

2971215

PARAGON HOTELS LIMITED

Report and Accounts

4 April 2002

 ERNST & YOUNG



Paragon Hotels Limited

Registered No. 02971215

DIRECTORS

T J Hemmings (Chairman)

J C Kay

SECRETARY

S Stott

AUDITORS

Ernst & Young LLP

Ten George Street

Edinburgh

EH2 2DZ

BANKERS

Bank of Scotland

P O Box No 5

The Mound

Edinburgh

SOLICITORS

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Paragon Hotels Limited

DIRECTORS' REPORT

The directors present their report and the group accounts for the period ended 4 April 2002.

RESULTS AND DIVIDENDS

The group made a profit after tax of £3,449,000 (2001: profit of £2,706,000) for the period ended 4 April 2002. A dividend of £8,300,000 was paid on the 'B' and 'C' ordinary shares during the period and a dividend of £109,375 was paid on the 7.5% redeemable preference shares during the period.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The group's principal activity is the ownership and operation of hotels.

The group continued to trade profitably, and the directors are optimistic for the future.

The redeemable preference shares of the company were redeemed at par on 27 July 2001. The share capital of the company was restructured on 30 August 2001 and further details are given in Note 16 to the accounts.

DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 2. Mr G G Masterton and Mr I Robertson also served as directors during the period and resigned on 15 June 2001 and 30 August 2001 respectively. No director has an interest in the shares of the company.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board



Secretary

2016 January 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of group and of the profit or loss of the group 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON HOTELS LIMITED

We have audited the group's financial statements for the period ended 4 April 2002 which comprise the Group Profit and Loss Account, Group Balance Sheet, Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 and of the group as at 4 April 2002 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

20 January 2003

Paragon Hotels Limited

GROUP PROFIT AND LOSS ACCOUNT

for the period ended 4 April 2002

	Notes	2002 £000	2001 (Restated) £000
TURNOVER		23,634	25,334
Cost of sales		(15,912)	(16,706)
GROSS PROFIT		7,722	8,628
Administrative expenses		(2,328)	(2,695)
Other operating income	2	844	-
OPERATING PROFIT	3	6,238	5,933
Investment Income		1,142	1,098
Interest payable	5	(3,471)	(3,542)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,909	3,489
Tax on profit on ordinary activities	6	(460)	(783)
PROFIT FOR THE FINANCIAL YEAR		3,449	2,706
Dividends	7	(8,409)	-
RETAINED (LOSS)/PROFIT FOR THE PERIOD		(4,960)	2,706

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the group.

Paragon Hotels Limited

GROUP BALANCE SHEET

at 4 April 2002

	Notes	2002 £000	2001 (Restated) £000
FIXED ASSETS			
Tangible assets	9	62,316	67,189
Investments	10	17,899	17,899
		<u>80,215</u>	<u>85,088</u>
CURRENT ASSETS			
Stocks	11	184	213
Debtors	12	3,537	2,680
Cash at bank and in hand		27	2,208
		<u>3,748</u>	<u>5,101</u>
CREDITORS: amounts falling due within one year	13	(4,256)	(6,785)
NET CURRENT LIABILITIES		<u>(508)</u>	<u>(1,684)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>79,707</u>	<u>83,404</u>
CREDITORS: amounts falling due after more than one year	14	(62,500)	(54,000)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(3,192)	(2,929)
TOTAL ASSETS LESS LIABILITIES		<u>14,015</u>	<u>26,475</u>
CAPITAL AND RESERVES			
Called up share capital	16	5,000	12,500
Share premium account	17	5,000	5,000
Capital redemption reserve	17	7,500	-
Profit and loss account	17	(3,485)	8,975
SHAREHOLDERS' FUNDS (including non-equity interests)		<u>14,015</u>	<u>26,475</u>



