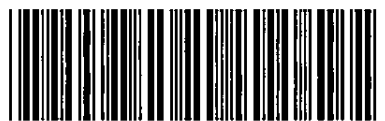


PRESTONFIELD HOUSE HOTEL LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012

Company Registration Number SC034405

RSM Tenon Limited
Accountants and Business Advisers
160 Dundee Street
Edinburgh
EH11 1DQ

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PRESTONFIELD HOUSE HOTEL LIMITED
ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

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PRESTONFIELD HOUSE HOTEL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2012

The directors present their report and the financial statements of the company for the year ended 31 March 2012.

Principal activities and business review

The company's principal activity during the year 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 remained static. The directors are pleased with the profit generated in the year in light of difficult trading conditions. The directors 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 believe the high quality of the service provided will help secure the company's market position. During the year the company retained its 5 AA Red Star Award.

Results and dividends

The profit for the year amounted to £76,093. 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 2012

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.

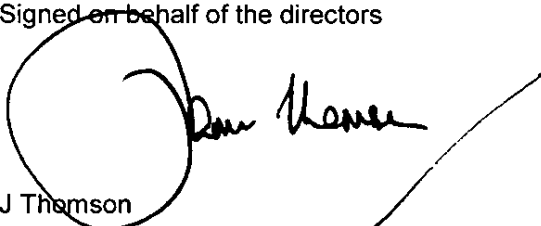
In so far as the directors are, individually, aware:

- 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 19 October 2012

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 15, together with the financial statements of Prestonfield House Hotel Limited for the year ended 31 March 2012 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

30/10/12

PRESTONFIELD HOUSE HOTEL LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
Turnover		4,515,057	4,413,631
Cost of Sales and Other operating income		(2,499,498)	(2,415,569)
Administrative expenses		(1,824,472)	(1,875,047)
Operating profit	2	<u>191,087</u>	<u>123,015</u>
Interest payable and similar charges	5	(114,994)	(123,202)
Profit/(loss) on ordinary activities before taxation		<u>76,093</u>	<u>(187)</u>
Tax on profit/(loss) on ordinary activities	6	—	—
Profit/(loss) for the financial year		<u><u>76,093</u></u>	<u><u>(187)</u></u>

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

The notes on pages 7 to 15 form part of these abbreviated accounts.

PRESTONFIELD HOUSE HOTEL LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2012

	2012 £	2011 £
Profit/(loss) for the financial year Attributable to the shareholders	76,093	(187)
Unrealised profit on revaluation Of tangible fixed assets:		
Art collection	<u>676,550</u>	<u>-</u>
Total gains and losses recognised since the last annual report	<u>752,643</u>	<u>(187)</u>

The notes on pages 7 to 15 form part of these abbreviated accounts.

PRESTONFIELD HOUSE HOTEL LIMITED

Registered Number SC034405

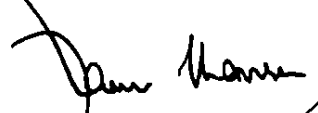
ABBREVIATED BALANCE SHEET

31 MARCH 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	7	4,416,595	3,810,252
Current assets			
Stocks	8	218,176	217,891
Debtors	9	59,284	60,189
Cash in hand		3,472	4,448
		<u>280,932</u>	<u>282,528</u>
Creditors: Amounts falling due within one year	10	<u>(1,539,586)</u>	<u>(1,386,371)</u>
Net current liabilities		(1,258,654)	(1,103,843)
Total assets less current liabilities		<u>3,157,941</u>	<u>2,706,409</u>
Creditors: Amounts falling due after more than one year	11	<u>(2,746,124)</u>	<u>(3,047,235)</u>
		<u>411,817</u>	<u>(340,826)</u>
Capital and reserves			
Called-up share capital	16	1,150,000	1,150,000
Revaluation reserve	17	676,550	-
Profit and loss account	18	(1,414,733)	(1,490,826)
Shareholders' funds/(deficit)	19	<u>411,817</u>	<u>(340,826)</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 19 October 2012, and are signed on their behalf by:


J Thomson
Director

The notes on pages 7 to 15 form part of these abbreviated accounts.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of preparing financial statements: Going concern

During the year the company made a profit of £76,093 (2011: loss of £187) and at the balance sheet date, it had net assets of £411,817 (2011: net liabilities of £340,826).

