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PRESTONFIELD HOUSE HOTEL LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

Company Registration Number SC034405

RSM Tenon Limited

Accountants and Business Advisers
160 Dundee Street
Edinburgh
EH11 1DQ

PRESTONFIELD HOUSE HOTEL LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31 MARCH 2011

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PRESTONFIELD HOUSE HOTEL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2011

The directors present their report and the financial statements of the company for the year ended 31 March 2011.

Principal activities and business review

The company's principal activity continued to be that of restaurateurs and hoteliers.

The business remained relatively stable during the year with turnover increasing slightly compared to the prior year while gross profit margins decreased marginally compared with the prior year. A combination of volcanic ash in April and May 2010 and the poor weather in December 2010 and January 2011 resulted in some lost trade. The results for the year were also impacted by business rates almost doubling in the year under review. The directors are satisfied with the results for the year and anticipate improved margins and profitability going forward.

The hotel continues to thrive on repeat custom and a high standing reputation. The list of accolades the hotel continues to receive provides further assurance of its strong position in the market and the directors believes the high quality of the service provided will help secure the company's market position.

Results and dividends

The loss for the year amounted to £187. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings. The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and
- minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

The company does not use hedge accounting.

As all the company's surplus funds are held in Sterling bank accounts and its borrowings are all obtained from standard bank loan accounts, there is no risk to price exposure.

Directors

The directors who served the company during the year were as follows:

J Thomson
C C L Stevenson

PRESTONFIELD HOUSE HOTEL LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2011

Directors' responsibilities

The directors are responsible for preparing the Directors' 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 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 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.

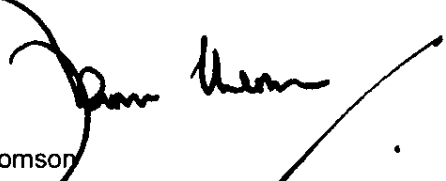
In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint RSM Tenon Audit Limited as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors



J Thomson
Director

Approved by the directors on 22/12/11

PRESTONFIELD HOUSE HOTEL LIMITED
INDEPENDENT AUDITOR'S REPORT TO PRESTONFIELD HOUSE
HOTEL LIMITED

UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages 4 to 14, together with the financial statements of Prestonfield House Hotel Limited for the year ended 31 March 2011 prepared under Section 396 of the Companies Act 2006.

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditor's 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 for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the abbreviated accounts in accordance with Section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

Fiona Martin, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited

RSM Tenon Audit Limited
Statutory Auditor
160 Dundee Street
Edinburgh
EH11 1DQ

Date:- 22/12/11.....

PRESTONFIELD HOUSE HOTEL LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
Turnover		4,413,631	4,187,332
Cost of Sales and Other operating income		(2,415,569)	(2,210,692)
Administrative expenses		(1,875,047)	(1,946,994)
Operating profit	2	<u>123,015</u>	<u>29,646</u>
Amounts written off investments		—	(80)
Interest payable and similar charges	5	(123,202)	(130,943)
Loss on ordinary activities before taxation		<u>(187)</u>	<u>(101,377)</u>
Tax on loss on ordinary activities	6	—	—
Loss for the financial year		<u>(187)</u>	<u>(101,377)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 6 to 14 form part of these abbreviated accounts.

PRESTONFIELD HOUSE HOTEL LIMITED

Registered Number SC034405

ABBREVIATED BALANCE SHEET

31 MARCH 2011

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	7	3,810,252	3,932,094
Current assets			
Stocks	8	217,891	183,919
Debtors	9	60,189	113,173
Cash in hand		4,448	2,669
		<u>282,528</u>	<u>299,761</u>
Creditors: Amounts falling due within one year	10	<u>(1,386,371)</u>	<u>(1,231,303)</u>
Net current liabilities		(1,103,843)	(931,542)
Total assets less current liabilities		<u>2,706,409</u>	<u>3,000,552</u>
Creditors: Amounts falling due after more than one year	11	(3,047,235)	(3,341,191)
		<u>(340,826)</u>	<u>(340,639)</u>
Capital and reserves			
Called-up share capital	16	1,150,000	1,150,000
Profit and loss account	17	(1,490,826)	(1,490,639)
Shareholders' deficit	18	<u>(340,826)</u>	<u>(340,639)</u>

These abbreviated accounts have been prepared in accordance with the special provisions for medium-sized companies under section 445(3) of the Companies Act 2006.

These abbreviated accounts were approved by the directors and authorised for issue on, and are signed on their behalf by:

J Thomson
Director

The notes on pages 6 to 14 form part of these abbreviated accounts.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of preparing financial statements: Going concern

During the year the company made a loss of £187 (2010: loss of £101,377) and at the balance sheet date, it had net liabilities of £340,826 (2010: £340,639).

