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REPORT AND ACCOUNTS

**Scott's Hotels (Management) Limited**

30 APRIL 1994

REGISTERED NO. 2665640



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COMPANIES HOUSE 23/02/95

 **ERNST & YOUNG**

# Scott's Hotels (Management) Limited

## DIRECTORS' REPORT

The directors of Scott's Hotels (Management) Limited submit their report and accounts for the year ended 30 April 1994.

### RESULTS

The profit of the company for the year after taxation was £1,848,122 (1993: £660,388).

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.

#### *Principal Activities*

The principal activities of the company during the year were the management of fifteen hotels in the United Kingdom.

The hotel operating results benefited from the substantial improvement in the economy and average occupancy reversed a two year fall and climbed to 62%.

The year represented the first full year in which the hotels marketed the Marriott brand to which it converted as a franchisee in 1992. This conversion has been very beneficial in terms of attracting increased volumes of business and in average revenue per guest stay.

The outlook for fiscal 1995 is for continued growth in business traffic and makes for a very positive outlook.

### FIXED ASSETS

The movements in fixed assets are set out in note 7 to the accounts.

### SHARE CAPITAL

The information relating to the share capital of the company is set out in note 11 to the accounts.

### DIRECTORS AND THEIR INTERESTS

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

J S Lacey

JH v L Hubrecht

F Ternofsky (Resigned 27 May 1993)

C N Whittaker (Resigned 3 June 1994)

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.

# Scott's Hotels (Management) Limited

## DIRECTORS' REPORT

### 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.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year.

### 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 state 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 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

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

*Steven M Palmer*

S M Palmer  
Secretary

31 January 1995

**REPORT OF THE AUDITORS**  
to the members of Scott's Hotels (Management) Limited

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and on the basis of 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 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.

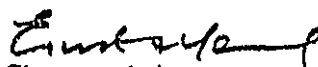
**Basis of opinion**

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 state of the company's affairs as at 30 April 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants  
Registered Auditor  
Reading

21 February, 1995

# Scott's Hotels (Management) Limited

## PROFIT AND LOSS ACCOUNT for the year ended 30 April 1994

	<i>Note</i>	<i>1994</i> £	<i>1993</i> £
<b>TURNOVER</b>	2	4,845,592	4,672,794
Cost of sales		114,529	-
<b>GROSS PROFIT</b>		<u>4,731,063</u>	<u>4,672,794</u>
Administrative expenses		2,869,009	4,009,307
<b>OPERATING PROFIT</b>	3	<u>1,862,054</u>	<u>663,487</u>
Interest receivable and similar income		1,470	10,666
Interest payable and similar charges	5	529	217
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1,862,995</u>	<u>673,936</u>
Tax on profit on ordinary activities	6	14,873	13,548
<b>PROFIT FOR THE YEAR</b>	12	<u>1,848,122</u>	<u>660,388</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

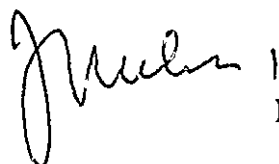
The company had no recognised gains or losses other than the profit for the year of £1,848,122 (1993: £660,388).

# Scott's Hotels (Management) Limited

## BALANCE SHEET at 30 April 1994

	<i>Note</i>	<i>1994</i> £	<i>1993</i> £
<b>FIXED ASSETS</b>			
Tangible assets	7	616,473	294,640
		<u>616,473</u>	<u>294,640</u>
<b>CURRENT ASSETS</b>			
Debtors	8	3,239,920	376,802
Cash at bank and in hand		-	344,860
		<u>3,239,920</u>	<u>721,662</u>
<b>CREDITORS: amounts falling due within one year</b>	9	1,269,460	292,364
<b>NET CURRENT ASSETS</b>		<u>1,970,460</u>	<u>429,298</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,586,933</u>	<u>723,938</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	10	28,421	13,548
		<u>£2,558,512</u>	<u>£710,390</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	50,002	50,002
Profit and loss account	12	2,508,510	660,388
		<u>£2,558,512</u>	<u>£710,390</u>

Approved by the Board on 31 January 1995



Director

NOTES TO THE ACCOUNTS  
at 30 April 1994

1 ACCOUNTING POLICIES

*Accounting Convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

*Depreciation*

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

Furniture & 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.

*Stocks*

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

*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 group's ordinary activities, all of which are continuing and are carried out in the United Kingdom, stated net of value added tax.

# Scott's Hotels (Management) Limited

## NOTES TO THE ACCOUNTS

at 30 April 1994

### 3 OPERATING PROFIT

(a) This is stated after charging:

	1994 £	1993 £
Directors' remuneration	235,662	103,192
Auditors' remuneration - audit	900	850
- tax and other	4,300	1,125
Depreciation	168,657	52,989
Operating lease rentals - plant and machinery	721	12,067

(b) Directors' remuneration:

The directors of the company are also directors of the UK parent company and some of the company's fellow subsidiary undertakings. The directors received total remuneration for the period of £235,662 (1993: £310,088) which was paid by the company (1993: paid by a fellow subsidiary undertaking and by its UK 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.



