

Company Registration No. 932874

LONDON PORTMAN HOTEL LIMITED

Report and Financial Statements

31 December 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Note of historical cost profits and losses	4
Balance sheet	5
Notes to the accounts	6

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of a hotelier. The directors view the result for the year and the future prospects of the company as satisfactory.

PROPOSED DIVIDEND AND TRANSFER TO RESERVES

The results for the year are set out on page 4. The directors propose a dividend of £7,384,000 (1998 - £2,005,000).

DIRECTORS AND THEIR INTERESTS

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

KE Ritter	Resigned 10 August 1999
KJ Kleiven	Resigned 10 August 1999
J K Nielsen	Resigned 10 August 1999
Y.P Makar	Appointed 9 August 1999 (Resigned 10 August 1999)
B Sadr-Hashemi	Appointed 9 August 1999 (Resigned 10 August 1999)
J Rea	Appointed 19 August 1999
S Moatassem	Appointed 10 August 1999
M Cairns	Appointed 10 August 1999
J O'Shea	Appointed 10 August 1999

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

ACQUISITION

On the 10 August 1999 the entire issued share capital of the company was acquired by George Holdings (UK) Limited.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



~~Director~~

Director - MICHAEL CAIRNS

22 Portman Square
London W1H 9FL

30th August 2000

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 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.

AUDITORS' REPORT TO THE MEMBERS OF LONDON PORTMAN HOTEL LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

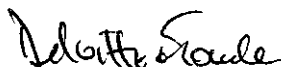
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3 TR

**Deloitte
& Touche
Tohmatsu**

6 September 2000

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

LONDON PORTMAN HOTEL LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
TURNOVER	1	14,442	16,251
Cost of sales		(4,392)	(4,714)
Gross profit		10,050	11,537
Administration and distribution expenses		(7,684)	(7,251)
OPERATING PROFIT		2,366	4,286
Other interest receivable and similar income	5	45	134
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,411	4,420
Taxation	6	(1,082)	(1,880)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,329	2,540
Dividend proposed on equity shares		(7,384)	(2,005)
RETAINED (LOSS)/PROFIT FOR THE YEAR	13	(6,055)	535

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
Year ended 31 December 1999

	1999 £'000	1998 £'000
Reported profit on ordinary activities before taxation	2,411	4,420
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,591	1,591
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4,002	6,011
Historical cost profit for the year retained after taxation and dividends	(4,464)	2,126

BALANCE SHEET

31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	7	56,890	59,310
CURRENT ASSETS			
Stocks		167	165
Debtors	8	1,301	10,541
Cash at bank and in hand		1,247	35
		<u>2,715</u>	<u>10,741</u>
CREDITORS: amounts falling due within one year	9	<u>(2,331)</u>	<u>(6,715)</u>
NET CURRENT ASSETS		<u>384</u>	<u>4,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>57,274</u>	<u>63,336</u>
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>-</u>	<u>(7)</u>
NET ASSETS		<u><u>57,274</u></u>	<u><u>63,329</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	640	640
Revaluation reserve	13	53,535	55,126
Profit and loss account	13	3,099	7,563
Equity shareholders' funds	13	<u><u>57,274</u></u>	<u><u>63,329</u></u>

These financial statements were approved by the Board of Directors on 30 August 2000

Signed on behalf of the Board of Directors



I. R. Cairns

Director - MICHAEL CAIRNS

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements are prepared under the historical cost convention.

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.

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.

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.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors remuneration:		
- as auditors	13	18
- other services	20	1
Depreciation	3,254	3,287
Hire of plant and machinery – rentals payable under operating leases	36	27
	<u>36</u>	<u>27</u>

3. REMUNERATION OF DIRECTORS

	1999 £'000	1998 £'000
Directors' emoluments	76	152
Directors' pension	24	4
	<u>24</u>	<u>4</u>

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the company including directors during the year was 210 (1998: 213). The aggregate payroll costs of these persons were as follows:

	1999 £'000	1998 £'000
Wages and salaries	3,514	3,887
Social security costs	262	267
Pension costs	37	42
	<u>3,813</u>	<u>4,196</u>

