

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### 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.

The group's banking facilities which are secured on the group's assets, including investment properties, expired on 21 May 2009. The directors have prepared cash flow forecasts which indicate, subject to extension of these facilities, that the group can continue as a going concern for the foreseeable future. The directors are in negotiations with the lender regarding the extension of these facilities and have a reasonable expectation that these negotiations will be satisfactorily concluded. Accordingly, the directors have concluded that it is still appropriate to prepare the financial statements on a going concern basis.

#### *Basis of consolidation*

The consolidated financial statements incorporate the results of Prestbury Hotels Finance Limited and entities controlled by the company (its subsidiaries) up to 31 March 2009.

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 2009.

#### *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.

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

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**1 Accounting policies (continued)**

*Investment properties (continued)*

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 1985 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 or quantified.

*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 making 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.

*Investments 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.

*Loan issue 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.

**2 Turnover**

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

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**3 Operating profit**

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
This is stated after charging:		
Head lease rentals	757,053	205,092
Auditors' remuneration - audit services (group)	11,750	12,000
	<u>          </u>	<u>          </u>

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

For the period ended 31 March 2008, the auditors' remuneration was borne by the parent company. A fee of £12,000 was recharged to the company in respect of the audit of this group in the period ended 31 March 2008.

In the period ended 31 March 2008, fees totalling £21,381 were paid to the company's auditors for financial assistance reports in relation to the corporate acquisitions in that period. These were capitalised in the balance sheet as a cost of the acquisition. The consolidated accounts of Prestbury Hotel Holdings Limited disclose details of other non-audit fees that were paid to the company's auditors in the prior year.

**4 Employees**

The average number of employees of the group during the year, excluding directors, was nil (2008: nil).

**5 Directors**

No director received any emoluments from the group during the year (2008: nil).

**6 Interest receivable and similar income**

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
On bank balances	34,029	69,078
Other interest receivable	522	17,645
On amounts due from parent company	6,199	-
	<u>          </u>	<u>          </u>
	40,750	86,723
	<u>          </u>	<u>          </u>

Notes forming part of the financial statements for the period ended 31 March 2009 (*Continued*)

**7 Interest payable and similar charges**

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
On bank loans	7,903,473	5,968,263
Amortisation of prepaid finance fees	743,566	638,230
Loan commitment fees	8,457	14,777
	<u>8,655,496</u>	<u>6,621,270</u>

**8 Taxation**

*Taxation on loss on ordinary activities*

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
<i>UK corporation tax</i>		
Current tax on losses of the year / period	-	-

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

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Loss on ordinary activities before tax	(1,563,386)	(1,377,924)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 30%)	(437,748)	(413,377)
Effects of:		
Hotel buildings allowances	(294,351)	(308,313)
Net movement in losses available to carry forward	732,099	721,690
Current tax charge for the year / period	-	-

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.



**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**8 Taxation (continued)**

**Deferred taxation**

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

	<b>Group 31 March 2009 £</b>	<b>Group 31 March 2008 £</b>	<b>Company 31 March 2009 £</b>	<b>Company 31 March 2008 £</b>
Losses available to carry forward	<b>1,441,147</b>	709,256	<b>1,205,789</b>	564,770
Inherent capital gain arising on investment properties at valuation	<b>(20,152,059)</b>	(24,859,839)	-	-
	<b><u>(18,710,912)</u></b>	<b><u>(23,880,583)</u></b>	<b><u>1,205,789</u></b>	<b><u>564,770</u></b>

**9 Loss for the financial year**

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £18,328,062 (2008: £2,054,945) which is dealt with in the financial statements of the parent company.

**10 Investment properties - group**

	<b>Long leasehold land and buildings £</b>
<i>Valuation</i>	
At 1 April 2008	129,827,000
Deficit on revaluation	(17,357,000)
	<b><u>112,470,000</u></b>
At 31 March 2009	

At 31 March 2009, the group's investment properties were valued at £112,470,000 (2008: £129,827,000) on an open market basis by Nick Leslau BSc (Hons) MRICS, a chartered surveyor and director of the company.

The historical cost of the properties to the group, including acquisition costs, is £129,552,564 (2008: £129,552,564).

The group's investment properties are held as security by a fixed charge in respect of bank borrowings provided to the company.

