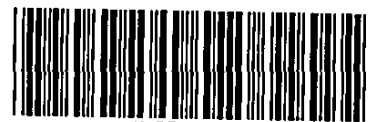


Cadogan Hotel Partners Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2007

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COMPANIES HOUSE

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 2007

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 6 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 is projected to demonstrate operating and financial improvement in forthcoming periods.

KEY PERFORMANCE INDICATORS (KPI'S)

The following 2008 KPI's are taken from the unaudited monthly managers 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.

	2008 Reforecast	TTM July 2008	2007	2006
Occupancy	67.5%	64.5%	61.2%	61.8%
ADR	£218.70	£214.93	£220.45	£197.55
RevPAR	£147.72	£138.70	£135.01	£122.04
Total Revenue	£4,635,258	£4,342,086	£3,603,160	£3,786,217
Gross Profit	2,842,951	2,548,647	1,895,663	2,152,418
Operating Income before depreciation & amortisation	£647,516	£419,591	£(163,981)	£248,131
Third Party Debt Service	1,013,901	994,462	838,229	671,627
Net Operating loss after debt service & before depreciation & amortisation	(366,385)	(574,871)	(1,002,210)	(423,496)

Subsequent to the hotel's renovation in 2007, the company has experienced progress during 2008 as demonstrated by improvement in trailing twelve month ("TTM") and reforecast 2008 operating performance compared to operating results achieved during 2007.

During 2007, the Hotel achieved an Occupancy figure of 61.2%, which was relatively flat when compared to the Occupancy achieved during 2006. It is important to note, during 2007, the Hotel underwent major renovations to upgrade the guestrooms and common areas. Typically, a renovation of this nature results in decreased occupancy. Despite the on-going construction which would have been deemed disruptive to patrons staying at the hotel, the hotel saw an increase in Average Daily Rate ("ADR") by 11.6%. This resulted in a RevPar (Revenue Per Available Room) increase of 10.3% from 2006 to 2007.

As evidenced by the operating results projected in the 2008 Reforecast, the trend is continuing during 2008. Occupancy figures during 2008 should realise an increase of 10.3% which has driven RevPar growth by 9.4%.

Net operating income in 2007 was down from 2006, a direct result of reduced revenue due to the hotel renovation. With improved operating performance, the hotel is projected to have substantially more net operating income in 2008.

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.

Cadogan Hotel Partners Limited

DIRECTOR'S REPORT

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 £16.9 million. The company's liability to taxation if its leasehold interests were sold at that value would approximate £5.0 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.

DIRECTOR

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

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

BDO Stoy Hayward resigned as auditors during the year and Baker Tilly UK Audit LLP were appointed in their place.

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

By order of the Board


G Ruff
Director

01 October 2008

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 them 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 6 to 16

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. 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2007 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements.

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

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the going concern section of the accounting policies to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £2,900,786 during the year ended 31 December 2007, and as at that date, the company's total liabilities exceeded its total assets by £7,781,845. These conditions along with the other matters explained in the going concern section of the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Baker Tilly UK Audit LLP

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

¹³October 2008

Cadogan Hotel Partners Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	<i>Notes</i>	2007 £	2006 £
TURNOVER	1	3,603,160	3,786,217
Cost of sales		(1,707,497)	(1,633,799)
GROSS PROFIT		1,895,663	2,152,418
Administrative expenses		(3,350,305)	(3,065,261)
		(1,454,642)	(912,843)
Other operating income		-	3,323
OPERATING LOSS	2	(1,454,642)	(909,520)
Interest payable	5	(1,446,144)	(1,104,533)
Loss on ordinary activities before and after taxation for the financial year	14	(2,900,786)	(2,014,053)

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 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Intangible assets	7	291,667	791,667
Tangible assets	8	10,164,688	9,828,403
		<u>10,456,355</u>	<u>10,620,070</u>
CURRENT ASSETS			
Stocks	9	22,949	29,130
Debtors - due within one year	10	573,794	475,610
Debtors - due after more than one year	10	457,500	457,500
		<u>1,031,294</u>	<u>933,110</u>
Total debtors		789,969	559,139
Cash at bank and in hand		<u>1,844,212</u>	<u>1,521,379</u>
CREDITORS amounts falling due within one year	11	<u>(7,294,502)</u>	<u>(14,060,214)</u>
NET CURRENT LIABILITIES		<u>(5,450,290)</u>	<u>(12,538,835)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,006,065	(1,918,765)
CREDITORS amounts falling due after more than one year	12	(12,787,910)	(2,962,294)
NET LIABILITIES		<u>(7,781,845)</u>	<u>(4,881,059)</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	(11,738,209)	(8,837,423)
SHAREHOLDERS' FUNDS	15	<u>(7,781,845)</u>	<u>(4,881,059)</u>