# Scott's Hotels (Management) Limited

## NOTES TO THE ACCOUNTS at 30 April 1994

### 4 STAFF COSTS

	1994 £	1993 £
Wages and salaries	1,262,375	1,241,901
Social security costs	101,368	106,992
Other pension costs	174,303	113,026
	<u>£1,538,046</u>	<u>£1,461,919</u>
	<i>No</i>	<i>No</i>
Average weekly number of employees:		
Office and management	53	43
	<u>53</u>	<u>43</u>

### 5 INTEREST PAYABLE

	1994 £	1993 £
Bank loans and overdraft	529	-
Other loans	-	217
	<u>£529</u>	<u>£217</u>

### 6 TAXATION

	1994 £	1993 £
Tax on profit on ordinary activities:		
UK Corporation tax at 33%	604,451	265,119
Group Relief	(604,451)	(265,119)
	<u>-</u>	<u>-</u>
Deferred tax - current year	19,733	13,548
In respect of prior year	(4,860)	-
	<u>£14,873</u>	<u>£13,548</u>

# Scott's Hotels (Management) Limited

## NOTES TO THE ACCOUNTS at 30 April 1994

### 7 TANGIBLE FIXED ASSETS

	<i>Furniture equipment and motor vehicles £</i>
<b>Cost</b>	
At 1 May 1993	365,737
Additions	504,240
Disposals	(27,907)
At 30 April 1994	<u>842,070</u>
<b>Depreciation</b>	
At 1 May 1993	71,097
Charge for the year	168,657
Disposals	(14,157)
At 30 April 1994	<u>225,597</u>
<b>Net book value</b>	
At 30 April 1994	<u>£616,473</u>
At 1 May 1993	<u>£294,640</u>

### 8 DEBTORS

	<i>1994 £</i>	<i>1993 £</i>
Amounts due from fellow subsidiary undertakings	2,937,183	225,930
Amounts due from associated undertakings	223,579	121,187
Prepayments	42,839	29,685
Other debtors	36,319	-
	<u>£3,239,920</u>	<u>£376,802</u>

# Scott's Hotels (Management) Limited

## NOTES TO THE ACCOUNTS at 30 April 1994

### 9 CREDITORS: amounts falling due within one year

	1994	1993
	£	£
Bank overdraft	24,080	-
Trade creditors	114,729	6,500
Other taxes and social security costs	60,441	85,297
Accruals	220,245	31,369
Amounts owed to immediate parent undertaking	637,008	45,116
Amounts owed to fellow subsidiary undertakings	-	58,619
Other creditors	212,957	65,463
	<u>£1,269,460</u>	<u>£292,364</u>

### 10 DEFERRED TAXATION

	1994	1993
	£	£
Accelerated capital allowances	<u>£28,421</u>	<u>£13,548</u>

The movement in deferred taxation during the year was as follows:

	1994
	£
At 1 May 1993	13,548
Charge for the year	14,873
At 30 April 1994	<u>£28,421</u>

### 11 SHARE CAPITAL

	Authorised 1994 No	Allotted, issued and fully paid 1994 £	Authorised 1993 No	Allotted, issued and fully paid 1993 £
Ordinary shares of £1 each	<u>1,000,000</u>	<u>50,002</u>	<u>1,000,000</u>	<u>50,002</u>

# Scott's Hotels (Management) Limited

## NOTES TO THE ACCOUNTS at 30 April 1994

### 12 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit &amp; loss account £</i>	<i>Total £</i>
At 1 May 1992	50,002	-	50,002
Profit for the year	-	660,388	660,388
At 1 May 1993	50,002	660,388	710,390
Profit for the year	-	1,848,122	1,848,122
At 30 April 1994	£50,002	£2,508,510	£2,558,512

### 13 CAPITAL COMMITMENTS

There were no capital commitments either contracted or authorised as at 30 April 1994 (1993 £Nil).

### 14 OTHER COMMITMENTS

At 30 April 1994, the company had annual commitments under non-cancellable operating leases on plant and machinery as follows:

	<i>1994 £</i>	<i>1993 £</i>
Operating leases which expire: within one year	828	2,051

NOTES TO THE ACCOUNTS  
at 30 April 1994

15 PENSION COMMITMENTS

The UK 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 at 6 April 1993.

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 6 April 1993 showed that the market values of the schemes' assets were £3,674,000 for the staff scheme and £2,541,000 for the executive scheme. The actuarial values of the schemes' assets represented 107% for the staff scheme, and 91% 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.

The pension charge for the year for the company was £175,303.

## Scott's Hotels (Management) Limited

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### NOTES TO THE ACCOUNTS at 30 April 1994

#### 16 PARENT COMPANY

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  
BCE Place  
181 Bay Street  
Suite 1500  
P O Box 810  
Toronto  
Ontario  
Canada

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

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