

The Balmoral Hotel Harrogate Limited

Report and Financial statements

31 March 2005

ERNST & YOUNG



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COMPANIES HOUSE 27/08/05

Registered No: 125335

Directors

J C Kay

S Stott

Secretary

S Stott

Auditors

Ernst & Young LLP

Ten George Street

Edinburgh

EH2 2DZ

Bankers

Bank of Scotland

New Ueberior House

11 Earl Grey Street

Edinburgh

EH3 9BN

Solicitors

Halliwel Landau

Manchester

Maclay Murray & Spens

Edinburgh

Registered Office

3 Glenfinlas Street

Edinburgh

EH3 6AQ

Directors' report

The directors present their report and financial statements for the period ended 31 March 2005.

Principal activity and review of the business

The company did not trade during the period, but a loss of £160,000 arose in respect of a waiver of an amount due from the parent undertaking.

Directors and their interests

The directors who served during the period are shown on page 2. Mr T J Hemmings also served as a director and retired on 22 October 2004.

No directors had an interest in the shares of the company, nor in the shares of Paragon Hotels Limited, the company's parent undertaking.

Auditors

In accordance with the provisions of Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Ernst & Young LLP will continue in office as auditors.

By order of the Board

S Stott

Secretary

11 July 2005

Statement of directors' responsibilities in respect of the financial statements

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 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 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 The Balmoral Hotel Harrogate Limited

We have audited the company's financial statements for the period ended 31 March 2005 which comprise the Profit and Loss account, Balance Sheet, and the related notes 1 to 7. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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.

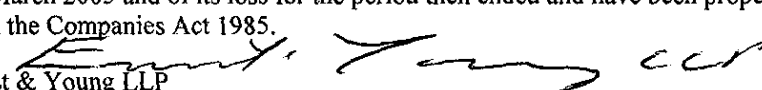
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh
11 July 2005

Profit and loss account

For the period ended 31 March 2005

	2005 £000	2004 £000
Waiver of amount due from parent undertaking	160	-
Loss for the period	<u>(160)</u>	<u>-</u>

Balance sheet

at 31 March 2005

	Notes	2005 £000	25 March 2004 £000
Current assets			
Debtors	2	-	6,784
		-	6,784
Creditors: amounts falling due within one year	3	-	(164)
Net current assets		-	6,620
Creditors: amounts falling due after more than one year	4	-	(6,460)
Total assets less liabilities		-	160
Capital and reserves			
Called up share capital	5	160	160
Profit and loss account		(160)	-
Equity shareholders' funds		-	160



J C Kay
Director

11 July 2005

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with currently applicable accounting standards.

2. Debtors

	2005 £000	2004 £000
Amounts due by parent undertaking	-	6,784

3. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amounts owed to fellow subsidiary undertakings	-	164

4. Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Amount owed to parent undertaking	-	6,460

There are no formal repayment terms agreed between parent and subsidiary undertakings and the loans are not repayable on demand.

5. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Ordinary shares of £1 each	160	160	160	160

6. Contingent liabilities

The company is party to an agreement with its bankers whereby the bank is entitled to hold all sums at credit of any financial statements in the company's name in security of all sums due to the bank by the company's parent company and fellow subsidiary undertakings.

Notes to the financial statements

at 31 March 2005

7. Ultimate parent company

The company's immediate parent undertaking is Paragon Hotels Limited, a company registered in England and Wales. The company's results are included in the consolidated financial statements of Paragon Hotels Limited and copies of its Annual Report and Financial statements may be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

The company's ultimate parent company and controlling party is Calgarth Limited, which is incorporated in the Isle of Man.