

REPORT AND ACCOUNTS

Scott's Hotels Limited
(formerly S.H.L. Investments Limited)

30 April 1993



Registered Number: 1033592

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors of Scott's Hotels Limited (formerly S.H.L. Investments Limited) submit their report and accounts for the year ended 30th April, 1993.

RESULTS AND DIVIDENDS

The loss after taxation for the year was £3,207,049 (1992 - profit £1,074,628).

The directors do not recommend the payment of a dividend.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company is a wholly owned subsidiary of Scott's Hospitality Limited.

The principal activity of the company during the year was the ownership of fourteen hotels in the United Kingdom through a 47.91% share in Commonwealth Hotels International Co. and through a wholly owned subsidiary undertaking, Scott's (G.C.) Limited. In addition, the company has a 40% interest in a separate joint venture which owns a single hotel property in Wales. The company also operates a laundry facility for the hotels and third parties.

With effect from 1st July 1992, Holiday Inn U.K. and Scott's Hospitality Inc ("Scott's") terminated the franchise agreements of Scott's hotels in the United Kingdom.

Following the announcement on 22nd January, 1992 that Scott's had reached agreement with Marriott Corporation for a master franchise to operate Scott's hotels in the United Kingdom under Marriott brand names, the hotel properties owned by the company and its affiliates were rebranded as "Marriott" or "Courtyard by Marriott" hotels between March and September 1992.

The new arrangements with Marriott give Scott's the right to develop additional hotels in the United Kingdom under Marriott brand names for its own account and by franchising.

The difficult trading conditions experienced in 1991/92 continued throughout 1992/93 but the directors are optimistic that the major repositioning of the group under Marriott brand names together with the completion of a substantial investment programme of new hotels and renovations will yield future benefits for the company and its subsidiary undertakings.

Subsequent to year end, the company acquired the remaining 52.09% of Commonwealth Hotels International Co. in exchange for 22,275,000 of the company's shares.



SCOTT'S HOTELS LIMITED

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DIRECTORS' REPORT (continued)

FIXED ASSETS

The movements in fixed assets are set out in notes 8 and 9 to the accounts. The directors are of the opinion that there has been no permanent diminution in the carrying value of land and buildings shown in the accounts.

SHARE CAPITAL

The information relating to share capital changes is set out in note 15 to the accounts.

DIRECTORS AND THEIR INTERESTS

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

J. S. Lacey	(appointed 5th October, 1992)
J. B. Simpson	(removed 5th October, 1992)
F. Ternofsky	
J. Hubrecht	
C.N. Whittaker	

None of the directors had any beneficial interest in the share capital of the company, or any subsidiary or fellow subsidiary undertaking, at any time during the year.

F. Ternofsky resigned as a director of the company after the year end on 27th May, 1993.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the ultimate parent company purchased and maintained liability insurance for the directors and officers of group companies as permitted by section 310(3) of the Companies Act 1985.

Where existing employees become disabled, it is the group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

CHANGE OF NAME

On 3rd August 1993 the name of the company was changed from S.H.L. Investments Limited to Scott's Hotels Limited.

DISABLED EMPLOYEES

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person.

DIRECTORS' REPORT (continued)**EMPLOYEE INVOLVEMENT**

The group has a policy of providing employees with information about the group through a newsletter in which employees are also encouraged to present their suggestions and views on the group's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

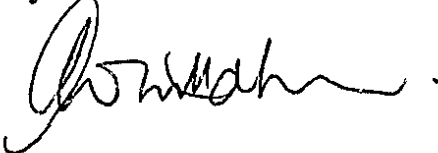
POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable donations were made during the year (1992 - £2,050).

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board



C.N. Whittaker
Secretary
2 February, 1994

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the statement of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 accounts comply with the Companies Act. 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.

