TLLC CMSUBPROPCO11 LIMITED

Company Registration No: 5173938

Report and Financial Statements

Period Ended 31 March 2006

TLLC Cmsubpropco11 Limited

Report and financial statements for the period ended 31 March 2006

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Company information

Directors

S L Gumm
N M Leslau

Secretary and registered office

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

Company number

5173938

Auditors

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

TLLC Cmsubpropco11 Limited

Report of the directors for the period ended 31 March 2006

The directors present their report together with the audited financial statements for the period ended 31 March 2006.

Results and dividends

The profit and loss account is set out on page 5 and shows a loss for the period of £166,684 (2005: £104,794).

The directors do not recommend payment of a final dividend (2005: £nil).

The comparative figures relate to the period from 8 July 2004 to 10 March 2005.

Principal activities, business review and future developments

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

For details of a change in ultimate parent company during the period see note 18 to the financial statements.

Directors

The directors of the company who held office during the period were as follows:

S L Gumm
N M Leslau

No director had any interest in the share capital of the company during the period.

At 31 March 2006, both currently serving directors are also directors of the ultimate parent company, Prestbury Hotel Holdings Limited, and their interests in the share capital of that company, if any, are shown in its financial statements.

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 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; 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.

TLLC Cmsubpropco11 Limited

Report of the directors for the period ended 31 March 2006 *(Continued)*

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board

S L Gumm
Director

Date: 28 November 2006

TLLC Cmsubpropco11 Limited

Report of the independent auditors to the shareholders of TLLC Cmsubpropco11 Limited

We have audited the financial statements of TLLC Cmsubpropco11 Limited for the period ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out 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. 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
Epsom

28 November 2006

TLLC Cmsubpropco11 Limited

Profit and loss account for the period from 11 March 2005 to 31 March 2006

	Note	**Period ended 31 March 2006 £**	Period ended 10 March 2005 £
Turnover	2	**1,450,326**	696,960
Direct property costs		**(2,197)**	-
Gross profit and profit on ordinary activities before interest		**1,448,129**	696,960
Interest payable and similar charges	6	**(1,680,484)**	(761,206)
Loss on ordinary activities before taxation		**(232,355)**	(64,244)
Taxation on loss on ordinary activities	7	**65,671**	(40,550)
Loss on ordinary activities after taxation and retained loss for the period	12	**(166,684)**	(104,794)

All amounts relate to continuing activities.

There were no differences between historical cost loss and reported loss on ordinary activities for either period.

The notes on pages 8 to 14 form part of these financial statements.

TLLC Cmsubpropco11 Limited

Statement of total recognised gains and losses for the period from 11 March 2005 to 31 March 2006

	Note	**Period ended 31 March 2006 £**	Period ended 10 March 2005 £
Loss for the financial period		**(166,684)**	(104,794)
Unrealised surplus / (deficit) on revaluation of investment properties in the period	12	**4,723,000**	(1,511,850)
Total recognised gains and losses for the period		**4,556,316**	(1,616,644)

The notes on pages 8 to 14 form part of these financial statements.

TLLC Cmsubpropco11 Limited

Balance sheet at 31 March 2006

	Note	31 March 2006 £	31 March 2006 £	10 March 2005 £	10 March 2005 £
Fixed assets					
Investment properties	8		**26,213,000**		21,490,000
Debtors					
Deferred tax asset	7	**25,121**		-	
Creditors: amounts falling due within one year	9	**(463,329)**		(728,421)	
Net current liabilities			**(438,208)**		(728,421)
Total assets less current liabilities			**25,774,792**		20,761,579
Creditors: amounts falling due after more than one year	10		**(21,345,119)**		(20,847,672)
Provision for liabilities	7		**-**		(40,550)
Net assets / (liabilities)			**4,429,673**		(126,643)
Capital and reserves					
Called up share capital	11		**1,490,001**		1,490,001
Profit and loss account	12		**(271,478)**		(104,794)
Revaluation reserve	12		**3,211,150**		(1,511,850)
Shareholders' funds / (deficit)	13		**4,429,673**		(126,643)

The financial statements were approved by the Board and authorised for issue on 28 November 2006.

S L Gumm
Director

The notes on pages 8 to 14 form part of these financial statements.

1 Accounting policies

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 following significant accounting policies have been applied consistently for all or part of the period:

Turnover

Turnover represents rents receivable during the period from the leasing and 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 written off as incurred.

In accordance with SSAP 19 (as amended), no depreciation or amortisation is provided in respect of freehold and long leasehold investment properties. This treatment is a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, the company'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 company has entered into a binding sale agreement and is unable to utilise existing capital losses within the group of which it is a member; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of any underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activities undertaken by the company during the period and arose solely within the United Kingdom.

Analysis by class of business:	**Period ended 31 March 2006 £**	Period ended 10 March 2005 £
Rent from letting of commercial properties	**-**	141,643
Rent receivable from leasing of investment properties	**1,450,326**	555,317
	1,450,326	696,960

3 Employees

The average number of employees, excluding directors, during the period was nil (2005: nil).

4 Directors

No director received any emoluments from the company during the period (2005: nil).

5 *Auditors' remuneration*

The auditors' remuneration is borne by a fellow group company.