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**11 Investment in subsidiary undertakings - company**

£

*Cost*

At 1 April 2008 and 31 March 2009 **50,761,472**

*Provision*

Provision in the year and at 31 March 2009 **(15,159,162)**

*Net book value*

At 31 March 2009 **35,602,310**

At 31 March 2008 **50,761,472**

*Subsidiary undertakings*

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

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of business</b>
TLLC Bridgeco3 Limited	England	100%	Property investment
TLLC Bridgeco4 Limited	England	100%	Property investment
TLLC Bridgeco7 Limited	England	100%	Property investment
TLLC Bridgeco10 Limited	England	100%	Property investment

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

Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)

12 Debtors

	Group 31 March 2009 £	Group 31 March 2008 £	Company 31 March 2009 £	Company 31 March 2008 £
<b>Amounts due within one year</b>				
Trade debtors	1,031	-	-	-
VAT recoverable	12,301	15,789	652	16,657
Prepayments and accrued income	137,364	143,104	-	-
	<u>150,696</u>	<u>158,893</u>	<u>652</u>	<u>16,657</u>
	Group 31 March 2009 £	Group 31 March 2008 £	Company 31 March 2009 £	Company 31 March 2008 £
<b>Amounts due after one year</b>				
Amounts due from parent company	130,274	-	130,274	-
Amounts due from subsidiary undertakings	-	-	76,395,531	77,995,900
	<u>130,274</u>	<u>-</u>	<u>76,525,805</u>	<u>77,995,900</u>

The amounts due from fellow group undertakings are unsecured, bear interest at a rate of 8% and have no fixed repayment date. The above amounts include interest accrued of £9,995,411 (2008: £4,507,338).

13 Creditors: amounts falling due within one year

	Group 31 March 2009 £	Group 31 March 2008 £	Company 31 March 2009 £	Company 31 March 2008 £
Secured bank loans (note 14)	115,076,982	-	115,076,982	-
Prepaid finance fees and interest (note 14)	(105,335)	-	(105,335)	-
	<u>114,971,647</u>	<u>-</u>	<u>114,971,647</u>	<u>-</u>
Trade creditors	7,843	7,843	-	-
Accruals and deferred income	1,606,390	1,591,020	1,351,163	1,338,568
Amounts due to parent company	-	112	-	-
	<u>116,585,880</u>	<u>1,598,975</u>	<u>116,322,810</u>	<u>1,338,568</u>

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**13 Creditors: amounts falling due within one year (continued)**

	<b>31 March 2009 £</b>	<b>31 March 2008 £</b>
<b>Secured bank loans are due:</b>		
Within one year	<b>115,076,982</b>	-
In more than one year but not more than five years	-	114,277,624
	<b>115,076,982</b>	114,277,624

The bank loans were repayable in full on 21 May 2009. The directors are in constructive discussions with the existing lender to refinance the facilities.

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 fully hedged.

The bank loans bear interest at 3 month LIBOR plus a lenders' blended margin. Interest 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 6.90% (2008: 6.88%).

**14 Creditors: amounts falling due after more than one year**

	<b>Group 31 March 2009 £</b>	<b>Group 31 March 2008 £</b>	<b>Company 31 March 2009 £</b>	<b>Company 31 March 2008 £</b>
Secured bank loans	-	114,277,624	-	114,277,624
Prepaid finance fees and interest	-	(848,901)	-	(848,901)
	-	113,428,723	-	113,428,723
Loans from the shareholders of the parent company	<b>16,325,592</b>	16,325,592	<b>16,325,592</b>	16,325,592
	<b>16,325,592</b>	129,754,315	<b>16,325,592</b>	129,754,315

The loans from the shareholders of the parent company are unsecured, interest free and have no fixed repayment date.

Notes forming part of the financial statements for the year ended 31 March 2009 (*Continued*)

**15 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 2009:

	Protected Rate %	Expiry	31 March 2009 Market value profit/(loss) pre-tax £	31 March 2008 Market value profit/(loss) pre-tax £
£114.3 million accreting cap	5.70	July 2008	-	56,154
£115.2 million (2008: £114.8 million) accreting cap	5.70	July 2017	(20,349,680)	(6,935,028)
£115.6 million amortising/accreting receivers swaption	5.06	Exercisable July 2009 for expiry July 2017	13,627,275	2,875,298
<b>Total net loss pre tax</b>			<b>(6,722,405)</b>	<b>(4,003,576)</b>
<b>Total net loss post tax</b>			<b>(4,840,132)</b>	<b>(2,802,503)</b>

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 product 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 2009, which is generally a marginally higher cost (or smaller gain) than a market valuation.