Director

20th January 2003

Paragon Hotels Limited

BALANCE SHEET

at 4 April 2002

	Notes	2002 £000	2001 (Restated) £000
FIXED ASSETS			
Tangible assets	9	50,688	51,029
Investments	10	19,063	15,140
		<u>69,751</u>	<u>66,169</u>
CURRENT ASSETS			
Stocks	11	124	125
Debtors	12	50,507	52,947
Cash in bank and in hand		19	22
		<u>50,650</u>	<u>53,094</u>
CREDITORS: amounts falling due within one year	13	(44,550)	(40,371)
NET CURRENT ASSETS		<u>6,100</u>	<u>12,723</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>75,851</u>	<u>78,892</u>
CREDITORS: amounts falling due after more than one year	14	(53,500)	(45,000)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(3,168)	(2,936)
TOTAL ASSETS LESS LIABILITIES		<u>19,183</u>	<u>30,956</u>
CAPITAL AND RESERVES			
Called up share capital	16	5,000	12,500
Share premium account	17	5,000	5,000
Capital redemption reserve	17	7,500	-
Profit and loss account	17	1,683	13,456
SHAREHOLDERS' FUNDS (including non-equity interests)	17	<u>19,183</u>	<u>30,956</u>

ERNST & YOUNG



Director

20th January 2003

Paragon Hotels Limited

GROUP STATEMENT OF CASH FLOWS

for the period ended 4 April 2002

	<i>Notes</i>	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	3b	6,263	6,508
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	18	(2,893)	(2,472)
TAXATION		(555)	(40)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	18	4,996	(1,582)
EQUITY DIVIDENDS PAID		(8,300)	-
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(489)	2,414
FINANCING	18	1,000	-
INCREASE IN CASH		511	2,414

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i>
Increase in cash		511	2,414
Cash inflow from new loans less repayment of loans		(8,500)	-
Change in net debt		(7,989)	2,414
Net debt at 5 April 2001	18	(55,252)	(57,666)
Net debt at 4 April 2002	18	(63,241)	(55,252)

1. ACCOUNTING POLICIES

Basis of preparation and change in accounting policy

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

In preparing the financial statements for the current year the group has adopted FRS 19 "Deferred Tax". The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

The change in accounting policy has resulted in a prior year adjustment for both the group and the company. For the group shareholders funds at 25 March 2000 have been reduced by £1,804,000 and the tax charge for the period ended 5 April 2001 has been increased by £239,000. The provision for deferred tax has been increased by £2,043,000 at 5 April 2001. Profit for the current year has been reduced by £163,000 as a result of the change in accounting policy. For the company shareholders' funds have been reduced by £1,804,000 at 25 March 2000 and profit for the period ended 5 April 2001 has been reduced by £196,000. The provision for deferred tax has been increased by £2,000,000 at 5 April 2001. Profit for the current year has been reduced by £163,000 as a result of the change in accounting policy.

Basis of consolidation

The group accounts consolidate the accounts of Paragon Hotels Limited and all its subsidiary undertakings. No profit and loss account is presented for Paragon Hotels Limited as permitted by section 230 of the Companies Act 1985.

Goodwill

Purchased goodwill arising prior to 29 March 1998 is set off directly against reserves.

Fixed assets

Depreciation is provided to write down the assets to their estimated residual value by equal instalments over their estimated useful economic lives as follows:-

Land	- not depreciated
Freehold hotel properties	- 50 years
Fixtures, fittings and equipment	- 4 to 10 years
Motor vehicles	- 4 years

Depreciation is not provided, if on calculation it is found to be immaterial.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants in respect of land and buildings which are not depreciated are credited against the cost of the asset in accordance with generally accepted accounting policies.

Revenue grants are released to profit over the life of the project to which they relate.

Assets under development

These assets are separately recorded under fixed assets then transferred to the appropriate classification within fixed assets once the project is complete.

Stocks

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

Paragon Hotels Limited

NOTES TO THE ACCOUNTS

at 4 April 2002

1. ACCOUNTING POLICIES

(continued)

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of an hotel business (excluding Value Added Tax).