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 bank loan facility was reviewed in July 2012 and a new loan agreement has been entered into which will be reviewed in July 2017. 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.

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 or valuation less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Art collection

The company's collection of art is reported in the Balance Sheet at market value. Individual items in the collection are periodically revalued by an external valuer with any surplus or deficit on revaluation being reported in the Statement of Total Recognised Gains and Losses. The paintings are deemed to have indeterminate lives and a high residual value; hence the Director does not consider it appropriate to charge depreciation.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

1. Accounting policies (continued)

Depreciation

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

Plant & Equipment	- 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.

In accordance with FRS 30, Heritage Assets, no depreciation has been provided for in relation to the company's art collection.

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 2012

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 £325,000 (2011: £371,000) 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.

No provision has been made for deferred taxation on the revaluation surplus arising on artwork, as there is no intention to realise the surplus in the foreseeable future.

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.

2. Operating profit

Operating profit is stated after charging:

	2012	2011
	£	£
Depreciation of owned fixed assets	123,036	168,043
Depreciation of assets held under hire purchase agreements	14,745	13,015
Auditor's remuneration	7,050	4,190
Operating lease costs:		
-Equipment	<u>3,127</u>	<u>1,819</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

3. Particulars of employees

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

	2012	2011
	No	No
Number of production staff	<u>73</u>	<u>70</u>

The aggregate payroll costs of the above were:

	2012	2011
	£	£
Wages and salaries	1,798,763	1,789,900
Social security costs	44,698	43,532
Other pension costs	652	652
	<u>1,844,113</u>	<u>1,834,084</u>

4. Directors' remuneration

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

	2012	2011
	£	£
Remuneration receivable	<u>100,000</u>	<u>100,000</u>

5. Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank borrowing	109,684	118,316
Finance charges	5,310	4,886
	<u>114,994</u>	<u>123,202</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

6. Taxation on ordinary activities

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2011 - 21%).

	2012	2011
	£	£
Profit/(loss) on ordinary activities before taxation	<u>76,093</u>	<u>(187)</u>
Profit/(loss) on ordinary activities by rate of tax	15,219	(39)
Effects of:		
Expenses not deductible for tax purposes	3,895	3,881
Capital allowances in excess of depreciation	(2,524)	-
Utilisation of tax losses and other deductions	(16,590)	(9,393)
Depreciation in excess of capital allowances	<u>-</u>	<u>5,551</u>
Total current tax	<u>-</u>	<u>-</u>

7. Tangible fixed assets

	Heritable Property £	Plant & Equipment £	Fixtures & Fittings £	Motor Vehicles £	Art Collection £	Total £
Cost or valuation						
At 1 Apr 2011	3,426,741	394,835	1,266,670	8,642	-	5,096,888
Additions	-	39,176	28,398	-	-	67,574
Revaluation	-	-	-	-	676,150	676,150
Transfers	-	(400)	-	-	400	-
At 31 Mar 2012	<u>3,426,741</u>	<u>433,611</u>	<u>1,295,068</u>	<u>8,642</u>	<u>676,550</u>	<u>5,840,612</u>
Depreciation						
At 1 Apr 2011	-	288,405	989,589	8,642	-	1,286,636
Charge for the year	-	48,581	89,175	-	25	137,781
Revaluation adjustment	-	-	-	-	(400)	(400)
Transfers	-	(375)	-	-	375	-
At 31 Mar 2012	<u>-</u>	<u>336,611</u>	<u>1,078,764</u>	<u>8,642</u>	<u>-</u>	<u>1,424,017</u>
Net book value						
At 31 Mar 2012	<u>3,426,741</u>	<u>97,000</u>	<u>216,304</u>	<u>-</u>	<u>676,550</u>	<u>4,416,595</u>
At 31 Mar 2011	<u>3,426,741</u>	<u>106,430</u>	<u>277,081</u>	<u>-</u>	<u>-</u>	<u>3,810,252</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

7. Tangible fixed assets (continued)

An external valuation of the artwork was undertaken in September 2012 by Christies, art specialists, on the basis of current auction estimates. The directors believe that the value of £676,550 is a fair representation of the current market value at 31 March 2012.

No additions, disposals or revaluations have been undertaken in relation to the art collection during the company's previous four accounting periods.

