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Paragon Hotels Limited

Report and Accounts

27 March 1999

 ERNST & YOUNG



Paragon Hotels Limited

Registered No. 02971215

DIRECTORS

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

SECRETARY

S 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

The Chambers
53 Guild Hall Street
Preston
Lancashire
PR1 3NU

Paragon Hotels Limited

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 27 March 1999.

RESULTS AND DIVIDENDS

The group made a profit after tax of £2,077,000 (1998: £2,660,000) for the year ended 27 March 1999. 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.

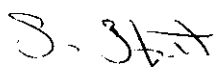
YEAR 2000

Many computer systems operate using dates represented by only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond to avoid malfunctions and resulting commercial disruption. While reliant principally on the company's own computer systems, the company is nevertheless dependent to some extent on those of its main suppliers and customers. There may be, therefore, an exposure to some degree of risk depending on the success of other parties in dealing with their own millennium issues. A programme involving internal staff and external hardware and software suppliers has been carried out to address the impact of the Year 2000 on our business. The plans involve not only all major accounting, payroll, hotel and reservation systems but also those individual items of plant, equipment and services which are subject to computer control. All major systems have now been modified or replaced with versions that will accommodate the year 2000 and beyond date pattern. The capital cost for 1998/99 and 1999/00 to achieve compliance is estimated at £78,000.

AUDITORS

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

By order of the Board



Secretary

10 January 2000

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.

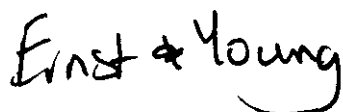
Basis of opinion

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 27 March 1999 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

10 January 2000

Paragon Hotels Limited

GROUP PROFIT AND LOSS ACCOUNT for the year to 27 March 1999

	<i>Notes</i>	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
TURNOVER		21,472	28,014
Cost of sales		(15,220)	(20,288)
GROSS PROFIT		6,252	7,726
Administrative expenses		(1,653)	(2,462)
Other operating income	2	83	520
OPERATING PROFIT	3	4,682	5,784
Interest receivable		521	350
Interest payable	5	(2,645)	(3,061)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,558	3,073
Tax on profit on ordinary activities	6	(481)	(413)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	7	2,077	2,660
Dividends		-	-
RETAINED PROFIT FOR THE YEAR		2,077	2,660

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 27 March 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	8	56,475	55,091
CURRENT ASSETS			
Stocks	10	154	192
Debtors	11	2,157	10,110
Cash at bank and in hand		12,793	5,151
		15,104	15,453
CREDITORS: amounts falling due within one year	12	(2,755)	(3,797)
NET CURRENT ASSETS		12,349	11,656
TOTAL ASSETS LESS CURRENT LIABILITIES		68,824	66,747
CREDITORS: amounts falling due after more than one year	13	(45,000)	(45,000)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	-
TOTAL ASSETS LESS LIABILITIES		23,824	21,747
CAPITAL AND RESERVES			
Called up share capital	15	12,500	12,500
Share premium account	16	5,000	5,000
Reserves	16	6,324	4,247
SHAREHOLDERS' FUNDS	16	23,824	21,747

J. Horner
for Bartley

Directors

10 January 2000

Paragon Hotels Limited

BALANCE SHEET at 27 March 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	8	40,111	37,348
Investments	9	1,164	1,164
		<u>41,275</u>	<u>38,512</u>
CURRENT ASSETS			
Stocks	10	74	94
Debtors	11	51,313	73,252
Cash in bank and in hand		10,914	6,980
		<u>62,301</u>	<u>80,326</u>
CREDITORS: amounts falling due within one year	12	(38,782)	(55,902)
NET CURRENT ASSETS		<u>23,519</u>	<u>24,424</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>64,794</u>	<u>62,936</u>
CREDITORS: amounts falling due after more than one year	13	(36,000)	(36,000)
PROVISION FOR LIABILITIES AND CHARGES	14	(136)	-
TOTAL ASSETS LESS LIABILITIES		<u>28,658</u>	<u>26,936</u>
CAPITAL AND RESERVES			
Called up share capital	15	12,500	12,500
Share premium account	16	5,000	5,000
Profit and loss account	16	11,158	9,436
SHAREHOLDERS' FUNDS	16	<u>28,658</u>	<u>26,936</u>

J. Hamman
John Bentley

Directors

10 January 2000

Paragon Hotels Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 27 March 1999

	<i>Notes</i>	<i>1999 £000</i>	<i>1998 £000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	3b	3,580	5,158
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	(2,146)	(2,711)
TAXATION		(235)	(446)
CAPITAL EXPENDITURE	17	6,443	1,770
		<u>7,642</u>	<u>3,771</u>
FINANCING		-	-
INCREASE IN CASH		<u>7,642</u>	<u>3,771</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		<i>£</i>	<i>£</i>
Increase in cash		7,642	3,771
Cash outflow from new loans less repayment of loans		-	-
Change in net debt		<u>7,642</u>	<u>3,771</u>
Net debt at 28 March 1998		(39,849)	(43,620)
Net debt at 27 March 1999		<u>(32,207)</u>	<u>(39,849)</u>

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 27 March 1999

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, Grovefield Hotel Limited, PHL Hotels Limited and Roxburghe Hotel Limited for the entire period.

Goodwill

Purchased goodwill is set off directly against reserves.

