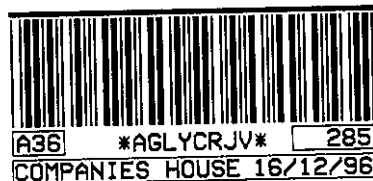


IHC London (Holdings) Limited

Accounts 31 December 1995
together with directors' and auditors' reports
Registered number: 2322031



Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1995.

Principal activity

The company's principal activity is that of a holding company.

Results and dividends

The company's loss after taxation for the year amounted to £3,625,000 (1994 - loss of £16,948,000).

The directors propose that no dividends be paid in respect of the year (1994 - £nil).

Fixed assets

Information relating to the movement in fixed assets is included as note 8 to the accounts.

Directors and their interests

W.W. Bartle	(resigned 16 June 1995)
R. Watanabe	(resigned 16 June 1995)
Y. Fukumoto	
G. Simonds	(resigned 13 September 1996)
H. Kato	(appointed 2 December 1996)

None of the directors had an interest in the shares of 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.

Auditors

The directors of the company elect, under Section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually and accordingly, 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,



Y. Fukumoto

Director

3 December 1996

Auditors' report

London

To the Shareholders of IHC London (Holdings) Limited:

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on page 6.

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. 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.

Without qualifying our opinion, we draw attention to note 15 which outlines the consideration given by the directors to the company having current liabilities in excess of assets falling due within one year.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

3 December 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Investment income	2	7,582	-
Interest payable and similar charges	3	(13,335)	(4,261)
Foreign exchange gain	4	12	338
Adjustment for the movement in net assets of subsidiary undertakings	8	(653)	(13,487)
Loss on ordinary activities before taxation	5	(6,394)	(17,410)
Tax credit on loss on ordinary activities	7	2,769	462
Retained loss for the year		(3,625)	(16,948)
Accumulated deficit, beginning of year		(22,703)	(5,755)
Accumulated deficit, end of year		(26,328)	(22,703)

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

Statement of total recognised gains and losses

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Loss for the financial year	(3,625)	(16,948)
Unrealised profit on revaluation of investments	4,658	4,400
Total gains and losses related to the year	1,033	(12,548)

The reported loss on ordinary activities before taxation is not materially different from the historical cost loss on ordinary activities before taxation.

The reconciliation of movements in shareholders' funds is included as note 13.


The accompanying notes are an integral part of these statements.

The company has no recognised gains or losses other than the loss for the year.

Balance sheet

31 December 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Investments	8	80,753	76,748
Current assets			
Debtors			
- amounts falling due within one year	9	381	1,064
- amounts falling due after more than one year	9	83,110	83,110
Cash at bank and in hand		14	223
		83,505	84,397
Creditors: Amounts falling due within one year	10	(1,399)	(67,709)
Net current assets (including debtors falling due after more than one year)		82,106	16,688
Total assets less current liabilities		162,859	93,436
Creditors: Amounts falling due after more than one year	11	(158,548)	(90,158)
Net assets		4,311	3,278
Capital and reserves			
Called-up share capital	12	16,175	16,175
Revaluation reserve	13	14,464	9,806
Profit and loss account	13	(26,328)	(22,703)
Shareholders' funds	13	4,311	3,278


Signed on behalf of the Board

Y. Fukumoto

Director

3 December 1996

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

Notes to accounts

31 December 1995

1 Accounting policies

A summary of the principal accounting policies 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 investments, and have been prepared in accordance with applicable accounting standards.

b) Investments

Fixed asset investments in subsidiary undertakings are valued at the company's share of its subsidiary undertakings' net asset value. Shortfalls from the original cost of investments are accounted for in the profit and loss account and excesses over original cost are accounted for through a revaluation reserve.

The company has taken advantage of s.228 of the Companies Act 1985 and elected not to prepare its own consolidated accounts.

c) Taxation

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

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. 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.

Deferred taxation, which arises from differences in the timing of the recognition of items, principally interest, in the accounts by the tax authorities, has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rate 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.

d) 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.

e) 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., which is incorporated within 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.

Notes to accounts (continued)

2 Investment income

	1995 £'000	1994 £'000
Interest on loans to subsidiary undertakings	7,378	-
Interest income from fellow group undertakings	204	-
	<u>7,582</u>	<u>-</u>

3 Interest payable and similar charges

	1995 £'000	1994 £'000
Interest on loans from subsidiary undertakings	8,177	4,261
Interest on loans from fellow group undertakings	5,158	-
	<u>13,335</u>	<u>4,261</u>

4 Foreign exchange gain

The foreign exchange gain has been incurred on long term intercompany loans. The total amount has been charged to the profit and loss account.

5 Loss on ordinary activities before taxation

Auditors' remuneration has been borne by a fellow group undertaking.