6 Interest payable and similar charges

	Period ended 31 March 2006 £	Period ended 10 March 2005 £
Interest paid on loans from parent company (prior to 19 October 2004)	-	110,283
Interest payable on loans from parent company (since 19 October 2004)	**1,680,484**	650,923
	1,680,484	761,206

7 Taxation on loss on ordinary activities

	Period ended 31 March 2006 £	Period ended 10 March 2005 £
UK corporation tax		
Current tax on losses of the period	-	-
Deferred tax		
Origination and reversal of timing differences	**65,671**	(40,550)
	65,671	(40,550)

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

	Period ended 31 March 2006 £	Period ended 10 March 2005 £
Loss on ordinary activities before tax	**(232,355)**	(64,244)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	**(69,707)**	(19,273)
Effects of:		
Hotel building allowances	**(135,833)**	(60,701)
Non-trade financial losses brought forward and utilised	**(78,051)**	-
Other amounts available for group relief	-	6,448
Group relief surrendered	**58,240**	53,375
Losses available to carry forward	**225,351**	20,151
Current tax charge for period	-	-

No provision for UK corporation tax has been made for the period due to the availability of hotel building allowances and losses.

The deferred tax asset / (liability) is made up as follows:	**31 March 2006 Provided £**	10 March 2005 Provided £
Hotel building allowances	**(200,230)**	(60,701)
Losses available to carry forward	**225,351**	20,151
	25,121	(40,550)

7 Taxation on profit from ordinary activities *(Continued)*

The unprovided deferred tax liability is as follows:	**31 March 2006 Unprovided £**	10 March 2005 Unprovided £
On the inherent capital gain arising on the carrying value of investment properties	**2,895,547**	1,593,967
Hotel building allowances	**695,257**	698,414

At present it is not envisaged that any tax will become payable in the foreseeable future, due to the availability of losses within the company and the group of which the company is a member.

8 Investment properties

	Freehold investment properties £	**Long Leasehold investment properties £**	**Total investment properties £**
At valuation			
At 11 March 2005	18,355,000	3,135,000	21,490,000
Surplus on revaluation	3,205,000	1,518,000	4,723,000
at 31 March 2006	**21,560,000**	**4,653,000**	**26,213,000**

At 31 March 2006, the investment properties were valued on an open market basis by Nick Leslau BSc MRICS, a chartered surveyor and director of the company and its parent companies, at £26,213,000 (2005: £21,490,000).

The historical cost of the company's properties is £23,001,850.

A charge over the company's assets, including the above properties, has been granted to the group's lenders as part of the security for bank borrowings provided to Prestbury Hotels Limited.

9 Creditors: amounts falling due within one year

	31 March 2006 £	10 March 2005 £
Accruals and deferred income	**343,207**	728,421
Other taxation and social security	**120,122**	-
	463,329	728,421

10 Creditors: amounts falling due after more than one year

	31 March 2006 £	10 March 2005 £
Amounts due to current group undertakings	**21,345,119**	20,847,672

The amounts due to group undertakings are unsecured, bear interest at 8% and have no fixed repayment date. The above amounts include interest accrued of £2,331,406 (2005: £650,922 included as an amount falling due within one year).

11 Share capital

	31 March 2006 Number	10 March 2005 Number	31 March 2006 £	10 March 2005 £
Authorised:				
Ordinary shares of £1 each	**1,490,100**	1,490,100	**1,490,100**	1,490,100
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**1,490,001**	1,490,001	**1,490,001**	1,490,001

12 Reserves

	Revaluation reserve £	Profit and loss account £
At 11 March 2005	**(1,511,850)**	**(104,794)**
Retained loss for the period	**-**	**(166,684)**
Unrealised surplus on revaluation of investment properties in the period	**4,723,000**	**-**
At 31 March 2006	**3,211,150**	**(271,478)**

13 Reconciliation of movement in shareholders' funds / (deficit)

	Period ended 31 March 2006 £	Period ended 10 March 2005 £
Loss for the period	**(166,684)**	(104,794)
Other recognised gains and losses:		
Revaluation surplus / (deficit)	**4,723,000**	(1,511,850)
	4,556,316	(1,616,644)
Share capital issued	**-**	1,490,001
Net additions / (deductions) to shareholders' funds / (deficit)	**4,556,316**	(126,643)
Opening shareholders' deficit	**(126,643)**	-
Closing shareholders' funds / (deficit)	**4,429,673**	(126,643)

14 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.

15 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 ultimate parent company.

16 Commitments and contingencies

The company, along with fellow group undertakings, has entered into an agreement with the bankers of Prestbury Hotels Limited, the intermediate parent company, to cross-guarantee the bank loans made to that company. At 31 March 2006 these bank loans amounted to £360,716,781 (2005: £344,577,977).

17 *Operating lease commitments*

Annual commitments under non- cancellable leases are as follows:

	Land and buildings	
	31 March 2006	10 March 2005
	£	£
Expiry date:		
Within one year	-	-
Between 2 and 5 years	-	-
After 5 years	-	100
	-	100

18 Controlling party information

On 14 March 2005, Prestbury Hotel Holdings Limited became the owner of 100% of the issued share capital of Prestbury Hotels Limited, an intermediate parent company. Prestbury Hotel Holdings Limited is a joint venture company and is not controlled by any one individual or entity.

At 31 March 2006, the company's immediate parent company was TLLC Cmpropco11 Limited and its ultimate parent company was Prestbury Hotel Holdings Limited. Both of these companies were 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.