REPORT OF THE AUDITORS

to the members of Scott's Hotels Limited

We have audited the accounts on pages 6 to 24 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9, 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

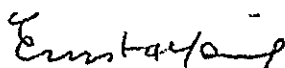
Basis of opinion

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 judgements 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 state of the company's affairs as at 30th April, 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Reading

2 February, 1994

PROFIT AND LOSS ACCOUNT
for the year ended 30th April, 1993

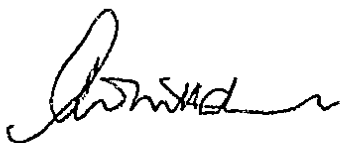
	Note	1993 £	1992 £
TURNOVER	2	1,469,230	4,521,615
Cost of sales		-	-
GROSS PROFIT		1,469,230	4,521,615
Administrative expenses		1,155,119	2,385,773
Share of (loss)/profit of subsidiary undertaking		(1,373,627)	2,190,388
Losses from investments in associated undertakings		(47,000)	(142,199)
OPERATING (LOSS) / PROFIT	3	(1,106,516)	4,184,031
Interest receivable and similar income	5	10,008	145,825
Interest payable and similar charges	6	4,412,191	3,625,311
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,508,699)	704,545
Tax credit on loss/profit on ordinary activities	7	2,301,650	370,083
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(3,207,049)	1,074,628
RETAINED PROFIT BROUGHT FORWARD		9,874,432	8,799,804
RETAINED PROFIT CARRIED FORWARD		6,667,383	9,874,432

The notes on pages 9 to 24 form part of these accounts

BALANCE SHEET
at 30th April, 1993

	Note	1993 £	1992 £
FIXED ASSETS			
Intangible assets	8	-	277,100
Tangible assets	9	5,510,341	5,732,200
Investments	10	84,245,463	69,195,090
		<u>89,755,804</u>	<u>75,204,390</u>
CURRENT ASSETS			
Stocks		164,133	144,631
Debtors	11	3,231,062	3,504,445
Cash at bank and in hand		626,513	1,637,534
		<u>4,021,708</u>	<u>5,286,610</u>
CREDITORS : amounts falling due within one year	12	583,087	116,552
Net current assets		<u>3,438,621</u>	<u>5,170,058</u>
Total assets less current liabilities		<u>93,194,425</u>	<u>80,374,448</u>
CREDITORS : amounts falling due after more than one year	13	46,385,000	39,500,000
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	529,307	1,587,281
		<u>46,280,118</u>	<u>39,287,167</u>
CAPITAL AND RESERVES			
Called up share capital	15	27,000,002	16,800,002
Revaluation reserve	16	12,612,733	12,612,733
Profit and loss account		6,667,383	9,874,432
		<u>46,280,118</u>	<u>39,287,167</u>

Approved by the Board on 2 February, 1994



Director

The notes on pages 9 to 24 form part of these accounts

CASH FLOW STATEMENT
for the year ended 30th April, 1993

	<i>Note</i>	<i>1993</i> £	<i>1992</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(c)	2,483,607	2,916,381
Returns from investments and servicing of finance			
Interest received		10,008	145,825
Interest paid		(5,679,152)	(5,220,011)
Net cash outflow from returns on investments and servicing of finance		(5,669,144)	(5,074,186)
Taxation			
Corporation tax paid		-	(785,666)
Investing Activities			
Payments to acquire tangible fixed assets		(41,207)	(77,200)
Receipts from sale of intangible assets		248,300	(248,300)
Receipts from transfer of tangible fixed assets		71,962	-
Increase in investment in subsidiary undertakings		(16,471,000)	(15,574,700)
Instalments received on note receivable		-	3,000,000
Receipt from subsidiaries for recharged capitalised interest		1,281,461	-
Net cash outflow from investing activities		(14,910,484)	(12,900,200)
NET CASH OUTFLOW BEFORE FINANCING		(18,096,021)	(15,843,671)
Financing Activities			
Proceeds from the issue of share capital		10,200,000	10,800,000
Loans received		6,885,000	8,536,000
Net cash inflow from financing activities		17,085,000	19,336,000
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,011,021)	3,492,329
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
Cash at bank and in hand, net of bank overdraft, beginning of year		1,637,534	(1,854,795)
Net cash (outflow) / inflow during the year		(1,011,021)	3,492,329
Cash at bank and in hand, net of bank overdraft, end of year		626,513	1,637,534

The notes on pages 9 to 24 form part of these accounts

NOTES TO THE ACCOUNTS
at 30th April, 1993**1 ACCOUNTING POLICIES***Accounting convention*

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain land and buildings. These revaluations are discussed further in note 16.

