ARTHUR
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London Forum Hotel Limited

Accounts 31 December 1993
together with directors' and auditors' reports

Registered number: 483582

ADIS42H6
A09 RECEIPT DATE:28/06/94

Directors' report

For the year ended 31 December 1993

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1993.

Principal activity and business review

The principal activity of the company is that of hotelier. The directors expect the company to continue trading satisfactorily.

Results and dividends

The company's profit after taxation for the year amounted to £1,748,000 (1992 - £24,732,000 loss). The loss in 1992 included a £24,780,000 exceptional write down related to diminution in the market value of the hotel property.

The directors propose that no dividend be paid in respect of the year (1992 - £nil).

Directors and their interests

The directors who served during the year are as follows:

W.W. Bartle
M.A Cairns (resigned 30 June 1993)
C. Mander

None of the directors had an interest in the company.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Directors responsibilities (continued)

The directors are 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 accounts 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.

Fixed assets

Information relating to changes in fixed assets is given in note 8 to the accounts.

Auditors

The directors of the company elect, under Section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually, the company's auditors Arthur Andersen, shall remain in office until the company or the auditors otherwise determine.

Devonshire House
Mayfair Place
London
W1X 5FH

By order of the Board,

W Bartle

W.W. Bartle

Director

15 June 1994

Auditors' report

London

To the Shareholders of London Forum Hotel Limited:

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors
As described on pages 1 and 2 the company's directors are responsible for the preparation of the accounts and it is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion, we draw attention to note 18 to the accounts which outline the consideration given by the directors to the net liability position of the company.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

15 June 1994

Profit and loss account

For the year ended 31 December 1993

	Notes	1993 £'000	1992 £'000
Turnover	2	18,550	17,955
Operating costs		(13,463)	(13,085)
Trading profit		5,087	4,870
Investment income	3	78	233
Interest payable and similar charges	4	(3,176)	(5,933)
Exceptional write down of property	5	-	(24,780)
Profit (loss) on ordinary activities before taxation	5	1,989	(25,610)
Tax on profit (loss) on ordinary activities	7	(241)	878
Retained profit (loss) for the year		1,748	(24,732)
Accumulated deficit, beginning of year		(26,244)	(1,512)
Accumulated deficit, end of year		(24,496)	(26,244)

The current year results have been derived wholly from continuing operations.

Statement of total recognised gains and losses

For the year ended 31 December 1993

	1993 £'000	1992 £'000
Profit (loss) for the financial year	1,748	(24,732)
Unrealised loss on revaluation	-	(10,000)
Total recognised gains and losses related to the year	1,748	(34,732)

The reported profit (loss) on ordinary activities after taxation is not materially different from the historical cost profit (loss).

The reconciliation of movements in shareholders' funds is included as note 14.

The accompanying notes are an integral part of these statements.

Balance sheet

31 December 1993

	Notes	1993 £'000	1992 £'000
Fixed assets			
Tangible assets	8	59,526	60,000
Current assets			
Stocks	9	181	220
Debtors	10	2,620	2,815
Cash at bank and in hand		582	147
		3,383	3,182
Creditors: Amounts falling due within one year	11	(2,360)	(2,196)
Net current assets		1,023	986
Total assets less current liabilities		60,549	60,986
Creditors: Amounts falling due after more than one year	12	(84,615)	(86,800)
Net liabilities		(24,066)	(25.814)
Capital and reserves			
Called up share capital	13	-	-
Share premium	14	430	430
Profit and loss account	14	(24,496)	(26,244)
Shareholders' funds	14	(24,066)	(25,814)

Signed on behalf of the Board

W.W. Bartle Director

W Bartle

15 June 1994

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1993

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings. The accounts have been prepared in accordance with applicable accounting standards.

b) Tangible fixed assets

Land and buildings are shown at original historical cost or subsequent valuation as set out in note 8. Other fixed assets are shown at cost.

Depreciation is not provided on freehold land and buildings. The directors believe that the company's plans for the periodic repair and refurbishment of the hotel ensure that its useful economic life and residual disposal value, based on prices prevailing at the time of acquisition or subsequent revaluation, are such that depreciation, as required by the Companies Act 1985 and accounting standards, would not be material.

Depreciation on other fixed assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

Plant and machinery	5 to 25 years
Fixtures, fittings and equipment	10 years

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation, which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities, has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the accounts of both the surrendering and recipient companies, being paid at up to one pound for every one pound of loss surrendered.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Pension costs

The company provides pensions to certain employees through the group pension scheme.

The expected cost of pensions in respect of the company's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pension benefits over the service lives of those employees in the company's scheme. Variations from the regular cost are spread over the remaining service lives of current scheme members.

Further information on pension costs is provided in note 16.

f) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover comprises the value of sales (excluding VAT) of services in the normal course of business.

h) Cash flow statement

Under the provisions of Financial Reporting Standard No.1, the company has not prepared a cash flow statement because its ultimate parent company, Saison Holdings B.V., incorporated in the European Community, has prepared consolidated accounts which include the accounts of the company for the period and which contain an appropriate cash flow statement.

2 Turnover

Turnover and profit on ordinary activities before taxation were all attributable to hotels and catering within the United Kingdom.

