

Company Registration No. SC256751 (Scotland)

SURGEONS LODGE LIMITED

TEN HILL PLACE HOTEL

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2007

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SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
COMPANY INFORMATION

Directors	J R C Foster D A Tolley B Davidson	(Appointed 2 November 2006)
Secretary	J R C Foster	
Company number	SC256751	
Registered office	The Royal College of Surgeons of Edinburgh Nicolson Street Edinburgh EH8 9DW	
Auditors	Geoghegan & Co 6 St Colme Street Edinburgh EH3 6AD	
Bankers	The Royal Bank of Scotland plc 30 Nicolson Street Edinburgh EH8 9DL	
Solicitors	Shepherd & Wedderburn WS Saltire Court 20 Castle Terrace Edinburgh EH1 2ET	

SURGEONS LODGE LIMITED

TEN HILL PLACE HOTEL

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SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and financial statements for the year ended 31 March 2007

Principal activities

The principal activity of the company continued to be that of the ownership and management of a hotel which opened to the public on 10 November 2006

Directors

The following directors have held office since 1 April 2006

J R C Foster

J R C Logie

(Resigned 21 November 2006)

D A Tolley

(Appointed 2 November 2006)

B Davidson

Under the terms of the Articles of Association, the directors are not subject to retirement by rotation

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 1985

Ordinary Share of £1 each
31 March 2007 1 April 2006

J R C Foster

D A Tolley

B Davidson

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Geoghegan & Co be reappointed as auditors of the company will be put to the Annual General Meeting

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

Directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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,
- 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 that 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 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



B Davidson

Director

7 September 2007

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SURGEONS LODGE LIMITED

We have audited the financial statements of Surgeons Lodge Limited for the year ended 31 March 2007 set out on pages 5 to 11. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

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 judgements 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.

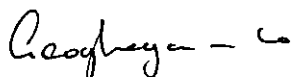
SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF SURGEONS LODGE LIMITED

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2007 and of its loss for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the directors' report is consistent with the financial statements



Geoghegan & Co

7 September 2007

Chartered Accountants

Registered Auditor

6 St Colme Street
Edinburgh
EH3 6AD

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

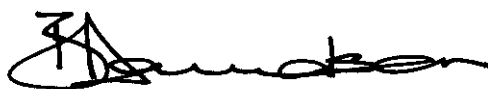
	Notes	2007 £	2006 £
Turnover		339,056	
Cost of sales		(424,318)	
Gross loss		(85,262)	
Distribution costs		(30,342)	
Administrative expenses		(248,790)	(1,052)
Operating loss	2	(364,394)	(1,052)
Other interest receivable and similar income	3	1,010	1,217
Interest payable and similar charges		(134,700)	
(Loss)/profit on ordinary activities before taxation		(498,084)	165
Tax on (loss)/profit on ordinary activities	4		
(Loss)/profit for the year	10	(498,084)	165

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
BALANCE SHEET
AS AT 31 MARCH 2007

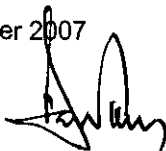
	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	5		9,700,326		4,447,503
Current assets					
Stocks		6,194			
Debtors	6	123,549		315,096	
Cash at bank and in hand		2,600		116,498	
		<u>132,343</u>		<u>431,594</u>	
Creditors. amounts falling due within one year	7	<u>(8,331,586)</u>		<u>(4,879,930)</u>	
Net current liabilities			<u>(8,199,243)</u>		<u>(4,448,336)</u>
Total assets less current liabilities			<u>1,501,083</u>		<u>(833)</u>
Capital and reserves					
Called up share capital	9		100		1
Share premium account	10		1,999,900		
Profit and loss account	10		<u>(498,917)</u>		<u>(834)</u>
Shareholders' funds			<u>1,501,083</u>		<u>(833)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Approved by the Board for issue on 7 September 2007



B Davidson
Director



D A Tolley
Director

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The accounts have been prepared on a going concern basis on the grounds that The Royal College of Surgeons of Edinburgh, the company's parent undertaking, has confirmed to the directors that it will continue to support the company. If the company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet value of assets to their recoverable amounts and to provide for further liabilities that might arise.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Nil
Plant and machinery	25% straight line
Computer equipment	25% straight line
Fixtures, fittings & equipment	20% straight line

No depreciation is provided in respect of freehold land.