The financial statements were approved by the director and authorised for issue on 01 October 2008



G Ruff
Director

Cadogan Hotel Partners Limited

CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	£	2007 £	£	2006 £
NET CASH OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	16		(27,678)		314,755
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid other		(1,422,641)		(707,862)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(1,422,641)		(707,862)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(1,126,946)		(51,139)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(1,126,946)		(51,139)
FINANCING					
Loan from parent undertaking		688,694		247,757	
Repayment of borrowings		(10,500,000)		-	
Increase in borrowings (net of finance costs)		12,787,910		-	
NET CASH INFLOW FROM FINANCING			2,974,604		
INCREASE/(DECREASE) IN CASH	17		399,339		(196,489)

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

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

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 substantially 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

Cadogan Hotel Partners Limited

ACCOUNTING POLICIES

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.

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 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 promissory notes which total £5,917,794 at 31 December 2007 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 January 2009 for a period of at least one year from the date of approval of these financial statements.

Although trading has continued to be difficult the director is confident that with current cash balances and the continued improvement in occupancy rates since the 2007 refurbishment that the Company will be able to meet its 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 raise additional funding from the investors.

In addition, in the last several months, the Company has been approached by numerous parties interested in purchasing its hotel. The Company currently has four credible parties with which it has signed confidentiality agreements and which are currently in various stages of due diligence and negotiations. The prices discussed with these parties range from £24,800,000 to £27,000,000. Also, in association with its financing facility in February 2007, the bank received an appraisal with a valuation of £21,700,000.

With the improving hotel performance and the price levels discussed with interested third-party purchasers, the director considers it appropriate to prepare the financial statements on a going concern basis.

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

1 TURNOVER

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

2 OPERATING LOSS	2007	2006
	£	£
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	790,661	657,651
Amortisation of goodwill	500,000	500,000
Hire of plant and machinery - operating leases	13,500	28,433
Hire of other assets - operating leases	457,000	457,000
Audit services	20,000	16,500
Non-audit services	2,000	2,000
Exchange differences	(4,968)	(3,323)
	<u> </u>	<u> </u>

3 EMPLOYEES	2007	2006
	£	£
Staff costs (including directors) consist of		
Wages and salaries	1,210,781	1,071,173
Social security costs	103,604	97,866
	<u>1,314,385</u>	<u>1,169,039</u>

The average number of employees (including directors) during the year was 66 (2006 64)

4 DIRECTOR'S REMUNERATION

No director received any emoluments during the current year (2006 £Nil)

5 INTEREST PAYABLE	2007	2006
	£	£
Bank loans and overdrafts	766,592	567,204
Debenture loan	11,540	104,423
Immediate parent undertaking	607,915	432,906
Amortisation of deferred finance cost	60,097	-
	<u>1,446,144</u>	<u>1,104,533</u>

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

6	TAXATION	2007 £	2006 £
	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	(2,900,786)	(2,014,053)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 30%)	(870,236)	(604,216)
	Effects of		
	Expenses not deductible for tax purposes	41,057	204,459
	Capital allowances in excess of depreciation	187,466	95,591
	Unrelieved tax losses carried forward	455,876	304,166
	Interest on intercompany loan disallowed	185,837	-
	Tax charge for year	-	-

The company has a deferred tax asset of approximately £2,564,036 (2006 £2,050,000) 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 2007 and 31 December 2007	2,500,000
	<i>Amortisation</i>	
	At 1 January 2007	1,708,333
	Provided for the year	500,000
	At 31 December 2007	2,208,333
	<i>Net book value</i>	
	At 31 December 2007	291,667
	At 31 December 2006	791,667

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

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 2007	7,883,584	1,259,689	1,815,689	984,355	180,552	12,123,869
Additions	-	-	33,935	1,091,721	1,290	1,126,946
Disposals	-	-	-	(353,359)	-	(353,359)
At 31 December 2007	7,883,584	1,259,689	1,849,624	1,722,717	181,842	12,897,456
<i>Depreciation</i>						
At 1 January 2007	773,239	175,807	597,886	570,824	177,710	2,295,466
Provided for the year	222,595	62,984	185,841	315,109	4,132	790,661
Disposals	-	-	-	(353,359)	-	(353,359)
At 31 December 2007	995,834	238,791	783,727	532,574	181,842	2,732,768
<i>Net book value</i>						
At 31 December 2007	6,887,750	1,020,898	1,065,897	1,190,143	-	10,164,688
At 31 December 2006	7,110,345	1,083,882	1,217,803	413,531	2,842	9,828,403