3 Investment income

	1993 £'000	1992 £'000
Interest receivable from parent company and other group undertakings	5	233
Other interest receivable	73	-
	78	233

Notes to accounts (continued)

4 Interest payable and similar charges

	1993 £'000	1992 £'000
Interest payable to parent company	3,169	5,933
Other interest payable	7	-
	3,176	5,933

5 Profit(Loss) on ordinary activities before taxation

	1993 £'000	1992 £'000
Profit (loss) on ordinary activities before taxation is stated after charging:		
i) Staff costs (note 6)	6,148	6,142
ii) Depreciation	840	822
iii) Exceptional property write down	-	24,780
iv) Auditors' remuneration		
- audit fees	18	13
- other services	28	50

6 Staff costs

Particulars of employees (including executive directors) are shown below:

	1993 £'000	1992 £'000
Employee costs during the year amounted to:		
Wages and salaries	5,599	5,600
Social security costs	433	434
Other pension costs	116	108
	6,148	6,142

The average weekly number of persons employed by the company during the year was 307 (1992 - 322).

Directors' remuneration:

The directors received no emoluments in respect of services to the company during the year (1992 - £nil).

Notes to accounts (continued)

7 Tax on profit (loss) on ordinary activities

The tax charge (credit) is based on the profit (loss) for the year and comprises:

	1993 £'000	1992 £'000
Corporation tax at 33% (1992 - 33%)	241	(878)

Had the company provided the full amount of potential deferred taxation, the deferred tax liability would have been as follows:

	1993 £'000	1992 £'000
Capital allowances	1,976	1,894
Other timing differences	9,582	9,500
	11,558	11,394

8 Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
Beginning of year	54,766	3,279	4,978	63,023
Additions	209	20	137	366
End of year	54,975	3,299	5,115	63,389
Depreciation				
Beginning of year	-	656	2,367	3,023
Charge for year	-	228	612	840
End of year	-	884	2,979	3,863
Net book value				
Beginning of year	54,766	2,623	2,611	60,000
End of year	54,975	2,415	2,136	59,526

At 31 December 1992 the tangible fixed assets were valued by the directors at £60,000,000 on an open market basis. The net book value of the freehold land and buildings was adjusted to reflect this revaluation

Notes to accounts (continued)

8 Tangible fixed assets (continued)

If the revalued assets were stated on a historical cost basis, the land and buildings would be stated at £96,309,000 (1992 £96,782,000).

9 Stocks

	1993 £'000	1992 £'000
Consumables	63	89
Finished goods and goods for resale	118	131
	181	220

The replacement cost of the stocks is not materially different from the historical cost set out above.

10 Debtors

Amounts falling due within one year:

	1993 £'000	1992 £'000
Trade debtors	1,331	1,236
Amounts owed by parent company and other group undertakings	1,125	1,287
Other debtors	29	23
Prepayments and accrued income	135	269
	2,620	2,815

11 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1993 £'000	1992 £'000
Trade creditors	611	637
Amounts owed to other group undertakings	133	107
Other creditors		
- VAT	674	661
- social security and PAYE	197	192
- other creditors	745	599
	2,360	2,196

Notes to accounts (continued)

12 Creditors: Amounts falling due after more than one year

	1993 £'000	1992 £'000
Amounts owed to parent company	84,615	86,800

13 Called-up share capital

	1993 £	1992 £
Authorised		
40,300 ordinary shares of £1 each	40,300	40,300
Allotted, called-up and fully-paid		
300 ordinary shares of £1 each	300	300

14 Reconciliation of movement in shareholders funds

	Share premium £'000	Profit and loss £'000	Total £'000
Beginning of year	430	(26,244)	(25,814)
Profit for the year	-	1,748	1,748
End of year	430	(24,496)	(24,066)

15 Guarantees and other financial commitments

Capital commitments

At the end of the year, capital commitments were:

	1993 £'000	1992 £'000
Authorised but not contracted for	-	400

There were no contingent liabilities or lease commitments at the end of the year.

16 Pension scheme

Inter-Continental Hotels Group Limited operates one defined benefit pension scheme covering employees in its UK companies. Of the employees of this company 55 are members of the scheme. The assets of the scheme are held in a separate trustee administered fund.

16 Pension scheme (continued)

The pension cost, for the purpose of accounting standard Statement of Standard Accounting Practice 24, has been assessed in accordance with the advice of the independent professional qualified actuary based on the results of an actuarial review of the scheme as at 1 April 1991. The actuarial method used for this review was the projected unit method. The principal assumptions used for the calculations were that future investment returns would average 9% a year and salaries would increase at the rate of 7% a year.

At the date of the actuarial review the market value of scheme's assets was taken as £5,684,500, and the actuarial value of these assets represented 97.5% of the accrued benefits allowing for expected future increases in salaries.

The company pays contributions to the scheme from time to time based on the results of regular actuarial valuations. Company contributions of £116,000 were paid in the year ended 31 December 1993 (1992 - £108,000). Contributions were equivalent to the pension cost.

17 Ultimate parent company

The company's ultimate UK parent company is IHC London (Holdings) Limited. The ultimate parent company is Saison Holdings B.V., incorporated in The Netherlands. The smallest and largest group in which the results of the company are consolidated is that headed by Saison Holdings B.V.

The consolidated accounts of Saison Holdings B.V. are filed in the Trade Register of the Chamber of Commerce in the Netherlands and are available for inspection there.

18 Continuing financial support

The liabilities of the company exceed its assets. Saison Holdings B.V. has confirmed that it will continue to provide financial support to the company. The directors have considered the financial position of the company and have concluded that the company is able to meet its liabilities as they fall due.