

London Portman Hotel Limited

Directors' report and financial statements

31 December 1996

Registered number 932874



London Portman Hotel Limited

Directors' report and financial statements

Contents

Page

Directors' report

1

Statement of directors' responsibilities

2

Auditors' report

3

Profit and loss account

4

Balance sheet

5

Notes

6-15

London Portman Hotel Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities and business review

The principal activity of the company is that of a hotelier.

Proposed dividend and transfer to reserves

The results for the year are set out on page 4. The directors propose a dividend of £1,614,000 (1995: £1,781,000).

Directors and directors' interests

The directors who held office during the year were as follows:

KE Ritter
KJ Kleiven
T Hellebust

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Creditor payment policy

It is the company's policy to negotiate terms with its suppliers in all sectors and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

By order of the board



T Hellebust
Director

22 Portman Square
London W1H 9FL

04 SEP 1997 1997

London Portman Hotel Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of London Portman Hotel Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 of the state of affairs of the company as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

4 September 1997

London Portman Hotel Limited

Profit and loss account for the year ended 31 December 1996

	<i>Note</i>	1996 £000	1995 £000
Turnover	<i>1</i>	13,309	12,088
Operating costs		(10,797)	(11,090)
Operating profit		2,512	998
Other interest receivable and similar income	<i>5</i>	80	174
Interest payable and similar charges	<i>6</i>	(277)	(441)
Profit on ordinary activities before taxation	<i>2-4</i>	2,315	731
Taxation	<i>7</i>	(1,661)	(1,138)
Profit/(loss) on ordinary activities after taxation		654	(407)
Dividend		(1,614)	(1,781)
Accumulated loss for the year	<i>16</i>	(960)	(2,188)

There are no gains or losses other than those recognised in the profit and loss account.

All the activities of the company are of a continuing nature.

Note of historical cost profits and losses for the year ended 31 December 1996


	1996 £000	1995 £000
Reported profit on ordinary activities before taxation	2,315	731
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,591	1,607
Historical cost profit on ordinary activities before taxation	3,906	2,338
Historical cost profit/(loss) for the year retained after taxation and dividends	631	(581)

London Portman Hotel Limited

Balance sheet at 31 December 1996

	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	8	65,126	67,535
Current assets			
Stocks		160	170
Debtors	9	3,398	3,774
Cash at bank and in hand		757	792
		<u>4,315</u>	<u>4,736</u>
Creditors: amounts falling due within one year	10	<u>(2,979)</u>	<u>(7,604)</u>
Net current assets/(liabilities)		<u>1,336</u>	<u>(2,868)</u>
Total assets less current liabilities		<u>66,462</u>	<u>64,667</u>
Creditors: amounts falling due after more than one year	11	(2,913)	-
Provisions for liabilities and charges	12	<u>(507)</u>	<u>(665)</u>
Net assets		<u><u>63,042</u></u>	<u><u>64,002</u></u>
Capital and reserves			
Called up share capital	13	640	640
Revaluation reserve	16	58,308	59,899
Profit and loss account	16	4,094	3,463
Equity shareholders' funds	16	<u><u>63,042</u></u>	<u><u>64,002</u></u>

These financial statements were approved by the board of directors on 04 SEP 1997 and were signed on its behalf by:



T Hellebust
Director

London Portman Hotel Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of long leasehold land and buildings.

The company is exempt from the requirements of FRS1 to prepare a cash flow statement because it is a wholly owned subsidiary of a parent undertaking which is established under the law of a member state of the European Community and the accounts of Scandinavian Airlines System are available to the public (see note 18).

Fixed assets and depreciation

Depreciation 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:

Long leasehold land and buildings	-	40 years
Plant and machinery	-	10 years
Furniture, fittings and equipment	-	3-7 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Operating leases

Rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

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

London Portman Hotel Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that a liability will crystallise in the foreseeable future.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services in the United Kingdom to customers during the year.

2 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting) the following:</i>		
Auditors' remuneration:		
- as auditors	20	18
- other services	25	22
Depreciation	3,189	3,119
Hire of plant and machinery - rentals payable under operating leases	23	42
Exchange gains	(22)	(41)
Rents receivable from property	(4)	(6)
Exceptional item - Legal fees	400	-
Exceptional item - Rate rebate	(764)	-
	<hr/>	<hr/>

During 1996, the company incurred legal fees which were awarded against the company under a court order and received a rates rebate following an appeal against the charging authority and which related to the years 1992 through 1995.

London Portman Hotel Limited

Notes *(continued)*

3 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments	<u>138</u>	<u>147</u>

The emoluments of the highest paid director and the chairman, excluding pension contributions, were £138,000 and £nil, respectively (1995: £147,000 and £nil, respectively).

