

Cadogan Hotel Partners Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2008



Company Registration No. 4592891

Cadogan Hotel Partners Limited

COMPANY INFORMATION

DIRECTOR

G Ruff

SECRETARY

Clifford Chance Secretaries Limited

REGISTERED OFFICE

75 Sloane Street
London
SW1X 9SG

AUDITOR

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

Cadogan Hotel Partners Limited

DIRECTOR'S REPORT

The director presents his report together with the audited financial statements for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 7 and shows the loss for the year.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity is that of an owner of a hotel. The sole owned hotel is the Cadogan Hotel, located in the Knightsbridge area of London. In 2007, the hotel underwent a significant renovation of its guestrooms. The renovation lasted from February until August. The renovation resulted in significantly decreased financial results, as rooms were taken out of service. With the renovation complete and based upon the company's budget and recent trading results, the hotel has demonstrated operating and financial improvement and is projected to continue improvement in forthcoming periods.

KEY PERFORMANCE INDICATORS (KPI'S)

The following 2008 and 2009 KPI's are taken from the unaudited monthly manager's reports and are before depreciation, amortisation charges and interest on the intercompany loan. As a result the numbers presented are not wholly consistent with the profit and loss account, with the principal differences being the net operating income and debt service costs.

	2009 Reforecast	2008	2007	2006
Occupancy	76.0%	64.9%	61.2%	61.8%
ADR	£196.73	£203.69	£220.45	£197.55
RevPAR	£149.48	£132.13	£135.01	£122.04
Total Revenue	£4,727,992	£4,178,395	£3,603,160	£3,786,217
Gross Profit	£2,854,116	£2,427,637	£1,895,663	£2,152,418
Operating Income before depreciation & amortisation	£573,044	£261,545	£(163,981)	£248,131
Third Party Debt Service	£912,275	£809,275	£838,229	£671,627
Net Operating loss after debt service & before depreciation & amortisation	£(339,231)	£(547,730)	£(1,002,210)	£(423,496)

Subsequent to the hotel's renovation in 2007, the company has experienced progress during 2008 and 2009 as demonstrated by improvement in 2008 and reforecast 2009 operating performance compared to operating results achieved during 2007.

During 2008, the Hotel achieved an Occupancy figure of 64.9%, an increase of 6.0% when compared to the Occupancy achieved during 2007. It is important to note, during 2007, the Hotel underwent major renovations to upgrade the guestrooms and common areas. Subsequent to the renovation, the London market experienced a decline in corporate travel resulting from the world economic recession. As such, the Hotel experienced a decline in ADR that was in-line with comparables in the market. The ADR of £203.69 achieved by the Hotel in 2008 reflects a decline of 7.6%. Despite the decline in ADR, the Hotel maintained a relatively flat RevPAR of £132.13 primarily driven by the increase in Occupancy.

In more recent months, despite the impending economic downturn, the Hotel has experienced favourable results as evidenced by the operating results projected in the 2009 Reforecast. Occupancy figures during 2009 should realise an increase of 17.0% which will drive RevPAR growth by 13.1%.

Operating income in 2008 increased significantly over 2007, a result of the completion of the hotel renovation in 2007, and maintaining operating expenses at acceptable levels. From 2007 to 2008, operating income grew from (£163,981) to positive results of £261,545. The hotel is projected to have substantially more net operating income in 2009.

Cadogan Hotel Partners Limited

DIRECTOR'S REPORT

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies. Consequently, the directors have taken advantage of the exemption for medium companies not to provide non financial KPI's.

FIXED ASSETS

In the opinion of the director the current open market value of the company's interests in the leasehold property exceeds the book value by approximately £10.6 million. The company's liability to taxation if its leasehold interests were sold at that value would approximate £3.0 million.

FINANCIAL INSTRUMENTS

The main financial risks arising from the company's activities are interest rate risk and liquidity risk. These are monitored by the director and were not considered significant at the balance sheet date.

The company has mitigated its interest rate risk through the purchase of an interest rate cap, whose value rises as interest rates rise. Liquidity risk is managed through maintenance of a mixture of long term and short term debt finances and readily accessible bank deposit accounts to ensure sufficient funds for operations. The director regularly monitors market interest rates for debt and takes action in the best interests of the company where necessary.