**16 Share capital**

	31 March 2009 Number	31 March 2009 £	31 March 2008 Number	31 March 2008 £
<i>Authorised</i>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	1	1	1

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**17 Reserves**

	<b>Group Revaluation reserve £</b>	<b>Group Profit and loss account £</b>	<b>Company Profit and loss account £</b>
At 1 April 2008	274,436	(1,377,924)	(2,054,945)
Loss for the year	-	(1,563,386)	(18,328,062)
Unrealised deficit on revaluation of investment properties in the year	(17,357,000)	-	-
At 31 March 2009	<b>(17,082,564)</b>	<b>(2,941,310)</b>	<b>(20,383,007)</b>

**18 Reconciliation of movement in shareholders' deficit**

<b>Group</b>	<b>Year ended 31 March 2009 £</b>	<b>Period ended 31 March 2008 £</b>
Loss for the year / period	(1,563,386)	(1,377,924)
<i>Other recognised gains and losses:</i>		
Unrealised (deficit) / surplus on revaluation of investment properties in the year	(17,357,000)	274,436
	<b>(18,920,386)</b>	<b>(1,103,488)</b>
Share capital issued	-	1
Net movement in shareholders' deficit	<b>(18,920,386)</b>	<b>(1,103,487)</b>
Opening shareholders' deficit	<b>(1,103,487)</b>	-
Closing shareholders' deficit	<b>(20,023,873)</b>	<b>(1,103,487)</b>

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**18 Reconciliation of movement in shareholders' deficit (continued)**

Company	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Loss for the year / period	(18,328,062)	(2,054,945)
Share capital issued	-	1
	<hr/>	<hr/>
Net movement in shareholders' deficit	(18,328,062)	(2,054,944)
Opening shareholders' deficit	(2,054,944)	-
	<hr/>	<hr/>
Closing shareholders' deficit	(20,383,006)	(2,054,944)
	<hr/>	<hr/>

**19 Related party transactions**

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of any transactions with entities that are included in the consolidated financial statements of Prestbury Hotel Holdings Limited.

The aggregate loans due to shareholders of the parent company are set out in note 14. These include the following amounts due to investors holding a 20% or more interest in the equity of the parent company:

	31 March 2009 £	31 March 2008 £
West Coast Capital	6,898,469	6,898,469
	<hr/>	<hr/>
Uberior Ventures Limited	4,988,375	4,988,375
	<hr/>	<hr/>
Prestbury Investment Holdings Limited	1,813,955	1,813,955
	<hr/>	<hr/>

Prestbury Investment Holdings Limited ("PIHL"), a shareholder in Prestbury Hotel Holdings Limited, has a 100% interest in PIHL Wentworth Manager Limited ("PIHLWML"). PIHLWML holds 10% of PIHL's 20% interest in the parent 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 of which the company is a member. PIHL has agreed to guarantee the performance by PIHLWML of its obligations under the agreement. No fees have been charged for these services.

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**19 Related party transactions (continued)**

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

The following is a summary of the significant transactions undertaken by the company with Lloyds during the year / period and balances with Lloyds as at 31 March 2009:

	<b>Year ended 31 March 2009 £</b>	<b>Period ended 31 March 2008 £</b>
<b>Profit and loss account</b>		
Bank loan interest payable	<b>7,903,473</b>	5,968,263
Financing costs amortised	<b>589,946</b>	506,370
Loan commitment fees	<b>8,457</b>	14,777
Bank interest receivable	<b>34,029</b>	69,078
	<b>31 March 2009 £</b>	<b>31 March 2008 £</b>
<b>Balance sheet</b>		
Unamortised financing costs and prepaid interest	<b>83,576</b>	673,522
Bank loans falling due within one year	<b>115,076,983</b>	-
Bank loans falling due after more than one year	<b>-</b>	114,277,624

All transactions with the Lloyds (2008: HBOS) group are undertaken on an arm's length basis.



**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**20 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:

	<b>Land and buildings</b>	
	<b>31 March 2009</b>	<b>31 March 2008</b>
Expiry date:	<b>£</b>	<b>£</b>
After 5 years	<b>583,963</b>	<b>572,586</b>

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

**21 Cash flow statement**

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as a consolidated cash flow statement is included in the financial statements of its parent company.

**22 Parent company and controlling party information**

At 31 March 2009, the immediate and ultimate parent company is Prestbury Hotel Holdings Limited, which is incorporated in England and Wales. The consolidated accounts of Prestbury Hotel Holdings Limited are available to the public and may be obtained from the Company Secretary, Cavendish House, 18 Cavendish Square, London W1G 0PJ.

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

**23 Post balance sheet events**

On 20 July 2009, the existing hedging in place (see note 15), 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%.