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	2012 £	2011 £
Net book value at end of year	<u>-</u>	<u>25</u>
Historical cost	<u>400</u>	<u>400</u>
Depreciation:		
At 1 Apr 2011	<u>375</u>	<u>315</u>
At 31 Mar 2012	<u>375</u>	<u>315</u>
Net historical cost value:		
At 31 Mar 2012	<u>25</u>	<u>85</u>
At 1 Apr 2011	<u>25</u>	<u>85</u>

Hire purchase agreements

Included within the net book value of £4,416,595 is £67,348 (2011 - £66,739) 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 £14,745 (2011 - £13,015).

8. Stocks

	2012 £	2011 £
Finished goods	<u>218,176</u>	<u>217,891</u>

9. Debtors

	2012 £	2011 £
Trade debtors	34,819	33,843
Other debtors	204	604
Prepayments and accrued income	<u>24,261</u>	<u>25,742</u>
	<u>59,284</u>	<u>60,189</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

10. Creditors: Amounts falling due within one year

	2012	2011
	£	£
Bank loan and overdraft (note 12)	400,533	495,922
Trade creditors	323,311	331,078
Amounts owed to immediate parent undertaking (note 15)	383,232	226,673
PAYE and social security	37,245	40,734
VAT	55,656	27,139
Hire purchase agreements (note 13)	24,207	22,161
Other creditors	248,158	177,458
Accruals and deferred income	67,244	65,206
	<u>1,539,586</u>	<u>1,386,371</u>

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

	2012	2011
	£	£
Bank loan (note 12)	2,731,858	3,027,158
Hire purchase agreements (note 13)	14,266	20,077
	<u>2,746,124</u>	<u>3,047,235</u>

12. Borrowings

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

	2012	2011
	£	£
Amounts repayable:		
In one year or less or on demand	400,533	495,922
In more than one year but not more than two years	282,661	282,660
In more than two years but not more than five years	2,449,197	2,744,498
	<u>3,132,391</u>	<u>3,523,080</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 £25,075 commencing on 16 August 2010. Interest is payable on the loan at a rate of 3.25% per annum over LIBOR. The loan was reviewed in July 2012 and a new loan facility has been agreed. The loan will be reviewed again in July 2017.

The disclosure note above is reflective of the repayment terms with the new loan facility in place.

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2012	2011
	£	£
Amounts payable within 1 year	24,207	22,161
Amounts payable between 1 and 2 years	14,266	20,077
	<u>38,473</u>	<u>42,238</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 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	Other	Other
	2012	2011
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>9,396</u>	<u>-</u>

15. Related party transactions

Amounts owed to immediate parent undertaking (note 10) of £383,232 (2011: £226,673) represents amounts owed to Castlegate Investments (Edinburgh) Limited. During the year the company incurred a management charge from Castlegate Investments (Edinburgh) Limited of £42,600 (2011: £42,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

16. Share capital

Authorised share capital:

	2012	2011
	£	£
1,150,000 Ordinary shares of £1 each	<u>1,150,000</u>	<u>1,150,000</u>

Allotted, called up and fully paid:

	2012	2011
	No	No
	£	£
1,150,000 Ordinary shares of £1 each	<u>1,150,000</u>	<u>1,150,000</u>

17. Revaluation reserve

	2012	2011
	£	£
Revaluation of fixed assets	676,550	-
Balance carried forward	<u>676,550</u>	<u>-</u>

PRESTONFIELD HOUSE HOTEL LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 MARCH 2012

18. Profit and loss account

	2012 £	2011 £
Balance brought forward	(1,490,826)	(1,490,639)
Profit/(loss) for the financial year	76,093	(187)
Balance carried forward	<u>(1,414,733)</u>	<u>(1,490,826)</u>

19. Reconciliation of movements in shareholders' funds/(deficit)

	2012 £	2011 £
Profit/(loss) for the financial year	76,093	(187)
Other net recognised gains and losses	676,550	—
Net addition/(reduction) to shareholders' deficit	752,643	(187)
Opening shareholders' deficit	(340,826)	(340,639)
Closing shareholders' funds/(deficit)	<u>411,817</u>	<u>(340,826)</u>

20. 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.

21. 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.

22. Transactions with directors

J Thomson, a director of the company operated a current account during the year. The maximum balance during the year was £1,500 (2011: £4,716) but the balance at the beginning and end of the year was £nil.