Investments

Income from listed investments is recognised on a cash basis.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. OTHER OPERATING INCOME

Other operating income forms part of the group's normal trading activities and comprises:

	2002	2001
	£000	£000
Profit on disposal of fixed assets	844	-
	<u>844</u>	<u>-</u>

Paragon Hotels Limited

NOTES TO THE ACCOUNTS

at 4 April 2002

3. OPERATING PROFIT

(a) This is stated after charging:

	2002	2001
	£000	£000
Auditors' remuneration - audit services	27	26
- non-audit services	25	20
Depreciation of owned assets	1,063	1,018
Operating lease rentals - land and buildings	20	120

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

	2002	2001
	£000	£000
Operating profit	6,238	5,933
Depreciation of tangible fixed assets	1,063	1,018
Profit on sale of tangible fixed assets	(844)	-
Decrease/(increase) in stocks	29	(40)
(Increase)/decrease in operating debtors and prepayments	(600)	740
Increase/(decrease) in operating creditors and accruals	377	(1,143)
Net cash inflow from operating activities	6,263	6,508

4. DIRECTORS' REMUNERATION AND STAFF COSTS

	2002	2001
	£000	£000
Fees	-	-
Emoluments (including pension contributions):	-	-

The company has no employees. Gross profit is stated after charging £6,852,361 (2001: £8,422,000) paid to the hotel staff who are employed by a hotel management company.

5. INTEREST PAYABLE

	2002	2001
	£000	£000
Net bank loan and overdraft interest payable	3,471	3,542

Paragon Hotels Limited

NOTES TO THE ACCOUNTS

at 4 April 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The taxation charge is made up as follows:

	2002	2001
	£000	£000
<i>Current tax:</i>		
Based on the profit for the period:		
Corporation tax at 30%	372	316
Adjustments in respect of prior periods	(175)	(350)
Total current tax	197	(34)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	263	817
	460	783

b) Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
	£000	£000
Profit/(loss) on ordinary activities before tax	3,909	3,489
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2001: 30.00%)	1,173	1,047
Effect of:		
Disallowed expenses and non-taxable income	68	(276)
Capital allowances in excess of depreciation	(383)	(554)
Short term timing differences	103	42
Adjustments in respect of previous periods	(175)	(350)
Tax losses brought forward	(589)	57
Current tax charge for the period	197	(34)

c) Factors that could affect future tax charges

In Paragon Hotels Limited and PHL Hotels Limited no provision has been made for deferred tax on gains recognised on revaluing property. Such tax would become payable only if the properties were sold without it being possible to set off capital losses/claim rollover relief. The total amount unprovided in respect of the revalued properties in Paragon Hotels Limited and PHL Hotels Limited is £2,268,000 and £72,000 respectively, however, at present it is not envisaged that any tax will become payable in the foreseeable future.

The deferred tax asset of approximately £1,128,000 which would arise if the properties were sold for their revalued amounts in Cairn Hotels Limited has not been recognised in the accounts. When the properties are sold, the asset would only be recoverable against capital gains of that period or future periods. The asset is not expected to crystallise in the foreseeable future.

No provision has been made for deferred tax on potential gains which would arise if the listed investments were disposed of at their market value. The total amount unprovided in respect of the listed investments is £962,000. Such tax would become payable only if the investments were sold without it being possible to set off brought forward capital losses within the group. At present it is not envisaged that any tax will become payable in the foreseeable future.

No deferred tax is recognised in respect of the capital losses carried forward at 31 March 2002. The amount of deferred tax not recognised on capital losses is £270,000 in Paragon Hotels Limited and £2,295,000 in PHL Hotels Limited. The capital losses may be offset against future capital gains of the companies within the group.