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The company meets its day to day working capital requirements through support from a related undertaking and the company's bankers. The company has a loan facility in place with its bank until June 2012. The directors have prepared financial projections for the company extending more than 12 months from the date of signing these financial statements which demonstrate that the company will be profitable and generate cash flows over the following twelve months. In addition, Castlegate Investments (Edinburgh) Limited, a related undertaking, has committed to provide sufficient funding to satisfy the company's financial obligations and liabilities by providing whatever support is required for at least one year from the date of signing these financial statements. If the company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to amend the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

In the opinion of the directors, the open market value of the company's freehold property is sufficiently in excess of the historic cost value at which it is presented in the financial statements such that the company would not have a deficit on shareholders' funds, were freehold property to be included at valuation.

On the basis of the above, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts receivable during the year for hotel, food and beverage sales, exclusive of Value Added Tax.

Fixed assets

Tangible fixed assets are stated at cost, being purchase price less depreciation.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

1. Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant & Machinery	- 15% straight line
Fixtures & Fittings	- 15% straight line
Motor Vehicles	- 25% straight line

No depreciation is provided on the company's heritable properties. It is the directors' belief that the residual value of these is at least equal to the book value. Having regard to this, it is considered that depreciation of any such property as required by Companies Act 2006 and standard accounting practice would not be material.

Heritable property is reviewed for impairment at the end of each year in accordance with the requirements of Financial Reporting Standard No. 11. An impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, being the higher of net realisable value and value in use. An asset is impaired to the extent that the carrying amount exceeds the recoverable amount.

Any impairment loss identified is recognised in the profit and loss account.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is capitalised in the balance sheet as a tangible fixed asset at its fair value and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

1. Accounting policies (continued)

Pension costs

The company operated a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs was the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid were shown as either accruals or prepayments in the balance sheet.

Deferred taxation

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 or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

A 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 difference can be deducted.

A deferred tax asset of £371,000 (2010: £397,000) has not been included in the financial statements as its immediate recoverability is not sufficiently certain at this stage.

Deferred tax is calculated on an undiscounted basis at the 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 enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

2. Operating profit

Operating profit is stated after charging:

	2011 £	2010 £
Depreciation of owned fixed assets	168,043	219,933
Depreciation of assets held under hire purchase agreements	13,015	10,062
Auditor's remuneration	4,190	3,600
Operating lease costs:		
-Equipment	<u>1,819</u>	<u>13,550</u>

3. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2011 No	2010 No
Number of production staff	<u>70</u>	<u>74</u>

The aggregate payroll costs of the above were:

	2011 £	2010 £
Wages and salaries	1,789,900	1,688,711
Social security costs	43,532	43,330
Other pension costs	652	652
	<u>1,834,084</u>	<u>1,732,693</u>

4. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2011 £	2010 £
Remuneration receivable	<u>100,000</u>	<u>100,000</u>

5. Interest payable and similar charges

	2011 £	2010 £
Interest payable on bank borrowing	118,316	119,512
Finance charges	4,886	4,186
Other interest	-	7,245
	<u>123,202</u>	<u>130,943</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

6. Taxation on ordinary activities

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21% (2010 - 21%).

	2011 £	2010 £
Loss on ordinary activities before taxation	(187)	(101,377)
Loss on ordinary activities by rate of tax	(39)	(21,289)
Effects of:		
Expenses not deductible for tax purposes	3,881	8,406
Depreciation in excess of capital allowances	5,551	14,647
Utilisation and movement on tax losses	(9,393)	(1,764)
Total current tax	-	-

7. Tangible fixed assets

	Heritable Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 April 2010	3,426,741	375,910	1,226,379	8,642	5,037,672
Additions	-	18,925	40,291	-	59,216
At 31 March 2011	<u>3,426,741</u>	<u>394,835</u>	<u>1,266,670</u>	<u>8,642</u>	<u>5,096,888</u>
Depreciation					
At 1 April 2010	-	242,028	854,908	8,642	1,105,578
Charge for the year	-	46,377	134,681	-	181,058
At 31 March 2011	<u>-</u>	<u>288,405</u>	<u>989,589</u>	<u>8,642</u>	<u>1,286,636</u>
Net book value					
At 31 March 2011	<u>3,426,741</u>	<u>106,430</u>	<u>277,081</u>	<u>-</u>	<u>3,810,252</u>
At 31 March 2010	<u>3,426,741</u>	<u>133,882</u>	<u>371,471</u>	<u>-</u>	<u>3,932,094</u>

Hire purchase agreements

Included within the net book value of £3,810,252 is £66,739 (2010 - £60,063) relating to assets held under hire purchase agreements. The depreciation charged to the abbreviated accounts in the year in respect of such assets amounted to £13,015 (2010 - £10,062).