No depreciation has been charged on Ten Hill Place, the Hotel operated by the company. The company follows a programme of regular refurbishment and maintenance of its property, which includes the reinstatement of the fabric of the buildings, where necessary, in order to maintain them to a high standard. The costs of refurbishment and maintenance are charged to the profit and loss account as incurred. The directors of the company review the value of the property annually and a provision is made for any impairment accordingly.

This policy is not in accordance with the Companies Act 1985. However, the directors of the company consider that any depreciation charge would not be material.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies **(continued)**

1.7 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

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 against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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 the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non discounted basis

2 Operating loss	2007	2006
	£	£
Operating loss is stated after charging		
Depreciation of tangible assets	39,057	
Auditors' remuneration	6,000	500
	<u> </u>	<u> </u>

3 Investment income	2007	2006
	£	£
Bank interest	1,010	1,217
	<u> </u>	<u> </u>

4 Taxation

On the basis of these financial statements no provision has been made for corporation tax

No deferred tax asset has been recognised in the accounts in respect of available trading losses carried forward due to the uncertainty as to the timescale for the utilisation of these losses

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

5 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 April 2006	4,433,266	14,237	4,447,503
Additions	4,867,044	424,836	5,291,880
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2007	9,300,310	439,073	9,739,383
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 April 2006			
Charge for the year		39,057	39,057
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2007		39,057	39,057
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 March 2007	9,300,310	400,016	9,700,326
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2006	4,433,266	14,237	4,447,503
	<u> </u>	<u> </u>	<u> </u>

The company has adopted a policy of capitalising finance costs to the extent that they are directly attributable to bringing the asset into use. The capitalisation of finance costs ceased on completion of Ten Hill Place, the company's hotel, and the total amount of finance costs capitalised during the year was £162,649 (2006 £57,193)

6 Debtors	2007	2006
	£	£
Trade debtors	103,507	
Other debtors	20,042	315,096
	<u> </u>	<u> </u>
	123,549	315,096
	<u> </u>	<u> </u>

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

7 Creditors, amounts falling due within one year	2007	2006
	£	£
Bank loans and overdrafts	5,535,019	1,966,264
Trade creditors	4,687	
Amounts owed to parent undertaking	2,687,815	2,503,395
Other creditors	104,064	410,271
	<u>8,331,585</u>	<u>4,879,930</u>

The bank loan facility of up to £6 million is secured by way of a bond and floating charge together with a standard security over all of the assets of the company. A standard security has also been granted in favour of The Royal Bank of Scotland plc over the land and buildings at 6 14 Hill Place, Edinburgh.

Interest is calculated on the facility on a daily basis at a rate equivalent to 2.25% per annum above the Bank's base rate.

In addition, a £3,000,000 cost overrun guarantee in respect of the construction of the hotel was provided by the company's ultimate parent undertaking, the Royal College of Surgeons of Edinburgh, to the Royal Bank of Scotland plc in respect of the liability of the company.

8 Pension costs

Defined contribution

	2007	2006
	£	£
Contributions payable by the company for the year	<u>8,049</u>	<u></u>

9 Share capital	2007	2006
	£	£
Authorised		
100 Ordinary Share of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 Ordinary Share of £1 each	<u>100</u>	<u>1</u>

On 5 July 2006 the company allotted 99 ordinary shares of £1 each at a premium of £20,000 per share to its parent undertaking, the Royal College of Surgeons of Edinburgh. The consideration for which the shares which were allotted was 99% of 6 14 Hill Square, Edinburgh (the remaining 1% of the property being applied to credit as fully paid up the subscriber share of £1 in the share capital of the company).

SURGEONS LODGE LIMITED
TEN HILL PLACE HOTEL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2007

10 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 April 2006		(833)
Loss for the year		(498,084)
Premium on shares issued during the year	1,999,900	
Balance at 31 March 2007	<u>1,999,900</u>	<u>(498,917)</u>

The shares in the company were issued at a premium of £20,000 per share giving a share premium account at 31 March 2007 of £1,999,900 (2006 £nil)

11 Control

In the opinion of the directors the ultimate controlling party is The Royal College of Surgeons of Edinburgh, by way of being the sole shareholder of the company

12 Related party transactions

During the year The Royal College of Surgeons of Edinburgh, the sole shareholder of the company, provided additional funding for the company totalling £184,420 (2006 £1,469,530) Amounts due at 31 March 2007 were £2,687,815 (2006 £2,503,395) These amounts are disclosed in note 6 to the financial statements