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 4 April 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(continued)

d) Deferred taxation included in the balance sheet is as follows:

Group

	2002	2001
	£000	£000
Capital allowances in advance of depreciation	3,344	3,070
Other timing differences	(152)	(84)
Losses carried forward	-	(57)
Provision for deferred tax	3,192	2,929
Deferred tax		£000
Provision at 25 March 2000		308
Prior year adjustment for FRS 19		1,804
Provision at 25 March 2000 as restated		2,112
Deferred tax debit in profit and loss account for the period		817

Provision at 5 April 2001	2,929
Deferred tax debit in profit and loss account for the period	263

Provision at 4 April 2002	3,192
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Company

	2002	2001
	£000	£000
Capital allowances in advance of depreciation	3,303	3,010
Other timing differences	(135)	(74)
Provision for deferred tax	3,168	2,936
Deferred tax		£000
Provision at 25 March 2000		390
Prior year adjustment for FRS 19		1,804
Provision at 25 March 2000 as restated		2,194
Deferred tax debit in profit and loss account for the period		742

Provision at 5 April 2001	2,936
Deferred tax debit in profit and loss account for the period	232

Provision at 4 April 2002	3,168
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7. DIVIDENDS

	2002	2001
	£000	£000
Dividends on ordinary shares	8,300	-
Dividend on preference shares	109	-
	8,409	-

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 4 April 2002

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £4,136,000 (2001: profit of £2,620,000).

9. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Freehold land and buildings</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost:	£000	£000	£000	£000
At 5 April 2001	59,997	9,931	69	69,997
Additions	395	202	-	597
Disposals	(4,280)	(315)	-	(4,595)
At 4 April 2002	56,112	9,818	69	65,999
Depreciation:				
At 5 April 2001	68	2,694	46	2,808
Provided during the period	73	986	4	1,063
On disposals	(7)	(181)	-	(188)
At 4 April 2002	134	3,499	50	3,683
Net book value At 4 April 2002	55,978	6,319	19	62,316
At 5 April 2001	59,929	7,237	23	67,189
<i>Company</i>	<i>Freehold land and buildings</i>	<i>Fixtures fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost:	£000	£000	£000	£000
At 5 April 2001	44,811	8,011	51	52,873
Additions	395	145	-	540
At 4 April 2002	45,206	8,156	51	53,413
Depreciation:				
At 5 April 2001	44	1,756	44	1,844
Provided during the period	49	828	4	881
At 4 April 2002	93	2,584	48	2,725
Net book value At 4 April 2002	45,113	5,572	3	50,688
At 5 April 2001	44,767	6,255	7	51,029

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 4 April 2002

10. INVESTMENTS

<i>Group</i>	<i>Listed investments</i>	
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Cost at 4 April 2002 and 5 April 2001	17,899	17,899
Market value of the listed investments at 4 April 2002 and 5 April 2001	22,400	20,600
<i>Company</i>	<i>Listed investments</i>	
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Cost at 5 April 2001	13,976	13,976
Transfer from subsidiary undertaking	3,923	-
	17,899	13,976
Market value of the listed investments at 4 April 2002 and 5 April 2001	22,400	15,450
<i>Company</i>	<i>Subsidiary undertakings</i>	
	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At 5 April 2001 and 4 April 2002	8,021	8,021
Provision against cost of investment at 5 April 2001 and 4 April 2002	(6,857)	(6,857)
Net book value at 4 April 2002	1,164	1,164
Net book value of total investments	19,063	15,140

Subsidiary undertakings

All held by the company apart from Grovefield Hotel Limited which is held by Southern Hotels (Cairn) Limited.

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Cairn Hotels Limited	Ordinary shares	100%	Hotels
Southern Hotels (Cairn) Limited	Ordinary shares	100%	Non-trading
Grovefield Hotel Limited	Ordinary shares	100%	Non-trading
Englefield Hotel Limited	Ordinary shares	100%	Non-trading
Cartland Hotels Limited	Ordinary shares	100%	Non-trading
PHL Hotels Limited	Ordinary shares	100%	Hotels
Balmoral Hotel Harrogate Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Preference shares	100%	Non-trading

Paragon Hotels Limited

NOTES TO THE ACCOUNTS

at 4 April 2002

11. STOCKS

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Food and liquor	184	213	124	125

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12. DEBTORS

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Trade debtors	1,160	1,420	919	1,060
Other debtors and prepayments	1,651	685	955	478
Amounts owed by subsidiary undertakings	-	-	47,907	50,834
Taxation recoverable	726	575	726	575
	<u>3,537</u>	<u>2,680</u>	<u>50,507</u>	<u>52,947</u>