8. Stocks

	2011 £	2010 £
Finished goods	<u>217,891</u>	<u>183,919</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

9. Debtors

	2011	2010
	£	£
Trade debtors	33,843	68,479
Other debtors	604	–
Director's current accounts (note 22)	–	4,140
Prepayments and accrued income	25,742	40,554
	<u>60,189</u>	<u>113,173</u>

10. Creditors: Amounts falling due within one year

	2011	2010
	£	£
Bank loan and overdraft (note 13)	495,922	338,973
Trade creditors	331,078	176,363
Amounts owed to immediate parent undertaking (note 16)	226,673	217,964
PAYE and social security	40,734	74,844
VAT	27,139	122,410
Hire purchase agreements (note 14)	22,161	19,657
Other creditors	177,458	214,426
Accruals and deferred income	65,206	66,666
	<u>1,386,371</u>	<u>1,231,303</u>

11. Creditors: Amounts falling due after more than one year

	2011	2010
	£	£
Bank loan (note 13)	3,027,158	3,311,560
Hire purchase agreements (note 14)	20,077	29,631
	<u>3,047,235</u>	<u>3,341,191</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

12. Borrowings

Creditors include finance capital which is due for repayment as follows:

	2011 £	2010 £
Amounts repayable:		
In one year or less or on demand	495,922	338,973
In more than one year but not more than two years	282,660	282,660
In more than two years but not more than five years	2,744,498	3,028,900
	<u>3,523,080</u>	<u>3,650,533</u>

The bank loan is secured by a standard security over Prestonfield House Hotel and grounds as well as a bond and floating charge over the assets and undertakings of the company.

At the year end there was an inter-company guarantee of £375,000 to The Royal Bank of Scotland plc between Prestonfield House Hotel Limited and Castlegate Investments (Edinburgh) Limited.

The bank loan was repayable by equal monthly instalments of £23,555 commencing on 16 August 2010. Interest is payable on the loan at a rate of 2.75% per annum over LIBOR. The loan is due for review in June 2012. However the directors do not see any reason why the funding would not be continued under substantially the same terms at this time.

At the year end the company was technically in breach of a financial covenant, in respect of the bank borrowings. The bank were aware of the position in advance of the year end and has indicated that they are willing to issue a formal waiver regarding the breach on receipt of the audited financial statements.

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2011 £	2010 £
Amounts payable within 1 year	22,161	19,657
Amounts payable between 1 and 2 years	20,077	29,631
	<u>42,238</u>	<u>49,288</u>

Balances due in respect of hire purchase are secured on the assets to which they relate.

14. Commitments under operating leases

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as set out below.

	Other 2011 £	Other 2010 £
Operating leases which expire:		
Within 1 year	-	<u>20,753</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

15. Related party transactions

Amounts owed to immediate parent undertaking (note 11) of £226,673 (2010: £217,964) represents amounts owed to Castlegate Investments (Edinburgh) Limited. The amounts are unsecured, interest free and have no fixed terms of repayment.

16. Share capital

Authorised share capital:

	2011	2010
	£	£
1,150,000 Ordinary shares of £1 each	<u>1,150,000</u>	<u>1,150,000</u>

Allotted, called up and fully paid:

	2011		2010	
	No	£	No	£
1,150,000 Ordinary shares of £1 each	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>

17. Profit and loss account

	2011	2010
	£	£
Balance brought forward	(1,490,639)	(1,389,262)
Loss for the financial year	(187)	(101,377)
Balance carried forward	<u>(1,490,826)</u>	<u>(1,490,639)</u>

18. Reconciliation of movements in shareholders' deficit

	2011	2010
	£	£
Loss for the financial year	(187)	(101,377)
Opening shareholders' deficit	<u>(340,639)</u>	<u>(239,262)</u>
Closing shareholders' deficit	<u>(340,826)</u>	<u>(340,639)</u>

19. Ultimate parent undertaking

The company's immediate parent undertaking is Castlegate Investments (Edinburgh) Limited, which is registered in Scotland.

The company's ultimate parent undertaking is Pacific Shelf 636 Limited, which is also registered in Scotland.

20. Ultimate controlling party

In the directors' opinion, the company's ultimate controlling party is J Thomson by virtue of his shareholding in the company's ultimate parent undertaking.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2011

21. Transactions with directors

Included within debtors (note 10) is an amount due from J Thomson, a director of the company, of £nil (2010: £4,140). The maximum balance during the year was £4,716 (2010: £5,959). The loan was unsecured, interest free and there were no fixed terms of repayment.