Company Registration No. SC55493

SCOTTISH HIGHLAND HOTELS LIMITED

Report and Financial Statements

31 December 2010

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Deloitte LLP
Leeds

SCOTTISH HIGHLAND HOTELS LIMITED

2010 REPORT AND FINANCIAL STATEMENTS

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SCOTTISH HIGHLAND HOTELS LIMITED

2010 REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Peter Procopis
Jonathan Paisner
Michael Jourdain

SECRETARY

David Kaye

REGISTERED OFFICE

C/o Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 3HA

BANKERS

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

National Westminster Bank PLC
Piccadilly and New Road Street
63 Piccadilly
London
W1J 0AJ

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds

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 2010.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company's principal activity is that of owning hotels. 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 hotels are held as investment properties. The Directors are not aware, at the date of this report of any likely major changes in the Company's activities next period.

As a result of a rent increase on 4 September 2010 the turnover has increased from £2.8m to £2.9m.

The balance sheet on page 7 of the financial statements shows that the Company's year end net asset position has reduced from last period. This is due to a downward revaluation of the Company's freehold properties.

DIVIDENDS AND RESULTS

The Directors did not propose a dividend in respect of the year ended 31 December 2010 (31 December 2009: £nil). The retained profit for the year of £2,563,000 (2009 profit: £1,480,000) was transferred to reserves.

DIRECTORS AND THEIR INTERESTS

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

Michael Jourdain	
Peter Procopis	
Jonathan Paisner	(resigned 31 Decembe 2010)
David Kaye	(appointed 31 December 2010)

No director had any interest in the shares of the Company at 31 December 2010 or 31 December 2009.

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

CHARITABLE AND POLITICAL DONATIONS

Donations made by the Company during the year for charitable purposes amounted to £nil (31 December 2009: £nil). No contributions were made for political purposes (31 December 2009: £nil).

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to the risk its hotel tenant Barceló UK may be unable to meet its rent obligations. The Company is also exposed to risks associated with the hotel industry such as new hotel openings close to its existing site and any general downturn in the hotel industry.

These risks are however mitigated by the rent and other guarantees provided by Barcelo Corporation Empresorial SA (the tenant's ultimate parent company).

DIRECTORS' REPORT (continued)

GOING CONCERN

The Puma Hotels plc Group debt facility is not due until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló's Corporation Empresorial SA. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have considered the Company's cash flow forecasts for the period to the end of December 2012. After making enquiries, the Board is satisfied that the Company's forecasts and projections show that 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 s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

M.E. Jourdain

Michael Jourdain
Director

25th March 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 Company 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH HIGHLAND HOTELS LIMITED

We have audited the financial statements of Scottish Highland Hotels Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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
As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 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 Company's affairs as at 31 December 2010 and of its profit 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Simon Manning

Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds

25 March 2011

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
TURNOVER	2	2,874	2,844
Cost of sales		-	-
GROSS PROFIT		2,874	2,844
Administrative expenses		(338)	(369)
OPERATING PROFIT		2,536	2,475
Interest receivable and similar income	4	12,345	10,768
Interest payable and similar charges	5	(12,093)	(10,798)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	2,788	2,445
Tax on profit on ordinary activities	7	(225)	(965)
PROFIT FOR THE FINANCIAL YEAR	14	2,563	1,480

All amounts relate to continuing activity.

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

BALANCE SHEET
As at 31 December 2010

	Note	31 December 2010 £'000	31 December 2009 £'000
FIXED ASSETS			
Tangible assets	8	41,797	42,867
		41,797	42,867
CURRENT ASSETS			
Debtors	9	116,264	101,424
CREDITORS: Amounts falling due within one year	10	(113,543)	(101,428)
NET CURRENT ASSETS/(LIABILITIES)		2,721	(4)
TOTAL ASSETS LESS CURRENT LIABILITIES		44,518	42,863
PROVISION FOR LIABILITIES	11	(1,190)	(965)
NET ASSETS		43,328	41,898
CAPITAL AND RESERVES			
Called up share capital	12	1,461	1,461
Share premium account	13	6,365	6,365
Capital redemption account	13	1,015	1,015
Revaluation reserve	13	17,326	18,459
Special reserve	13	7,370	7,370
Profit and loss account	13	9,791	7,228
EQUITY SHAREHOLDERS' FUNDS	14	43,328	41,898

The financial statements of Scottish Highland Hotels Limited, company number SC55493, were approved by the Board of Directors on 25 March '11 and signed on its behalf by:

Peter Procopis

Director

The accompanying notes are an integral part of this balance sheet.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2010

	31 December 2010 £'000	31 December 2009 £'000
Retained profit for year	2,563	1,480
Unrealised (deficit) on revaluation of properties	(1,133)	(2,530)
Total gains and losses since last annual report and financial statements	1,430	(1,050)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The following principal accounting policies have been applied consistently in both the current and preceding financial periods.

