

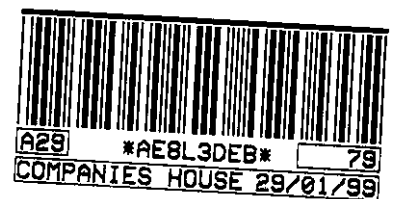
2971215

# Paragon Hotels Limited

## Report and Accounts

28 March 1998

ERNST & YOUNG



# Paragon Hotels Limited

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Registered No. 02971215

## **DIRECTORS**

T J Hemmings (Chairman)  
J Barkley  
J C Kay  
G G Masterton

## **SECRETARY**

St John Stott

## **AUDITORS**

Ernst & Young  
Ten George Street  
Edinburgh  
EH2 2DZ

## **BANKERS**

Bank of Scotland  
P O Box No 5  
The Mound  
Edinburgh

## **SOLICITORS**

Halliwell Landau  
Manchester

MacLay Murray & Spens  
Edinburgh

## **REGISTERED OFFICE**

28 Ribblesdale Place  
Preston  
Lancashire  
PR1 3NA

# Paragon Hotels Limited

## DIRECTORS' REPORT

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The directors present their report and the group accounts for the year ended 28 March 1998.

### RESULTS AND DIVIDENDS

The group made a profit after tax of £2,660,000 (1997: £2,679,000) for the year to 28 March 1998. The directors do not recommend the payment of any dividend.

### 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.

### DIRECTORS AND THEIR INTERESTS

The directors at the year end are shown on page 2.

No director has an interest in the shares of the company.

### AUDITORS

A resolution proposing the reappointment of Ernst & Young as auditors will be submitted at the annual general meeting.

By order of the Board

S. StH

Secretary

22 January 1999

**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 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.

**REPORT OF THE AUDITORS**  
**to the members of Paragon Hotels Limited**

We have audited the accounts on pages 6 to 18, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

**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.

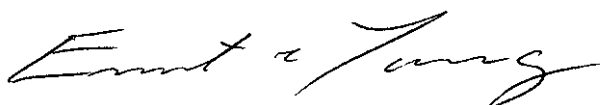
**Basis of opinion**

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 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 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 affairs of the company and of the group as at 28 March 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor  
Edinburgh

22 January 1999

# Paragon Hotels Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year to 28 March 1998

	<i>Notes</i>	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
<b>TURNOVER</b>			
Continuing operations:			
Ongoing		28,014	27,585
Acquisitions		-	2,547
		<u>28,014</u>	<u>30,132</u>
Cost of sales		(20,288)	(22,382)
<b>GROSS PROFIT</b>		<u>7,726</u>	<u>7,750</u>
Administrative expenses		(2,462)	(2,491)
Other operating income	2	520	489
<b>OPERATING PROFIT</b>	3	<u></u>	<u></u>
Continuing operations:			
Ongoing		5,784	5,081
Acquisitions		-	667
		<u>5,784</u>	<u>5,748</u>
Interest receivable		350	208
Interest payable	5	(3,061)	(3,144)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>3,073</u>	<u>2,812</u>
Tax on profit on ordinary activities	6	(413)	(133)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	7	<u>2,660</u>	<u>2,679</u>
Dividends		-	-
<b>RETAINED PROFIT FOR THE YEAR</b>		<u><u>2,660</u></u>	<u><u>2,679</u></u>

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

# Paragon Hotels Limited

## GROUP BALANCE SHEET at 28 March 1998

	Notes	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	55,091	64,945
<b>CURRENT ASSETS</b>			
Stocks	10	192	285
Debtors	11	10,110	2,047
Cash at bank and in hand		5,151	1,380
		15,453	3,712
<b>CREDITORS: amounts falling due within one year</b>	12	(3,797)	(4,570)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		11,656	(858)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		66,747	64,087
<b>CREDITORS: amounts falling due after more than one year</b>	13	(45,000)	(45,000)
<b>TOTAL ASSETS LESS LIABILITIES</b>		21,747	19,087
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	12,500	12,500
Share premium account	16	5,000	5,000
Reserves	16	4,247	1,587
<b>SHAREHOLDERS' FUNDS</b>	16	21,747	19,087