The accounts are prepared in accordance with applicable accounting standards.

Group accounts

Group accounts have not been prepared as the company is a wholly owned subsidiary of Scott's Hospitality Limited (a company registered in the United Kingdom). Therefore the company is exempted from the requirement to prepare and deliver group accounts by virtue of s228 of the Companies Act 1985.

The group accounts of Scott's Hospitality Limited include the results of the company and its subsidiary undertakings (as listed in note 10 to these accounts). In the group accounts the company's 47.91% interest in the partnership of Commonwealth Hotels International Co. ("CHIC") has been treated as a subsidiary undertaking. This is because the company's fellow partner in CHIC, Briotel Limited (a Canadian company and fellow subsidiary of the ultimate holding company, Scott's Hospitality Inc.), was an investment holding company with no employees and took no part in the day to day operations of CHIC during the year.

As group management exerted dominant influence over the operations of CHIC and managed the group on a unified basis, the directors consider it appropriate to treat CHIC as a subsidiary in the group accounts.

In this company's accounts, the investment in the CHIC partnership is recorded under the equity basis of accounting with the company's share of partnership profits and tax being recorded in the company's profit and loss account.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 30th April, 1993.

Capitalised interest

Interest costs on loans obtained to finance the acquisition of land and the building of hotels are capitalised and included in fixed assets as part of the cost of land and buildings. These costs are depreciated in accordance with the company's accounting policies for depreciation set out below.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

1 ACCOUNTING POLICIES (continued)

Intangible assets

(a) Hotel development costs

Costs incurred in connection with the development of new hotels are written off over five years from the opening of the hotel, except for those directly incurred in obtaining franchise licences which are written off over the period of the licence.

(b) Brand conversion costs

Costs incurred in connection with obtaining franchise licences are written off over the period of the licence.

Costs incurred to acquire fixed assets are included in tangible fixed assets and are depreciated in accordance with the company's accounting policies for depreciation set out below.

Other branding costs net of royalties waived during the first two years of the Marriott franchise agreement are included in intangible assets and are amortised over five years.

Once these costs have been written down to zero net book value, they are written out of the accounting records.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the original cost to the group, less estimated residual value, of each asset over its expected useful life as follows:

Land and buildings - over 55 years or the remainder of the term of the lease, if shorter, starting in the fifth year following the year of purchase or the date of opening of the hotel

Furniture and equipment - 5 to 11 years

Motor vehicles - 30% per annum

Furniture and equipment written down to zero net book value during the period are "retired" and written out of the accounting records.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

1 ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value and comprise linen, for resale to hotels and other customers using the laundry facilities, as well as catering and bar stocks.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences, except for those which are not expected to reverse in the future, at rates expected to be in force when the liability is likely to crystallise.

Leasing commitments

Rentals paid under all leases are charged to income as incurred.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the transaction date. All differences are taken to the profit and loss account.

Pensions

Contributions to the staff pension schemes are charged against profits by spreading the cost of benefits over the expected remaining working lives of the employees in the schemes. Contributions to the pension schemes are assessed in accordance with the advice of a qualified actuary based on actuarial valuations conducted every three years.

2 TURNOVER

Turnover represents the amounts derived from the provision of services which fall within the company's one class of business which is carried out in the United Kingdom, stated net of value added tax.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

2 TURNOVER (continued)

Turnover and pre-tax profit are analysed as follows:

	Turnover		Pre-tax profit	
	1993	1992	1993	1992
	£	£	£	£
Hotel management	-	3,057,620	(28,800)	1,727,652
Laundry facility	1,469,230	1,463,995	342,911	561,940
Loss on sale of current asset investment	-	-	-	(153,750)
Share of (loss)/profit from CHIC partnership	-	-	(1,373,627)	2,190,388
Share of loss of associated undertakings	-	-	(47,000)	(142,199)
Interest receivable	-	-	10,008	145,825
Interest payable	-	-	(4,412,191)	(3,625,311)
	<u>1,469,230</u>	<u>4,521,615</u>	<u>(5,508,699)</u>	<u>704,545</u>