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.

Going concern

The Puma Hotels plc Group debt facility is not due until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló Corporation Empresorial SA.

The Directors have considered the Company's cash flow forecasts for the period to the end of December 2012. After making enquiries, the Board is satisfied that the Company's forecasts and projections show that 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.

Basis of preparation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

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.*

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

Taxation

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.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

2. SEGMENTAL ANALYSIS

The Company's turnover, profit before taxation and net assets are derived from its principal activity within the UK and as such no segmental information has been disclosed.

3. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDIT FEES

The Directors received no emoluments in the financial year (31 December 2009: £nil). Emoluments paid to the directors are disclosed in the financial statements of Puma Hotels plc. With the exception of the Directors, the Company had no employees.

Audit fees of £1,000 (2009: £1,000) have been borne by Puma Hotels plc.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	31 December 2010 £'000	31 December 2009 £'000
Interest receivable from group undertakings	12,345	10,768

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31 December 2010 £'000	31 December 2009 £'000
Interest payable to group undertakings	12,093	10,798

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated	31 December 2010 £'000	31 December 2009 £'000
After crediting:		
Rent receivable	2,874	2,844

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	31 December 2010 £'000	31 December 2009 £'000
UK corporation tax charge		
Group relief - current year	-	-
Group relief – prior period	-	-
	-	-
Deferred tax		
Origination and reversal of timing differences	269	351
Prior period adjustment	-	614
Effect on change of tax rates	(44)	-
Tax on profit on ordinary activities	225	965

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

	31 December 2010 £'000	31 December 2009 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	2,788	2,445
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009: 28%)	780	685
Effects of:		
Income not chargeable to corporation tax	-	(1)
Depreciation for the year in excess of capital allowances	(269)	(336)
Utilisation of losses	-	(15)
Group relief for nil consideration	(470)	(258)
Permanent timing differences	(41)	(75)
Current tax charge for year	-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

8. TANGIBLE FIXED ASSETS

	Total £'000
Cost or valuation	
At beginning of year	42,867
Additions	63
Revaluation	(1,133)
Disposals	-
At end of year	41,797
Net book value	
At 31 December 2010	41,797
At 31 December 2009	42,867

An external valuation of the Company's freehold properties, subject to and with the benefit of the lease granted to Barceló was performed by Colliers Robert Barry Chartered Surveyors as at 31 December 2010.

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 2010 £'000	31 December 2009 £'000
Historical cost	19,841	19,778
Historical net book value	18,468	18,405

9. DEBTORS

	31 December 2010 £'000	31 December 2009 £'000
Amounts falling due within one year		
Amounts due from group undertakings	116,264	101,424

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2010 £'000	31 December 2009 £'000
Accruals and deferred income	668	647
Amounts due to group undertakings	112,875	100,781
	113,543	101,428

11. PROVISIONS FOR LIABILITIES

	31 December 2010 £'000	31 December 2009 £'000
Deferred taxation		
At beginning of year	965	-
Transfer to profit and loss account	225	965
At end of year	1,190	965

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

	31 December 2010		31 December 2009	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	1,190	-	965	-
On revaluation of land and buildings	-	4,574	-	5,371
Other timing differences	-	-	-	-
Undiscounted provision	1,190	4,574	965	5,371

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.

12. SHARE CAPITAL

	31 December 2010 £'000	31 December 2009 £'000
Authorised		
40,000,000 Ordinary shares of 5p each	2,000	2,000
1,000,000 redeemable preference shares of £1 each	1,000	1,000
	3,000	3,000
Allotted, called up and fully paid		
29,228,736 Ordinary shares of 5p each	1,461	1,461

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

13. RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Revaluation Reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At beginning of year	6,365	1,015	18,459	7,370	7,228	40,437
Retained profit for the financial year	-	-	-	-	2,563	2,563
Revaluation in the year	-	-	(1,133)	-	-	(1,133)
At end of year	6,365	1,015	17,326	7,370	9,791	41,867

The special reserve of £7,370,000 is a non-distributable reserve and may only be utilised in the elimination of goodwill.

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 December 2010 £'000	31 December 2009 £'000
Opening equity shareholders' funds	41,898	42,948
Profit for the financial year	2,563	1,480
Revaluation	(1,133)	(2,530)
Closing equity shareholders' funds	43,328	41,898

A dividend of £nil (2009: £nil) was paid for the year.

15. CONTINGENT LIABILITIES

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

16. ULTIMATE CONTROLLING PARTY

The entire issued share capital of the 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 smallest group in which the Company is consolidated, can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

The Hotel Corporation plc owns 49.9% of the ordinary shares and 58.9% of the preference shares of Puma Hotels plc. The Hotel Corporation plc fully consolidates the results of Puma Hotels plc and its subsidiaries in its group accounts. This represents the largest group in which the Company is consolidated.