Amounts falling due after more than one period included above are:

	<i>Company</i>	
	2002	2001
	£000	£000
Amounts owed by subsidiary undertakings	<u>47,907</u>	<u>49,857</u>

13. CREDITORS: amounts falling due within one period

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Amounts due to subsidiary undertakings	-	-	38,599	34,336
Trade creditors	439	375	372	253
Corporation tax	108	315	97	301
Other taxation and social security	651	256	438	65
Other creditors	1,019	846	943	507
Accruals	1,271	1,533	1,073	1,449
Bank overdraft	768	3,460	3,028	3,460
	<u>4,256</u>	<u>6,785</u>	<u>44,550</u>	<u>40,371</u>

14. CREDITORS: amounts falling due after more than one period

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank loans - wholly repayable within two and five years	<u>62,500</u>	<u>54,000</u>	<u>53,500</u>	<u>45,000</u>

The bank loans and overdrafts are secured by bond and floating charge and standard securities over all of the group's properties.

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 4 April 2002

15. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
Provision at 25 March 2000	308	390
Prior year adjustment for FRS 19	1,804	1,804
Provision at 25 March 2000 as restated	2,112	2,194
Deferred tax debit in profit and loss account for the period	817	742
Provision at 5 April 2001	2,929	2,936
Deferred tax debit in profit and loss account for the period	263	232
Provision at 4 April 2002	3,192	3,168

16. SHARE CAPITAL

Authorised

	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
'A' ordinary shares of £1 each	-	2,500,000
'B' ordinary shares of £1 each	-	1,666,667
'C' ordinary shares of £1 each	-	833,333
'D' ordinary shares of £1 each	-	2,000,000
Ordinary shares of £1 each	7,000,000	-
Redeemable preference shares of £1 each	-	7,500,000
7.5% redeemable preference shares of £1 each	7,500,000	-
	14,500,000	14,500,000

Allotted, called up and fully paid

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>No</i>	<i>No</i>	<i>£000</i>	<i>£000</i>
'A' ordinary shares of £1 each	-	2,500,000	-	2,500,000
'B' ordinary shares of £1 each	-	1,666,667	-	1,666,667
'C' ordinary shares of £1 each	-	833,333	-	833,333
Ordinary shares of £1 each	2,500,000	-	2,500,000	-
Redeemable preference shares of £1 each	-	7,500,000	-	7,500,000
7.5% redeemable preference shares of £1 each	2,500,000	-	2,500,000	-
	5,000,000	12,500,000	5,000,000	12,500,000

NOTES TO THE ACCOUNTS
at 4 April 2002

16. **SHARE CAPITAL**

(continued)

7,500,000 redeemable preference shares were redeemed at par on 27 July 2001.

The authorised share capital of the company was restructured on 30 August 2001.

The Company bought back 1,666,667 'B' and 833,333 'C' ordinary shares at par.

The undesignated share capital from the redemption of the preference shares on 27 July 2001 was redesignated as 7,500,000 7.5% redeemable preference shares by special resolution on 30 August 2001.

2,500,000 7.5% redeemable preference shares were issued at par on 30 August 2001.

The authorised share capital of 'A' ordinary shares of £1 each, 'B' ordinary shares of £1 each, 'C' ordinary shares of £1 each and 'D' ordinary shares of £1 each was redesignated by ordinary resolution on 30 August 2001 as ordinary shares of £1 each in the capital of the Company.

The holders of ordinary shares are entitled to such dividend as may be determined by the directors.

The 7.5% redeemable preference shares, which were issued at par on 30 August 2001, are redeemable at any time up to 29 August 2006 or, if earlier on a sale or listing, the appointment of a receiver or on the appointment of a liquidator over the Company. The preference shares carry a dividend of 7.5% per annum, payable annually in arrears on 1 March and 1 September. The dividend rights are cumulative.