GOING CONCERN

In February 2007, Cadogan Hotel Partners Limited (the "Company") closed on a £13,300,000 financing facility with Bear Stearns International Limited ("BSIL"). Use of proceeds included repayment of existing debt facilities, repayment of a vendor loan, and funding for planned renovations of approximately £1,100,000 and closing costs. The bank loan is secured by way of a mortgage on the leasehold property of the company, a fixed charge on the assets of the company and a fixed charge on the shares of the company. On 9 April 2009, the loan was extended to 31 March 2010. The entire principal balance is due upon maturity. At year end 2008, interest was payable at LIBOR plus 1.85%. LIBOR, as defined in the agreement, shall not be less than 4.00%. Subsequent to the extension in April 2009, the margin was set at 3.00%, with the margin portion of interest accruing until the maturity of the loan.

The Company is currently in compliance with the BSIL facility agreement.

The Company has received confirmation from Cadogan UK, L.P., that it does not intend to seek repayment of intercompany promissory notes which total £7,300,377 at 31 December 2008 and will continue to provide financial support for the Company, both for working capital, and additional funding in the event the bank loan cannot be renegotiated in March 2010 for a period of at least one year from the date of approval of these financial statements.

The director is confident that with current cash balances and the continued improvement in occupancy rates and operating income since the 2007 refurbishment that the Company will be able to meet its operating liabilities as and when they fall due for the foreseeable future. Should the Company not achieve the forecast increase in revenue and anticipated cash flows, the director would seek to raise additional funding from Cadogan UK, L.P.

With the improving hotel performance and the continued financial support from Cadogan UK, L.P., the director considers it appropriate to prepare the financial statements on a going concern basis.

DIRECTOR

The director of the company during the year was G Ruff.

DIRECTOR AND OFFICERS INSURANCE

The company maintains liability insurance for the director and officers of the company.

Cadogan Hotel Partners Limited

DIRECTOR'S REPORT

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

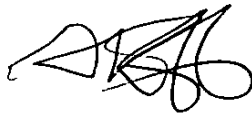
The director who was in office on the date of approval of these financial statements has confirmed that, as far as he is aware, there is no relevant audit information of which the auditor is unaware. The director has confirmed that he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

By order of the Board

G Ruff
Director



10, June 2009

Cadogan Hotel Partners Limited

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the requirements of the Companies Act 1985. He is 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 AUDITOR'S REPORT TO THE MEMBERS OF CADOGAN HOTEL PARTNERS LIMITED

We have audited the financial statements on pages 7 to 17.

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 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 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

The director's responsibilities for preparing the Annual Report and 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 Director's 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 Director's 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 director's remuneration and other transactions is not disclosed.

We read the Director's 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, except that the scope of our work was limited as explained below. 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 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. However, the evidence available to us to confirm the appropriateness of preparing the financial statements on the going concern basis was limited because the company did not provide sufficient evidence of the ultimate parent undertaking's ability to provide continued financial support, as referred to in the accounting policy note. As a result, and in the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis.

It is not possible to quantify the effect on the financial statements should the going concern basis not be appropriate. However, adjustments would be required to the financial statements to measure assets at their 'break-up' value. Additional provisions may be necessary in respect of any closure costs or losses to the date of termination.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADOGAN HOTEL PARTNERS LIMITED

Opinion: disclaimer on view given by the financial statements

Because of the possible effect of the limitation in evidence available to us regarding the ability of the ultimate parent to provide continued financial support, we are unable to form an opinion as to whether:

- 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 at 31 December 2008 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation of our work referred to above we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the Director's Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

12th June 2009

Cadogan Hotel Partners Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2008

	<i>Notes</i>	2008 £	2007 £
TURNOVER	1	4,178,347	3,603,160
Cost of sales		(1,750,589)	(1,707,497)
GROSS PROFIT		<u>2,427,758</u>	<u>1,895,663</u>
Administrative expenses		(3,243,564)	(3,350,305)
OPERATING LOSS	2	<u>(815,806)</u>	<u>(1,454,642)</u>
Interest payable	5	(1,705,502)	(1,446,144)
Loss on ordinary activities before and after taxation for the financial year	14	<u>(2,521,308)</u>	<u>(2,900,786)</u>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the loss for the year.