6 Staff costs

The company did not employ any persons during the year (1994 - £nil).

Directors remuneration:

The directors received no remuneration in respect of services to the company during the year (1994 - £nil).

7 Tax credit on loss on ordinary activities

The tax credit is based on the loss for the year and comprises:

	1995 £'000	1994 £'000
Payments for group relief receivable	2,756	462
Corporation tax receivable at 33%	13	-
	<u>2,769</u>	<u>462</u>

Notes to accounts (continued)

7 Tax credit on loss on ordinary activities (continued)

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

	£'000	£'000
Other timing differences	-	1,200

8 Fixed asset investments

The following are included in the net book value of fixed asset investments:

Investment in subsidiary undertakings:

	1995 £'000	1994 £'000
Cost		
Beginning of year	80,429	79,999
Additions	-	430
End of year	80,429	80,429

Adjustment to reflect net asset value of subsidiary undertakings:

Beginning of year	(3,681)	5,406
Movement in year		
- revaluation reserve (note 13)	4,658	4,400
- profit and loss account	(653)	(13,487)
End of year	324	(3,681)
Net book value	80,753	76,748

The company holds 100% of the equity capital of the following companies, both of which are registered in the United Kingdom:

	Principal activity
Hotel Forum Holdings Limited	Holding company
London Forum Hotel Limited	Hotelier

On 1 August 1994, the company acquired the whole of the ordinary share capital of London Forum Hotel Ltd from its wholly owned subsidiary, Hotel Forum Holdings Ltd. Consideration in the form of a promissory note amounted to £430,000 which bore interest at LIBOR plus 2%. The note was fully repaid on 15 December 1995.

Notes to accounts (continued)

9 Debtors

	1995 £'000	1994 £'000
a) Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	324	348
ACT recoverable	57	716
	<u>381</u>	<u>1,064</u>
	£'000	£'000
b) Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	<u>83,110</u>	<u>83,110</u>

The amount owed by subsidiary undertakings comprises a promissory note issued on 1 April 1993 and modified on 2 August 1995 by London Forum Hotel Limited for £83,109,967 (1994 - £83,109,967). Interest is charged at Libor plus 2 per cent.

10 Creditors: Amounts falling due within one year

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

	1995 £'000	1994 £'000
Amounts owed to ultimate parent company	-	62,546
Amounts owed to other group undertaking	-	5,021
Amounts owed to subsidiary undertakings	1,399	142
	<u>1,399</u>	<u>67,709</u>

The amount owed to the ultimate parent company in 1994 comprised a promissory note for £62,326,071. The amount owed to another group undertaking in 1994 comprised a promissory note for US\$9,069,120. Interest was charged at LIBOR plus 9/16 per cent on both notes. Both notes were fully repaid on 15 December 1995.

11 Creditors: Amounts falling due after more than one year

	1995 £'000	1994 £'000
Amounts payable between two and five years:		
- amount owed to parent company	64,016	-
- amounts owed to subsidiary undertakings	94,532	90,158
	<u>158,548</u>	<u>90,158</u>

Notes to accounts (continued)

11 Creditors: Amounts falling due after more than one year (continued)

The amount owed to parent company comprises a single promissory note issued 15 December 1995 to IHC Britannia (Holdings) Ltd for £64,016,438. This promissory note is repayable on 15 December 2000 and interest is charged at Libor plus 2 per cent.

The amounts owed to subsidiary undertakings comprises two promissory notes, one issued 1 August 1994 to Hotel Forum (Holdings) Ltd repayable on 15 December 1999. The second note was issued on 15 December to Hotel Forum (Holdings) Ltd repayable on 15 December 2000. Interest is charged at LIBOR plus 2% on all these notes.

12 Called-up share capital

	1995 £	1994 £
<i>Authorised</i>		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
16,174,661 ordinary shares of £1 each	<u>16,174,661</u>	<u>16,174,661</u>

13 Reconciliation of movements in shareholders' funds

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Beginning of year	16,175	9,806	(22,703)	3,278
Revaluation (note 8)	-	4,658	-	4,658
Retained profit for the year	-	-	(3,625)	(3,625)
End of year	<u>16,175</u>	<u>14,464</u>	<u>(26,328)</u>	<u>4,311</u>

14 Ultimate parent company

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.

15 Continuing financial support

The current liabilities of the company exceed its current assets. The company's immediate parent company, IHC Britannia Holdings Limited has confirmed its intention to provide continuing financial support to the company. IHC Britannia Holdings Limited relies on the continuing financial support of its immediate parent company, Saison Holdings B.V.

Notes to accounts (continued)

15 Continuing financial support (continued)

Having considered the financial position of the company, including the above, the directors of the company have concluded that the company is able to meet its liabilities as they fall due. Accordingly, the accounts have been prepared on a going concern basis.