4 Staff numbers and costs

The average number of persons employed by the company including directors during the year was 153 (1995: 150). The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	3,265	3,217
Social security costs	242	222
Pension costs	29	19
	<u>3,536</u>	<u>3,458</u>

London Portman Hotel Limited

Notes (continued)

5 Other interest receivable and similar income

	1996 £000	1995 £000
Foreign exchange gain	22	41
Fellow subsidiary interest receivable	2	-
Bank interest receivable	56	133
	<u>80</u>	<u>174</u>

6 Interest payable and similar charges

	1996 £000	1995 £000
Parent undertaking interest payable	150	-
Fellow subsidiary interest payable	127	441
	<u>277</u>	<u>441</u>

7 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	893	175
Underprovision/(overprovision) in prior years	154	(123)
Movement in deferred tax provision (note 12)	(158)	215
Payment for group relief	772	871
	<u>1,661</u>	<u>1,138</u>

London Portman Hotel Limited

Notes (continued)

8 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
At beginning of year	65,556	6,399	10,656	82,611
Additions	237	305	238	780
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	65,793	6,704	10,894	83,391
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	5,899	2,568	6,609	15,076
Charge for year	1,614	649	926	3,189
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,513	3,217	7,535	18,265
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 1996	58,280	3,487	3,359	65,126
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	59,657	3,831	4,047	67,535
	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings were valued at £65,000,000 on an open market basis by Messrs. Richard Ellis (Chartered Surveyor) as at 23 November 1988. Subsequent additions of £793,000 have been included at cost.

London Portman Hotel Limited

Notes (continued)

8 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	1996 £000	1995 £000
Freehold	57,635	59,012
Long leasehold	645	645
	<u>58,280</u>	<u>59,657</u>

Particulars relating to revalued assets are given below:

	1996 £000	1995 £000
<i>Land and buildings</i>		
At 1988 open market value	64,720	64,720
Aggregate depreciation thereon	(7,427)	(5,836)
	<u>57,293</u>	<u>58,884</u>
 Net book value		
	<u>57,293</u>	<u>58,884</u>
 Historical cost of revalued assets	1,093	1,093
Aggregate depreciation based on historical cost	(448)	(448)
	<u>645</u>	<u>645</u>
 Historical cost net book value		
	<u>645</u>	<u>645</u>

The gross book value of land and buildings includes £65,148,000 (1995: £64,911,000) of depreciable assets.

London Portman Hotel Limited

Notes (continued)

9 Debtors: amounts falling due within one year

	1996 £000	1995 £000
Trade debtors	1,137	1,255
Amounts owed by parent undertaking	1,948	2,227
Amounts owed by fellow subsidiary undertakings	20	52
Prepayments and accrued income	244	211
Other debtors	49	29
	<u>3,398</u>	<u>3,774</u>

10 Creditors: amounts falling due within one year

	1996 £000	1995 £000
Trade creditors	399	239
Amounts owed to parent undertaking	263	5,370
Amounts owed to fellow subsidiary undertakings	119	198
Corporation tax	862	82
Other taxes and social security	601	575
Other creditors	75	85
Accruals and deferred income	660	1,055
	<u>2,979</u>	<u>7,604</u>

11 Creditors: amounts falling due after more than one year

	1996 £000	1995 £000
Amounts owed to parent undertakings	<u>2,913</u>	<u>-</u>

The loan is owed to the immediate parent company and is repayable in December 1999. Interest is charged at LIBOR plus 9/16 per cent.

London Portman Hotel Limited

Notes (continued)

12 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	665
Movement in the provision	(158)
	<hr/>
At end of the year	507
	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1996		1995	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	507	-	665	-
On revaluation of land and buildings	-	19,200	-	20,500
	<hr/>	<hr/>	<hr/>	<hr/>
	507	19,200	665	20,500
	<hr/>	<hr/>	<hr/>	<hr/>

13 Called up share capital

	1996 £000	1995 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	640	640
	<hr/>	<hr/>

London Portman Hotel Limited

Notes (continued)

14 Pension scheme

The company has a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £29,000 (1995: £19,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

15 Commitments

(i) There were no capital commitments contracted at 31 December 1996 (1995: £nil).

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1996 £000	1995 £000
<i>Operating leases other than land and buildings which expire:</i>		
Within one year	-	42

16 Reconciliation of movements in shareholders' funds

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	1996 Shareholders' funds £000	1995 Shareholders' funds £000
At beginning of year	640	59,899	3,463	64,002	66,190
Retained loss for year	-	-	(960)	(960)	(2,188)
Transfer	-	(1,591)	1,591	-	-
At end of year	640	58,308	4,094	63,042	64,002

London Portman Hotel Limited

Notes (continued)

17 Related party transactions

As defined by Financial Reporting Standard 8 - 'Related Party Disclosures', the nature of the relationship and the value of transactions with related parties are summarised below:

	1996 £000
Management and marketing fees from SAS Hotels AS	466
Charges from SAS Hotels AS in respect of services provided to London Portman Hotel Limited	<u>60</u>

The amounts due to related parties at the balance sheet date are as follows:

	1996 £000
SAS Hotels AS	<u>(44)</u>

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's parent company is SAS Portman (Holdings) Limited which is registered in England and Wales. The ultimate parent company is Scandinavian Airlines System, a consortium representing Swedish, Danish and Norwegian interests, which is incorporated in Sweden.

The largest group in which the results of the company are consolidated is that headed by Scandinavian Airlines System. The smallest group in which they are consolidated is that headed by SAS Portman (Holdings) Limited, a company registered in England and Wales. The consolidated accounts of Scandinavian Airlines System are available to the public and may be obtained from Frosundaviks Alle 1, Solna, Sweden.