ERNST & YOUNG

*John Bartley*

Directors

*J. Henning*

22<sup>nd</sup> January 1999

# Paragon Hotels Limited

## BALANCE SHEET at 28 March 1998

	Notes	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	37,348	2,267
Investments	9	1,164	8,021
		<u>38,512</u>	<u>10,288</u>
<b>CURRENT ASSETS</b>			
Stocks	10	94	-
Debtors	11	73,252	55,962
Cash in bank and in hand		6,980	1,223
		<u>80,326</u>	<u>57,185</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(55,902)	(14,093)
<b>NET CURRENT ASSETS</b>		<u>24,424</u>	<u>43,092</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>62,936</u>	<u>53,380</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(36,000)	(36,000)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	14	-	-
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>26,936</u>	<u>17,380</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	12,500	12,500
Share premium account	16	5,000	5,000
Profit and loss account	16	9,436	(120)
<b>SHAREHOLDERS' FUNDS</b>	16	<u>26,936</u>	<u>17,380</u>

*John Bartley*

Directors

*John Henry*  
22 January 1999



# Paragon Hotels Limited

## GROUP STATEMENT OF CASH FLOWS for the year ended 28 March 1998

	Notes	1998 £000	1997 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3b	5,158	6,324
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	(2,711)	(2,680)
TAXATION		(446)	(16)
CAPITAL EXPENDITURE	17	1,770	4,681
ACQUISITIONS AND DISPOSALS	17	-	(7,983)
		<u>3,771</u>	<u>326</u>
FINANCING	17	-	(1,000)
INCREASE/(DECREASE) IN CASH		<u>3,771</u>	<u>(674)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		£	£
Increase/(Decrease) in cash		3,771	(674)
Cash outflow from new loans less repayment of loans		-	1,000
		<u>3,771</u>	<u>326</u>
Change in net debt			
Net debt at 29 March 1997		(43,620)	(43,946)
		<u>(39,849)</u>	<u>(43,620)</u>
Net debt at 28 March 1998			

# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS

at 28 March 1998

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

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

#### *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.

The group profit and loss account includes the results of Cairn Hotels Limited, The Balmoral Hotel Harrogate Limited, Southern Hotels (Cairn) Limited, Englefield Hotel Limited, Cartland Hotels Limited, PHL Hotels Limited and Roxburghe Hotel Limited for the entire period.

#### *Goodwill*

Purchased goodwill is set off directly against reserves.

#### *Depreciation*

Freehold properties and integral fixed plant are not depreciated as it is the policy to maintain properties to a high standard with regular maintenance expenditure being charged against operating profit. Depreciation is provided on all other tangible fixed assets on a straight line basis over their expected useful lives, generally between four and ten years.

#### *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.

#### *Taxation*

The charge for taxation takes into account the timing differences in the accounting and taxation treatment of certain items to the extent that they are expected to reverse in the future. Deferred taxation is provided using the liability method.

#### *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).

#### *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.

# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS at 28 March 1998

### 2. OTHER OPERATING INCOME

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

	1998 £000	1997 £000
Insurance claim proceeds	-	467
Discounts	(45)	71
Profit/(loss) on disposal of fixed assets	565	(49)
	<u>520</u>	<u>489</u>

### 3. OPERATING PROFIT

(a) This is stated after charging:

	1998 £000	1997 £000
Auditors' remuneration - audit services*	35	33
- non-audit services	30	41
Depreciation of owned assets	449	374
Operating lease rentals - land and buildings	120	120
- fixtures and fittings	15	18
	<u></u>	<u></u>

\* £2,500 of this relates to the company.

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

	1998 £000	1997 £000
Operating profit	5,784	5,748
Depreciation of tangible fixed assets	449	374
(Profit)/loss on sale of tangible fixed assets	(565)	46
Decrease in stocks	93	31
Decrease in operating debtors and prepayments	137	1,563
(Decrease) in operating creditors and accruals	(740)	(1,438)
Net cash inflow from operating activities	<u>5,158</u>	<u>6,324</u>

### 4. DIRECTORS' REMUNERATION AND STAFF COSTS

	1998 £000	1997 £000
Fees	25	25
Emoluments (including pension contributions):	-	-
	<u>25</u>	<u>25</u>

The company has no employees. Gross profit is stated after charging £8,507,779 (1997: £9,663,101) paid to the hotel staff who are employed by a hotel management company.

### 5. INTEREST PAYABLE

	1998 £000	1997 £000
Bank loans and overdrafts	3,061	3,144
	<u></u>	<u></u>

# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS at 28 March 1998

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1998 £000	1997 £000
Based on the profit for the year:		
Corporation tax at 31%	230	272
Prior year adjustments	183	(139)
	<u>413</u>	<u>133</u>

The effective tax rate is lower than normal as a result of capital allowances being higher than depreciation.