3 OPERATING LOSS

	1993	1992
	£	£
(a) This is stated after charging :		
Directors' remuneration - see Note 3 b)	-	95,527
Auditors' remuneration		10,500
- audit	10,750	
- tax and other	4,755	
Depreciation	191,104	195,646
Amortisation of intangible assets	28,800	20,165
Operating lease rentals		
- plant and machinery	78,177	78,693
Loss on sale of current asset investment	-	153,750

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

3 OPERATING PROFIT (continued)

(b) Directors' remuneration:

The directors of the company are also directors of the U.K. parent company and / or some of the company's fellow subsidiary undertakings. The directors received total remuneration for the period of £310,088 which was paid by a fellow subsidiary undertaking and by its U.K. parent company. The directors do not believe it practicable to apportion this amount between their services as directors of the parent company and their services as directors of the company and of fellow subsidiary undertakings.

Full disclosure of these directors' remuneration is shown in the accounts of Scott's Hospitality Limited.

(c) Reconciliation of operating profit to net cash inflow from operating activities

	1993 £	1992 £
Operating (loss)/profit	(1,106,516)	4,184,031
Depreciation of tangible fixed assets	191,104	195,646
Amortisation of intangible assets	28,800	20,165
Loss on sale of current asset investment	-	153,750
Share of loss/(profit) from CHIC partnership	1,373,627	(2,190,388)
Share of loss of associated undertakings	47,000	142,199
Decrease in debtors	1,517,059	1,659,446
Increase/(decrease) in creditors	452,035	(1,213,957)
Increase in stocks	(19,502)	(34,511)
Net cash inflow from operating activities	<u>2,483,607</u>	<u>2,916,381</u>

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

4 STAFF COSTS

	1993 £	1992 £
Wages and salaries	415,510	1,108,349
Social security costs	26,210	86,747
Other pension costs	10,079	69,421
	<u>451,799</u>	<u>1,264,517</u>
	1993 No	1992 No
Average weekly number of employees:		
Office and management	-	49
Hotels and other	62	65
	<u>62</u>	<u>114</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1993 £	1992 £
Bank deposits	10,008	150,705
Associated undertakings	-	(8,000)
Other	-	3,120
	<u>10,008</u>	<u>145,825</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	1993 £	1992 £
Bank overdraft	113,495	40,133
Other loans wholly repayable within five years from fellow subsidiary undertakings	4,298,696	3,584,250
Other	-	928
	<u>4,412,191</u>	<u>3,625,311</u>

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

7 TAXATION

The tax credit for the year is made up as follows:

	1993 £	1992 £
Corporation tax:		
Current year at 33% (1992: 33%)	(788,662)	(153,316)
Previous years - overprovided	(455,014)	-
	<u>(1,243,676)</u>	<u>(153,316)</u>
Deferred tax:		
Current year	(1,105,491)	(568,764)
Previous years - underprovided	47,517	351,997
	<u>(2,301,650)</u>	<u>(370,083)</u>

8 INTANGIBLE FIXED ASSETS

	Hotel development costs £	Brand conversion costs £	Total £
Cost			
At 1st May, 1992	61,465	248,300	309,765
Transfers to associated undertaking	-	(248,300)	(248,300)
At 30th April, 1993	<u>61,465</u>	<u>-</u>	<u>61,465</u>
Amortisation			
At 1st May, 1992	32,665	-	32,665
Charge for the year	28,800	-	28,800
At 30th April, 1993	<u>61,465</u>	<u>-</u>	<u>61,465</u>
Net book value			
At 30th April, 1993	<u>-</u>	<u>-</u>	<u>-</u>
At 1st May, 1992	<u>28,800</u>	<u>248,300</u>	<u>277,100</u>