Cadogan Hotel Partners Limited

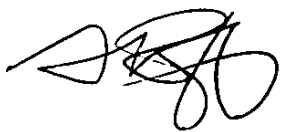
BALANCE SHEET

31 December 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Intangible assets	7	-	291,667
Tangible assets	8	9,383,021	10,164,688
		<u>9,383,021</u>	<u>10,456,355</u>
CURRENT ASSETS			
Stocks	9	35,395	22,949
Debtors - due within one year	10	447,102	573,794
Debtors - due after more than one year	10	457,500	457,500
		<u>904,602</u>	<u>1,031,294</u>
Total debtors			
Cash at bank and in hand		703,301	789,969
		<u>1,643,298</u>	<u>1,844,212</u>
CREDITORS: amounts falling due within one year	11	(21,329,472)	(7,294,502)
NET CURRENT LIABILITIES		<u>(19,686,174)</u>	<u>(5,450,290)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(10,303,153)</u>	<u>5,006,065</u>
CREDITORS: amounts falling due after more than one year	12	-	(12,787,910)
NET LIABILITIES		<u>(10,303,153)</u>	<u>(7,781,845)</u>
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Share premium account	14	3,956,362	3,956,362
Profit and loss account	14	(14,259,517)	(11,738,209)
SHAREHOLDERS' FUNDS	15	<u>(10,303,153)</u>	<u>(7,781,845)</u>

The financial statements were approved by the director and authorised for issue on 10, June 2009

G Ruff
Director



Cadogan Hotel Partners Limited

CASH FLOW STATEMENT

for the year ended 31 December 2008

	Notes	£	2008 £	£	2007 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	16		173,626		(27,678)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid		(998,337)		(1,422,641)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(998,337)		(1,422,641)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(93,577)		(1,126,946)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(93,577)		(1,126,946)
FINANCING					
Loan from parent undertaking		831,620		688,694	
Repayment of borrowings		-		(10,500,000)	
Increase in borrowings (net of finance costs)		-		12,787,910	
NET CASH INFLOW FROM FINANCING			831,620		2,976,604
(DECREASE)/INCREASE IN CASH	17		(86,668)		399,339

Cadogan Hotel Partners Limited

ACCOUNTING POLICIES

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

The following principal accounting policies have been applied.

GOING CONCERN.

In February 2007, Cadogan Hotel Partners Limited (the "Company") closed on a £13,300,000 financing facility with Bear Stearns International Limited ("BSIL"). Use of proceeds included repayment of existing debt facilities, repayment of a vendor loan, and funding for planned renovations of approximately £1,100,000 and closing costs. The bank loan is secured by way of a mortgage on the leasehold property of the company, a fixed charge on the assets of the company and a fixed charge on the shares of the company. On 9 April 2009, the loan was extended to 31 March 2010. The entire principal balance is due upon maturity. At year end 2008, interest was payable at LIBOR plus 1.85%. LIBOR, as defined in the agreement, shall not be less than 4.00%. Subsequent to the extension in April 2009, the margin was set at 3.00%, with the margin portion of interest accruing until the maturity of the loan.

The Company is currently in compliance with the BSIL facility agreement.

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The director is confident that with current cash balances and the continued improvement in occupancy rates and operating income since the 2007 refurbishment that the Company will be able to meet its operating liabilities as and when they fall due for the foreseeable future. Should the Company not achieve the forecast increase in revenue and anticipated cash flows, the director would seek to raise additional funding from Cadogan UK, L.P.

With the improving hotel performance and the continued financial support from Cadogan UK, L.P., the director considers it appropriate to prepare the financial statements on a going concern basis.

GOODWILL

Goodwill arising on an acquisition of a trade is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the director's estimate of its useful economic life of 5 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

TURNOVER

Turnover, which is stated net of value added tax, represents amounts receivable from the provision of goods and services which fall within the company's principal activity of hotel operations.

DEPRECIATION

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	-	Over the lease period
Short leasehold improvements	-	20 years
Machinery and equipment	-	10 years
Furniture, fixtures and fittings	-	5 years
Hotel equipment	-	1-2 years

Cadogan Hotel Partners Limited

ACCOUNTING POLICIES

IMPAIRMENT OF ASSETS

The carrying values of tangible and intangible fixed assets are reviewed for impairment at least annually and when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment required.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

FOREIGN CURRENCY

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on 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.

LEASED ASSETS

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

FINANCE COSTS

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred. Bank arrangement fees and associated legal costs incurred on the raising of debt are initially deferred against the debt and subsequently amortised over the term of the debt facility at a constant rate on the carrying amount.