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £'000	1998 £'000
Foreign exchange gain	8	15
Bank interest receivable	37	119
	<u>45</u>	<u>134</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

6. TAXATION

	1999 £'000	1998 £'000
UK corporation tax at 31% (1998: 31%) on the profit for the year on ordinary activities	1,186	469
Overprovision in prior years	(97)	(6)
Movement in deferred tax provision (note 12)	(7)	(287)
Payment for group relief to former group companies	-	1,704
	<u>1,082</u>	<u>1,880</u>

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At beginning of year	65,907	6,895	11,335	84,137
Additions	864	-	150	1,014
Disposals	-	-	(212)	(212)
At 31 December 1999	<u>66,771</u>	<u>6,895</u>	<u>11,273</u>	<u>84,939</u>
Depreciation				
At beginning of year	10,751	4,582	9,494	24,827
Charge for the year	1,659	618	977	3,254
Disposals	-	-	(32)	(32)
At 31 December 1999	<u>12,410</u>	<u>5,200</u>	<u>10,439</u>	<u>28,049</u>
Net book value				
At 31 December 1999	<u>54,361</u>	<u>1,695</u>	<u>834</u>	<u>56,890</u>
At 31 December 1998	<u>55,156</u>	<u>2,313</u>	<u>1,841</u>	<u>59,310</u>

The land and buildings were valued at £64,720,000 on an open market basis by Messrs Richard Ellis (Chartered Surveyors) as at 23 November 1988. Subsequent additions of £2,051,000 have been included at cost.

The net book value of land and buildings comprises:

	1999 £'000	1998 £'000
Long leasehold	<u>54,361</u>	<u>55,156</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

7. TANGIBLE FIXED ASSETS (continued)

Particulars relating to revalued assets are given below:

	1999 £'000	1998 £'000
Land and buildings:		
At 1988 open market value	64,720	64,720
Aggregate depreciation thereon	(12,200)	(10,609)
Net book value	52,520	54,111
Historical cost of revalued assets	1,093	1,093
Aggregate depreciation based on historical cost	(448)	(448)
Historical cost net book value	645	645

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Trade debtors	1,095	899
Amounts owed by former parent undertaking	-	2,743
Amounts owed by former fellow subsidiary undertakings	-	6,701
Prepayments and accrued income	204	196
Other debtors	2	2
	1,301	10,541

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Trade creditors	845	445
Amounts owed to former parent undertaking	-	4,544
Amounts owed to fellow subsidiary undertakings	-	79
Corporation tax	646	469
Other taxes and social security	286	375
Other creditors	-	122
Accruals and deferred income	554	681
	2,331	6,715

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation 1999 £'000
At beginning of year	7
Movement in the provision	(7)
At end of the year	-

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

	1999		1998	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	(257)	7	-
On revaluation of land & buildings	-	18,924	-	17,400
	-	18,667	7	17,400

11. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	640	640

12. 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 £37,000 (1998: £42,000).

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

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	1999 Shareholders' funds £'000	1998 shareholders' funds £'000
At beginning of year	640	55,126	7,563	63,329	62,794
Retained (loss)/profit for year	-	-	(6,055)	(6,055)	535
Transfer	-	(1,591)	1,591	-	-
At end of year	640	53,535	3,099	57,274	63,329

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

14. RELATED PARTY TRANSACTIONS

The company meets the exemption requirements of paragraph 3(c) of FRS 8: Related Party Transactions, in that 90% or more of its voting rights are controlled within the George Investments Limited group of companies. The company has therefore not separately disclosed all transactions with other group companies and investees of the group qualifying as related parties.

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

On the 10 August 1999 the entire issued share capital of the company was acquired by George Holdings (UK) Limited for £65,933,000. As at 31 December 1999 the company's parent company is George Holdings (UK) Limited, Media House, 4 Stratford Place, London W1N 9AE, which is registered in England and Wales. The ultimate parent undertaking and controlling entity is George Investments Limited.

The parent company up until the acquisition was SAS Portman Holdings Limited, 22 Portman Square, London W1H 9FL.