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

9 TANGIBLE FIXED ASSETS

	<i>Land and buildings £</i>	<i>Furniture, equipment and motor vehicles £</i>	<i>Total £</i>
Cost			
At 1st May, 1992	4,866,471	1,750,052	6,616,523
Additions	5,252	35,955	41,207
Transfers to group undertakings	-	(147,792)	(147,792)
At 30th April, 1993	4,871,723	1,638,215	6,509,938
Depreciation			
At 1st May, 1992	91,226	793,097	884,323
Charge for the year	15,489	175,615	191,104
Transfers to group undertakings	-	(75,830)	(75,830)
At 30th April, 1993	106,715	892,882	999,597
Net book value			
At 30th April, 1993	4,765,008	745,333	5,510,341
At 1st May, 1992	4,775,245	956,955	5,732,200

The net book value of land and buildings comprises:

	<i>1993 £</i>	<i>1992 £</i>
Freehold	4,765,008	4,775,245

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

10 INVESTMENTS

	<i>Investment in subsidiary undertakings</i> £	<i>Investment in associated undertakings</i> £	<i>Total</i> £
Cost			
At 1st May, 1992	68,867,702	800,040	69,667,742
Additions			
CHIC	13,526,373	-	13,526,373
Scott's (G.C.) Limited	1,571,000	-	1,571,000
At 30th April, 1993	83,965,075	800,040	84,765,115
Amounts written off			
At 1st May, 1992	-	472,652	472,652
During the year	-	47,000	47,000
At 30th April, 1993	-	519,652	519,652
Net book value			
At 30th April, 1993	83,965,075	280,388	84,245,463
At 1st May, 1992	68,867,702	327,388	69,195,090

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

10 INVESTMENTS (continued)

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital (or total capital account in the case of partnerships) are as follows:

<i>Name of company/ entity</i>	<i>Country of registration and operation</i>	<i>Holding and proportion held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>			
Commonwealth Hotels International Co. ("CHIC")	England	Partnership share 47.91%	Hotel ownership and operation
Scott's (G.C.) Limited	England	Ordinary shares 100%	Hotel ownership and operation
<i>Associated undertakings</i>			
Cymric Hotel Partnership	England and Wales	Partnership share 40%	Hotel ownership and operation
Cymric Hotel Company Limited	England and Wales	Ordinary shares 40%	General partner in Cymric Hotel Partnership

The principal business address of all the above entities is the same as that set out for Scott's Hospitality Limited in note 20 to these accounts.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

11 DEBTORS

	1993 £	1992 £
Trade debtors	45,427	58,700
Amounts due from associated undertakings	168,301	181,885
Amounts due from subsidiary undertakings	848,532	1,068,549
Amounts due from fellow subsidiaries	58,619	-
Amounts due from Scott's Hospitality Inc. (see note 20)	166,792	166,792
Amounts due from Scott's Hospitality Limited (see note 20)	-	828,730
Other debtors	70	177,268
Corporation tax	1,942,806	699,130
Prepayments and accrued income	515	323,391
	<u>3,231,062</u>	<u>3,504,445</u>

12 CREDITORS : amounts falling due
within one year

	1993 £	1992 £
Trade creditors	20,313	-
Amounts due to Scott's Hospitality Limited (see note 20)	479,904	-
Other taxes and social security costs	20,936	9,072
Other creditors	26,118	29,616
Accruals	35,816	77,864
	<u>583,087</u>	<u>116,552</u>

A bank overdraft facility is secured by means of a fixed and floating charge on land and buildings which comprises one hotel of one of the company's subsidiary undertakings.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

13 CREDITORS : amounts falling due after more than one year

	1993 £	1992 £
Loans, wholly repayable within five years, owed to a fellow subsidiary undertaking	46,385,000	39,500,000

The loans owed to a fellow subsidiary undertaking consist of fifteen different promissory notes which bear interest at varying rates. Seven of the promissory notes for £8,921,000 bear interest at the base rate plus 1.5% and are repayable on demand after 1st May, 1994. The remaining eight promissory notes bear interest at fixed rates between 12.74% and 14.77% and are repayable on different dates between 30th April, 1995 and 31st May, 1996.