Cadogan Hotel Partners Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1 TURNOVER

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

2	OPERATING LOSS	2008 £	2007 £
	This is arrived at after charging/(crediting):		
	Depreciation of tangible fixed assets	875,244	790,661
	Amortisation of goodwill	291,667	500,000
	Hire of plant and machinery - operating leases	8,433	13,500
	Hire of other assets - operating leases	500,000	457,000
	Audit services	26,000	37,500
	Non-audit services	4,200	4,000
	Exchange differences	(5,987)	(4,968)

3	EMPLOYEES	2008 £	2007 £
	Staff costs (including directors) consist of:		
	Wages and salaries	1,241,178	1,305,821
	Social security costs	105,175	103,604
		<u>1,346,353</u>	<u>1,409,425</u>

The average number of employees (including directors) during the year was 58 (2007: 66).

4 DIRECTOR'S REMUNERATION

No director received any emoluments during the current year (2007: £Nil).

5	INTEREST PAYABLE AND SIMILAR CHARGES	2008 £	2007 £
	Bank loans and overdrafts	998,337	766,592
	Debenture loan	-	11,540
	Immediate parent undertaking	550,965	607,915
	Amortisation of deferred finance cost	156,200	60,097
		<u>1,705,502</u>	<u>1,446,144</u>

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

6	TAXATION	2008 £	2007 £
	Current year tax:		
	UK corporation tax on profits of the year	-	-
	Factors affecting tax charge for year:		
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Loss on ordinary activities before tax	(2,521,308)	(2,900,786)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2007: 30%)	(705,966)	(870,236)
	Effects of:		
	Expenses not deductible for tax purposes	3,976	41,057
	Capital allowances in excess of depreciation	197,578	187,466
	Unrelieved tax losses carried forward	350,142	455,876
	Interest on intercompany loan disallowed	154,270	185,837
	Tax charge for year	-	-

The company has a deferred tax asset of approximately £2,912,047 (2007: £2,564,036) related mainly to trading losses available for offset against future trading profits. The deferred tax asset has not been recognised due to the uncertainty about its future recoverability.

7	INTANGIBLE ASSETS	Purchased goodwill £
	<i>Cost</i>	
	At 1 January 2008 and 31 December 2008	2,500,000
	<i>Amortisation</i>	
	At 1 January 2008	2,208,333
	Provided for the year	291,667
	At 31 December 2007	2,500,000
	<i>Net book value</i>	
	At 31 December 2008	-
	At 31 December 2007	291,667

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

8 TANGIBLE FIXED ASSETS

	Short Leasehold buildings £	Short leasehold improvements £	Machinery and equipment £	Furniture, fixtures and fittings £	Hotel equipment £	Total £
<i>Cost</i>						
At 1 January 2008	7,883,584	1,259,689	1,849,624	1,722,717	181,842	12,897,456
Additions	-	-	42,204	49,711	1,662	93,577
At 31 December 2008	7,883,584	1,259,689	1,891,828	1,772,428	183,504	12,991,033
<i>Depreciation</i>						
At 1 January 2008	995,834	238,791	783,727	532,574	181,842	2,732,768
Provided for the year	222,595	62,984	191,264	397,915	486	875,244
At 31 December 2008	1,218,429	301,775	974,991	930,489	182,328	3,608,012
<i>Net book value</i>						
At 31 December 2008	6,665,155	957,914	916,837	841,939	1,176	9,383,021
At 31 December 2007	6,887,750	1,020,898	1,065,897	1,190,143	-	10,164,688

9 STOCKS	2008 £	2007 £
Hotel supplies	35,395	22,949
10 DEBTORS	2008 £	2007 £
Amounts receivable within one year		
Trade debtors	227,538	279,251
Prepayments	219,564	203,829
Other debtors	-	90,714
	447,102	573,794
Amounts receivable after more than one year		
Other debtors	457,500	457,500
Total debtors	904,602	1,031,294

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

11	CREDITORS: amounts falling due within one year	2008 £	2007 £
	Bank loans (secured)	12,947,114	-
	Trade creditors	522,165	747,275
	Amounts due to immediate parent undertaking	7,300,377	5,917,794
	Taxation and social security	137,588	220,294
	Accruals	361,401	378,632
	Other creditors	63,827	30,507
		<u>21,329,472</u>	<u>7,294,502</u>
12	CREDITORS: amounts falling due after more than one year	2008 £	2007 £
	Bank loans net of finance costs (secured)	-	12,787,910
		<u>-</u>	<u>12,787,910</u>
	Maturity of debt:	Loans 2008 £	Loans 2007 £
	In one year or less, or on demand	12,947,114	-
	In more than one year but not more than two years	-	12,787,910
		<u>-</u>	<u>12,787,910</u>
<p>The bank loan is secured by way of a mortgage on the leasehold property of the company, a fixed charge on the assets of the company and a fixed charge on the shares of the company. On 9 April 2009, the loan was extended to 31 March 2010. The entire principal balance is due upon maturity. At year end 2008, interest was payable at LIBOR plus 1.85%. LIBOR, as defined in the agreement, shall not be less than 4.00%. Subsequent to the extension in April 2009, the margin was set at 3.00%, with the margin portion of interest accruing until the maturity of the loan.</p>			
13	SHARE CAPITAL	2008 £	2007 £
	<i>Authorised</i>		
	100 ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
		2008 £	2007 £
	<i>Allotted, called up and fully paid</i>		
	2 ordinary shares of £1 each	2	2
		<u>2</u>	<u>2</u>