### 7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £9,556,431 (1997: loss £469,409).

### 8. TANGIBLE FIXED ASSETS

Group	Land and buildings		Fixtures, fittings and equipment	Motor vehicles	Assets under Development	Total
	Freehold £000	Long leasehold £000	£000	£000	£000	£000
Cost:						
At 30 March 1997	61,181	425	3,851	57	-	65,514
Additions	683	-	666	14	174	1,537
Disposals	(9,967)	(425)	(670)	(21)	-	(11,083)
At 28 March 1998	<u>51,897</u>	<u>-</u>	<u>3,847</u>	<u>50</u>	<u>174</u>	<u>55,968</u>
Depreciation:						
At 30 March 1997	-	-	553	16	-	569
Provided during the year	-	-	432	17	-	449
Disposals	-	-	(123)	(18)	-	(141)
At 28 March 1998	<u>-</u>	<u>-</u>	<u>862</u>	<u>15</u>	<u>-</u>	<u>877</u>
Net book value						
At 28 March 1998	<u>51,897</u>	<u>-</u>	<u>2,985</u>	<u>35</u>	<u>174</u>	<u>55,091</u>
At 29 March 1997	<u>61,181</u>	<u>425</u>	<u>3,298</u>	<u>41</u>	<u>-</u>	<u>64,945</u>

# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS at 28 March 1998

### 8. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Freehold land and buildings</i>	<i>Fixtures fittings and equipment</i>	<i>Motor vehicles</i>	<i>Assets under development</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:					
At 30 March 1997	2,267	-	-	-	2,267
Additions	-	4	-	-	4
Transfers from group companies	33,064	2,198	17	174	35,453
At 28 March 1998	35,331	2,202	17	174	37,724
Depreciation:					
At 30 March 1997	-	-	-	-	-
Transfers from group companies	-	361	15	-	376
At 28 March 1998	-	361	15	-	376
Net book value					
At 28 March 1998	35,331	1,841	2	174	37,348
At 29 March 1997	2,267	-	-	-	2,267

### 9. INVESTMENTS

<i>Company</i>	<i>Subsidiary undertakings</i>	
	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At 30 March 1997	8,021	1,416
Acquisition during year	-	6,605
Provision against cost of investment	(6,857)	-
Cost at 28 March 1998	1,164	8,021

#### *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%	Hotels
Grovefield Hotel Limited	Ordinary shares	100%	Non-trading
Englefield Hotel Limited	Ordinary shares	100%	Hotels
Cartland Hotels Limited	Ordinary shares	100%	Hotels
PHL Hotels Limited	Ordinary shares	100%	Hotels
Balmoral Hotel Harrogate Limited	Ordinary shares	100%	Hotels
Roxburghe Hotel Limited	Ordinary shares	100%	Hotels
	Preference shares	100%	

# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS at 28 March 1998

### 10. STOCKS

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Food and liquor	192	285	94	-

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

### 11. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,152	1,520	818	-
Other debtors and prepayments	8,958	527	143	53
Amounts owed by subsidiary undertakings	-	-	49,857	55,909
Dividends receivable	-	-	22,434	-
	<u>10,110</u>	<u>2,047</u>	<u>73,252</u>	<u>55,962</u>

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

	<i>Company</i>	
	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by subsidiary undertakings	49,857	55,909

### 12. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts due to subsidiary undertakings	-	-	53,487	12,952
Trade creditors	1,330	1,904	892	759
Corporation tax	230	263	202	248
Other creditors	755	1,193	426	-
Accruals	1,482	1,210	895	134
	<u>3,797</u>	<u>4,570</u>	<u>55,902</u>	<u>14,093</u>

### 13. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans - wholly repayable within two and five years	45,000	45,000	36,000	36,000

The bank loans 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 28 March 1998

### 14. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided</i>	<i>Not</i>	<i>Provided</i>	<i>Not</i>
	<i>1998</i>	<i>provided</i>	<i>1997</i>	<i>provided</i>
	<i>£000</i>	<i>1998</i>	<i>£000</i>	<i>1997</i>
		<i>£000</i>		<i>£000</i>
Capital allowances in advance of depreciation	-	-	-	-
Other timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 15. SHARE CAPITAL

#### *Authorised*

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</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
'D' ordinary shares of £1 each	2,000,000	2,000,000
Redeemable preference shares of £1 each	7,500,000	7,500,000
	<u>14,500,000</u>	<u>14,500,000</u>

#### *Allotted, called up and fully paid*

	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</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	2,500	2,500
'B' ordinary shares of £1 each	1,666,667	1,666,667	1,667	1,667
'C' ordinary shares of £1 each	833,333	833,333	833	833
Redeemable preference shares of £1 each	7,500,000	7,500,000	7,500	7,500
	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,500</u>	<u>12,500</u>

The holders of all classes of ordinary shares are entitled to such dividend as may be determined by the directors. The holders of the preference shares are not entitled to any participation in the profits of the company.