9 STOCKS	2007 £	2006 £
Hotel supplies	22,949	29,130
10 DEBTORS	2007 £	2006 £
Amounts receivable within one year		
Trade debtors	279,251	306,054
Prepayments	203,829	169,106
Other debtors	90,714	450
	573,794	475,610
Amounts receivable after more than one year		
Other debtors	457,500	457,500
Total debtors	1,031,294	933,110

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

11	CREDITORS amounts falling due within one year	2007 £	2006 £
	Bank loans and overdrafts (secured)	-	9,168,509
	Trade creditors	747,275	505,903
	Amounts due to immediate parent undertaking	5,917,794	3,766,806
	Taxation and social security	220,294	124,827
	Accruals	378,632	494,169
	Other creditors	30,507	-
		<u>7,294,502</u>	<u>14,060,214</u>
12	CREDITORS amounts falling due after more than one year	2007 £	2006 £
	Bank loans net of finance costs (secured)	12,787,910	-
	Debenture loan	-	1,500,000
	Amounts due to immediate parent undertaking	-	1,462,294
		<u>12,787,910</u>	<u>2,962,294</u>
	Maturity of debt	Loans and overdrafts 2007 £	Loans and overdrafts 2006 £
	In one year or less, or on demand	-	9,168,509
	In more than two years but not more than five years	12,787,910	2,962,294
		<u>12,787,910</u>	<u>2,962,294</u>

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. The bank loan is at LIBOR plus 1.85%. The bank loan is repayable 15 January 2009, with an extension provision extending maturity to 15 July 2009 if certain criteria are met, with the principal criteria being

- Adequate interest rate hedging arrangements are maintained
- The debt service cover is equal to or greater than 125%
- The loan to current value will not exceed 70% for the term

As part of the new bank loan the company has entered into a 6% interest rate cap purchased by the company on 9 February 2007 which expires on 15 January 2009 at a cost of £25,000. At 31 December 2007 the cap had a value of £23,000.

13	SHARE CAPITAL	2007 £	2006 £
	<i>Authorised</i>		
	100 ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
		2007 £	2006 £
	<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 2007

14	RESERVES	Share premium account £	Profit and loss account £
	At 1 January 2007	3,956,362	(8,837,423)
	Loss for the year	-	(2,900,786)
	At 31 December 2007	<u>3,956,362</u>	<u>(11,738,209)</u>
15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2007 £	2006 £
	Loss for the financial year	(2,900,786)	(2,014,053)
	Opening shareholders' funds	(4,881,059)	(2,867,006)
	Closing shareholders' funds	<u>(7,781,845)</u>	<u>(4,881,059)</u>
16	RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2007 £	2006 £
	Operating loss	(1,454,642)	(909,520)
	Amortisation of intangible fixed assets	500,000	500,000
	Depreciation of tangible fixed assets	790,661	657,651
	Decrease in stocks	6,181	2,323
	Increase in debtors	(98,184)	(137,505)
	Increase in creditors	228,306	201,806
	Net cash (outflow)/inflow from operating activities	<u>(27,678)</u>	<u>314,755</u>
17	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2007 £	2006 £
	Increase/(decrease) in cash	399,339	(196,489)
	Cash outflow from changes in debt	(2,626,499)	(247,757)
	Movement in net debt resulting from cash flows	(2,227,160)	(444,246)
	Interest accrued	(350,115)	(373,618)
	Movement in net debt	<u>(2,577,275)</u>	<u>(817,864)</u>
	Opening net debt	(15,338,460)	(14,520,596)
	Closing net debt	<u>(17,915,735)</u>	<u>(15,338,460)</u>

Cadogan Hotel Partners Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

18	ANALYSIS OF NET DEBT	At 1 January 2007 £	Cash flow £	Other non- cash items £	At 31 December 2007 £
	Cash at bank and in hand	559,139	230,830		789,969
	Bank overdrafts	(168,509)	168,509		-
			399,339		
	Debt due within one year	(12,766,796)	8,661,411	(1,182,409)	(5,917,794)
	Debt due after one year	(2,962,294)	(11,287,910)	1,462,294	(12,787,910)
	Total	<u>(15,338,460)</u>	<u>(2,577,275)</u>	<u>(2,577,275)</u>	<u>(17,915,735)</u>

19 COMMITMENTS UNDER OPERATING LEASES

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

	2007 Land and buildings £	2007 Other £	2006 Land and buildings £	2006 Other £
Operating leases which expire				
Less than one year	-	3,444	-	-
In one to two years	-	1,156	-	-
In two to 5 years	-	4,680	-	4,602
After five years	<u>500,000</u>	<u>-</u>	<u>457,500</u>	<u>-</u>

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 £607,915 (2006 £432,906) was charged to the profit and loss account and has been accrued in respect of these loans

At 31 December 2007, an amount of £5,917,794 (2006 £5,229,100) 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 £113,499 (2006 £113,848) under an arms length contract At the year end they were owed £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