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

14	RESERVES	Share premium account £	Profit and loss account £
	At 1 January 2008	3,956,362	(11,738,209)
	Loss for the year	-	(2,521,308)
	At 31 December 2008	3,956,362	(14,259,517)
15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2008 £	2007 £
	Loss for the financial year	(2,521,308)	(2,900,786)
	Opening shareholders' funds	(7,781,845)	(4,881,059)
	Closing shareholders' funds	(10,303,153)	(7,781,845)
16	RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2008 £	2007 £
	Operating loss	(815,806)	(1,454,642)
	Amortisation of intangible fixed assets	291,667	500,000
	Depreciation of tangible fixed assets	875,244	790,661
	(Increase)/decrease in stocks	(12,446)	6,181
	Decrease/(increase) in debtors	126,692	(98,184)
	(Decrease)/increase in creditors	(291,725)	228,306
	Net cash inflow/(outflow) from operating activities	173,626	(27,678)
17	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2008 £	2007 £
	(Decrease)/increase in cash	(86,668)	399,339
	Cash outflow from changes in debt	(831,620)	(2,626,499)
	Movement in net debt resulting from cash flows	(918,288)	(2,227,160)
	Interest accrued	(710,167)	(350,115)
	Movement in net debt	(1,628,455)	(2,577,275)
	Opening net debt	(17,915,735)	(15,338,460)
	Closing net debt	(19,544,190)	(17,915,735)

Cadogan Hotel Partners Limited
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18	ANALYSIS OF NET DEBT	At 1 January 2008 £	Cash flow £	Other non- cash items £	At 31 December 2008 £
	Cash at bank and in hand	789,969	(86,668)	-	703,301
	Debt due within one year	(5,917,794)	(831,620)	(13,498,077)	(20,247,491)
	Debt due after one year	(12,787,910)	-	12,787,910	-
	Total	(17,915,735)	(918,288)	(710,167)	(19,544,190)

Non-cash charges comprise amortisation of issue costs, accrued interest and transfers between categories of loans.

19 COMMITMENTS UNDER OPERATING LEASES

The company had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £	2008 Other £	2007 Land and buildings £	2007 Other £
Operating leases which expire:				
Less than one year	-	1,156	-	3,444
In one to two years	-	-	-	1,156
In two to 5 years	-	4,680	-	4,680
After five years	500,000	-	500,000	-

20 RELATED PARTY DISCLOSURES

Related party transactions and balances

Cadogan UK, L.P., the company's immediate parent, have provided funding to the company in the form of promissory notes, with interest on these payable at rates of between 0% and 20%. The purpose of these loans has been to fund operating shortfalls at the hotel. During the year, interest of £550,965 (2007: £607,915) was charged to the profit and loss account and has been accrued in respect of these loans.

At 31 December 2008, an amount of £7,300,377 (2007: £5,917,794) was owed to Cadogan UK, L.P. and is included within creditors. The amount due is interest bearing and repayment of the loan will not be sought for a period of at least twelve months from the date of signing these financial statements.

Stein Management Company SL have provided management services to the hotel totalling £148,497 (2007: £113,499) under an arms length contract. At the year end they were owed £115,738 (2007: £114,240). Stein own 5.5% of the ultimate parent company.

21 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

In the opinion of the director the ultimate parent undertaking and controlling party is Cadogan Partners L.P., a Cayman Islands Exempted Limited Partnership, whose registered office is c/o Walkers SPV Limited, Walker House, Mary Street, PO Box 908GT, George Town, Grand Cayman, Cayman Islands. Financial statements can be obtained from Cadogan Partners, L.P., c/o Leading Hotel Fund Advisors Limited, 410 Park Avenue, New York, NY 10022, USA.