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

- in paying to the holders of all classes of ordinary shares pro rata in proportion to the number of shares held by them a sum equivalent to the amount paid up in the shares and any premium paid on subscription.
- in paying to the holders of the preference shares a sum equivalent to i) 25% of each complete £4million available for distribution after the above payments to the ordinary shareholders subject to a maximum of £7million and ii) 25% of the next complete £2million available for distribution after the previous payments subject always to a maximum of £1 per preference share.
- any surplus shall be distributed amongst the holders of the 'A' and 'B' ordinary shares in proportion to the shares held by them and the amounts paid up on the shares and any premium paid on subscription.

The holders of 'A' and 'B' shares are entitled to one vote for each share held. The holders of 'C' shares and the preference shares have no votes.

# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS at 28 March 1998

### 16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Reserves £000</i>	<i>Total £000</i>
At 30 March 1996	12,500	5,000	(1,092)	16,408
Retained profit for the year	-	-	2,679	2,679
At 29 March 1997	12,500	5,000	1,587	19,087
Retained profit for the year	-	-	2,660	2,660
At 28 March 1998	12,500	5,000	4,247	21,747

The cumulative amount of goodwill written off at 28 March 1998 is £2,338,000 (1997: £2,338,000).

<i>Company</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 30 March 1996	12,500	5,000	349	17,849
Loss for the year	-	-	(469)	(469)
At 29 March 1997	12,500	5,000	(120)	17,380
Profit for the year	-	-	9,556	9,556
At 28 March 1998	12,500	5,000	9,436	26,936

### 17. NOTES TO THE CASH FLOW STATEMENT

	<i>1998 £000</i>	<i>1997 £000</i>
<b>Returns on investments and servicing of finance</b>		
Interest paid	(3,061)	(2,892)
Interest received	350	212
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(2,711)</b>	<b>(2,680)</b>
<b>Capital expenditure</b>		
Proceeds of sale of tangible fixed assets	3,307	9,717
Purchase of tangible fixed assets	(1,537)	(5,181)
Grants received	-	145
<b>Net cash inflow for capital expenditure</b>	<b>1,770</b>	<b>4,681</b>



# Paragon Hotels Limited

## NOTES TO THE ACCOUNTS at 28 March 1998

### 17. NOTES TO THE CASH FLOW STATEMENT (continued)

	1998 £000	1997 £000
<b>Acquisitions and disposals</b>		
Bank overdrafts of subsidiaries acquired	-	(1,378)
Purchase of subsidiary undertaking	-	(6,605)
	-	(7,983)
<b>Financing</b>		
New loans	-	8,000
Loans repaid	-	(9,000)
Net cash (outflow) from financing	-	(1,000)
	<i>At 29 March 1997 £000</i>	<i>Cash flows At 28 March 1998 £000</i>
Analysis of changes in net debt:		
Cash at bank and in hand	1,380	5,151
Bank loans	(45,000)	(45,000)
	(43,620)	(39,849)

### 18. CAPITAL COMMITMENTS

	1998 £000	1997 £000
Contracted but not provided	-	15

### 19. OTHER FINANCIAL COMMITMENTS

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

<i>Group</i>	<i>Land and buildings</i>		<i>Fixtures and fittings</i>	
	1998 £000	1997 £000	1998 £000	1997 £000
Operating leases which expire:				
within one year	-	-	-	1
between two and five years	120	120	5	14
	120	120	5	15

## Paragon Hotels Limited

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### NOTES TO THE ACCOUNTS at 28 March 1998

**20. RELATED PARTY TRANSACTIONS**

During the year the group sold certain hotels on a commercial basis to City Lodges Limited, a subsidiary of TJH Group Limited, a company in which Mr Hemmings had an interest during the year. The value of the transaction was £8,200,000 and it was outstanding at the year end.

**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.