14 DEFERRED TAXATION

The potential deferred taxation liability for which full provision has been made in these accounts is as follows:

	1993 £	1992 £
Capital allowances in advance of depreciation	3,902,373	2,868,438
Short term timing differences	(6,293)	(4,273)
Unutilised losses	(3,366,773)	(1,276,884)
	<u>529,307</u>	<u>1,587,281</u>

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

15 CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, issued and fully paid</i>	
	<i>1993</i>	<i>1992</i>	<i>1993</i>	<i>1992</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	30,000,100	18,000,100	27,000,002	16,800,002

During the year the authorised share capital was increased by £12,000,000.

During the year 10,200,000 ordinary shares of £1 each were allotted for cash consideration of £10,200,000. The shares were allotted to finance the termination of the Holiday Inn franchise agreements, the rebranding costs of the Marriott conversion programme and the capital expenditure programmes of subsidiary undertakings.

Since 30th April, 1993, the authorised share capital has been increased by a further £19,999,900 and a further 22,275,000 ordinary shares of £1 each were allotted to Scott's Hospitality Limited.

16 REVALUATION RESERVE

Hotel properties at Glasgow and Swindon were revalued on 1st August, 1988 prior to their transfer to CHIC. The Glasgow property was revalued on an open market basis by independent chartered surveyors. The Swindon property revaluation was performed by the directors.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

16 REVALUATION RESERVE (continued)

The historical cost of assets revalued and transferred into CHIC were as follows:

	£
Revaluation at 1st August, 1988	24,525,200
Net book value at 1st August, 1988	11,912,467
Revaluation reserve at 1st August, 1988, 1st May, 1992 and 30th April, 1993	<u>12,612,733</u>

The directors consider that the revaluation reserve is unrealised as it arose by revaluing assets which were then transferred into a group partnership in exchange for a share in that partnership. Any subsequent disposal of any part of their partnership share outside the group will realise an appropriate proportion of the reserve.

17 CAPITAL COMMITMENTS

There were no capital commitments in 1993 or 1992.

18 OTHER FINANCIAL COMMITMENTS

At 30th April, 1993, the company had annual commitments under non-cancellable operating leases as follows:

	Vehicles 1993 £	Vehicles 1992 £
Operating leases which expire:		
within one year	15,496	1,344
within two to five years	52,169	52,169
in over five years	-	-
	<u>67,665</u>	<u>53,513</u>

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

19 PENSION COMMITMENTS

The U.K. group of companies operates two defined benefit pension schemes for its staff and executives both of which are funded by the payment of contributions to separately administered funds. The contributions to these schemes are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent actuarial valuation was as at 6th April, 1990.

The valuation was undertaken using the new assumptions which have now been adopted by the group and the Trustees of the two schemes. The most significant assumptions were as follows:

	<i>Staff scheme</i>	<i>Executive scheme</i>
Rate of return on investment	9%	9%
Salary increase rate	7%	8%
Pension increase rate	3%	5%

The actuarial valuation at 6th April, 1990 showed that the market values of the schemes' assets were £2,233,162 for the staff scheme and £863,890 for the executive scheme. The actuarial values of the schemes' assets represented 112% for the staff scheme, and 88% for the executive scheme, of the benefits that had accrued to the members, after allowing for expected future increases in earnings. No provision is included in the accounts in respect of the deficiency due to the immateriality of the sum involved.

For the executive scheme the employers' contribution rates have been increased to remove the shortfall over the expected working lifetime of the current employees.

The pension charge for the year for the company was £10,079. This figure reflects the decrease in the number of employees during the year.

NOTES TO THE ACCOUNTS (continued)
at 30th April, 1993

20 PARENT COMPANIES

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Scott's Hospitality Inc., incorporated in Canada, and the parent undertaking of the smallest such group is Scott's Hospitality Limited, registered in England and Wales.

Copies of Scott's Hospitality Inc.'s accounts can be obtained from:

Scott's Hospitality Inc.
1, Dundas Street West
Suite 2300
P O Box 82
Toronto
Ontario
Canada

Copies of Scott's Hospitality Limited's accounts can be obtained from:

Scott's Hospitality Limited
Marriott Hotel - Heathrow/Slough
Executive Offices
Ditton Road
Slough
Berkshire
SL3 8PT