On a return of assets or liquidation or otherwise, the assets available for distribution are as follows:

- a) in paying to the holders of the preference shares (in proportion to the number of such shares held by them) and in priority to all other shareholders an amount equal to the amount paid up or credited as paid together with a sum equal to all arrears of the Preference Dividend calculated down to the date of return of assets;
- b) in paying to the holders of ordinary shares pro rata in proportion to the number of such shares held by them respectively any surplus assets of the company.

The holders of ordinary shares are entitled to one vote for each share held. The holders of the preference shares have no votes.

Paragon Hotels Limited

NOTES TO THE ACCOUNTS

at 4 April 2002

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Capital Redemption Reserve £000</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 25 March 2000	-	12,500	5,000	6,269	23,769
Retained profit for the period	-	-	-	2,706	2,706
At 5 April 2001	-	12,500	5,000	8,975	26,475
Shares redeemed	-	(7,500)	-	-	(7,500)
Profit for the period	-	-	-	3,449	3,449
Dividends	-	-	-	(8,409)	(8,409)
Transfer to capital redemption reserve	7,500	-	-	(7,500)	-
At 4 April 2002	7,500	5,000	5,000	(3,485)	14,015

The cumulative amount of goodwill written off at 4 April 2002 is £2,338,000 (2001: £2,338,000).

<i>Company</i>	<i>Capital Redemption Reserve £000</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 25 March 2000	-	12,500	5,000	10,836	28,336
Profit for the period	-	-	-	2,620	2,620
At 5 April 2001	-	12,500	5,000	13,456	30,956
Profit for the period	-	-	-	4,136	4,136
Shares redeemed	-	(7,500)	-	-	(7,500)
Dividends	-	-	-	(8,409)	(8,409)
Transfer to capital redemption reserve	7,500	-	-	(7,500)	-
At 4 April 2002	7,500	5,000	5,000	1,683	19,183

Shareholders funds are attributable as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2002 £000</i>	<i>2001 £000</i>	<i>2002 £000</i>	<i>2001 £000</i>
Equity interests	11,515	18,975	16,683	23,456
Non equity interests	2,500	7,500	2,500	7,500
	14,015	26,475	19,183	30,956

Paragon Hotels Limited

NOTES TO THE ACCOUNTS

at 4 April 2002

18. NOTES TO THE CASH FLOW STATEMENT

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Interest paid	(5,827)	(5,008)
Interest received	1,901	1,438
Dividend income	1,142	1,098
Preference dividend	(109)	-
Net cash outflow from returns on investments and servicing of finance	(2,893)	(2,472)
Capital expenditure and financial investments		
Proceeds of sale of tangible fixed assets	5,251	-
Purchase of tangible fixed assets	(255)	(1,582)
Net cash inflow/(outflow) for capital expenditure	4,996	(1,582)
Financing		
New long term loans	8,500	-
Repurchase of ordinary shares	(2,500)	-
Issue of redeemable preference shares	2,500	-
Redemption of preference shares	(7,500)	-
	1,000	-
	At 5 April 2001 £000	Cash flows £000
		At 4 April 2002 £000
Analysis of changes in net debt:		
Cash at bank and in hand	2,208	(2,181)
Bank overdraft	(3,460)	2,692
Bank loans	(54,000)	(8,500)
	(55,252)	(7,989)
		(63,241)

19. OTHER FINANCIAL COMMITMENTS

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

Group	Land and buildings		Fixtures and fittings	
	2002 £000	2001 £000	2002 £000	2001 £000
Operating leases which expire:				
Within one period	-	20	-	-
between two and five years	-	-	-	-
	-	20	-	-

NOTES TO THE ACCOUNTS
at 4 April 2002

20. RELATED PARTY TRANSACTIONS

The company paid a management fee of £186,000 to Guild Ventures Limited for goods and services provided. Guild Ventures Limited is a related party since the directors of this company are directors of that company and its parent company.

21. CONTINGENT LIABILITIES

The company is party to an agreement with its bankers whereby the bank is entitled to hold all sums at credit of any accounts in the company's name in security of all sums due to the bank by the company's subsidiary undertakings. The overdraft is secured by bond and floating charge and standard security over all of the group's properties.

22. ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is Calgarth Limited, which is incorporated in the Isle of Man.