Fixed assets

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 27 March 1999

2. OTHER OPERATING INCOME

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

	1999 £000	1998 £000
Discounts	-	(45)
Profit on disposal of fixed assets	83	565
	<u>83</u>	<u>520</u>

3. OPERATING PROFIT

(a) This is stated after charging:

	1999 £000	1998 £000
Auditors' remuneration - audit services*	35	35
- non-audit services	25	30
Depreciation of owned assets	456	449
Operating lease rentals - land and buildings	120	120
- fixtures and fittings	-	15
	<u></u>	<u></u>

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

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

	1999 £000	1998 £000
Operating profit	4,682	5,784
Depreciation of tangible fixed assets	456	449
Profit on sale of tangible fixed assets	(83)	(565)
Decrease in stocks	38	93
(Increase)/decrease in operating debtors and prepayments	(247)	137
Decrease in operating creditors and accruals	(1,266)	(740)
Net cash inflow from operating activities	<u>3,580</u>	<u>5,158</u>

4. DIRECTORS' REMUNERATION AND STAFF COSTS

	1999 £000	1998 £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 £6,500,985 (1998: £8,507,779) paid to the hotel staff who are employed by a hotel management company.

5. INTEREST PAYABLE

	1999 £000	1998 £000
Bank loans and overdrafts	2,645	3,061
	<u></u>	<u></u>

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 27 March 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1999 £000	1998 £000
Based on the profit for the year:		
Corporation tax at 31%	476	230
Prior year adjustments	5	183
	<u>481</u>	<u>413</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 £1,722,000 (1998: profit £9,556,431).

8. TANGIBLE FIXED ASSETS

<i>Group</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>
Cost:	£000	£000	£000	£000	£000
At 28 March 1998	51,897	3,847	50	174	55,968
Additions	599	594	19	2,725	3,937
Disposals	(1,941)	(220)	(9)	-	(2,170)
At 27 March 1999	<u>50,555</u>	<u>4,221</u>	<u>60</u>	<u>2,899</u>	<u>57,735</u>
Depreciation:					
At 28 March 1998	-	862	15	-	877
Provided during the year	-	438	18	-	456
Disposals	-	(68)	(5)	-	(73)
At 27 March 1999	<u>-</u>	<u>1,232</u>	<u>28</u>	<u>-</u>	<u>1,260</u>
Net book value					
At 27 March 1999	<u>50,555</u>	<u>2,989</u>	<u>32</u>	<u>2,899</u>	<u>56,475</u>
At 28 March 1998	<u>51,897</u>	<u>2,985</u>	<u>35</u>	<u>174</u>	<u>55,091</u>

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 27 March 1999

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>
Cost:	£000	£000	£000	£000	£000
At 28 March 1998	35,331	2,202	17	174	37,724
Additions	27	266	19	2,725	3,037
At 27 March 1999	35,358	2,468	36	2,899	40,761
Depreciation:					
At 28 March 1998	-	361	15	-	376
Provided during the year	-	262	12	-	274
At 27 March 1999	-	623	27	-	650
Net book value					
At 27 March 1999	35,358	1,845	9	2,899	40,111
At 28 March 1998	35,331	1,841	2	174	37,348

9. INVESTMENTS

<i>Company</i>	<i>Subsidiary undertakings</i>	
	<i>1999</i>	<i>1998</i>
Cost:	£000	£000
At 28 March 1998	8,021	8,021
Provision against cost of investment	(6,857)	(6,857)
Cost at 27 March 1999	1,164	1,164

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 27 March 1999

10. STOCKS

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Food and liquor	154	192	74	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>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,036	1,152	742	818
Other debtors and prepayments	1,121	8,958	579	143
Amounts owed by subsidiary undertakings	-	-	49,992	49,857
Dividends receivable	-	-	-	22,434
	2,157	10,110	51,313	73,252

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

	<i>Company</i>	
	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by subsidiary undertakings	49,857	49,857

12. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts due to subsidiary undertakings	-	-	36,996	53,487
Trade creditors	392	1,330	163	892
Corporation tax	476	230	460	202
Other creditors	835	755	538	426
Accruals	1,052	1,482	625	895
	2,755	3,797	38,782	55,902

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

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</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 27 March 1999

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>1999</i>	<i>provided</i>	<i>1998</i>	<i>provided</i>
	<i>£000</i>	<i>£000</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>
<i>Company</i>	<i>Provided</i>	<i>Not</i>	<i>Provided</i>	<i>Not</i>
	<i>1999</i>	<i>provided</i>	<i>1998</i>	<i>provided</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	147	-	-	-
Other timing differences	(11)	-	-	-
	<u>136</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>136</u>	<u>-</u>	<u>-</u>	<u>-</u>

15. SHARE CAPITAL

<i>Authorised</i>	<i>1999</i>		<i>1998</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>	
<i>Allotted, called up and fully paid</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</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	2,500,000	2,500,000
'B' ordinary shares of £1 each	1,666,667	1,666,667	1,666,667	1,666,667
'C' ordinary shares of £1 each	833,333	833,333	833,333	833,333
Redeemable preference shares of £1 each	7,500,000	7,500,000	7,500,000	7,500,000
	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,500,000</u>
	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,500,000</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.

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 27 March 1999

15. SHARE CAPITAL (continued)

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.

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 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
Retained profit for the year	-	-	2,077	2,077
At 27 March 1999	12,500	5,000	6,324	23,824

The cumulative amount of goodwill written off at 27 March 1999 is £ 2,338,000 (1998: £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 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
Profit for the year	-	-	1,722	1,722
At 27 March 1999	12,500	5,000	11,158	28,658

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 27 March 1999

17. NOTES TO THE CASH FLOW STATEMENT

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest paid	(2,667)	(3,061)
Interest received	521	350
Net cash outflow from returns on investments and servicing of finance	(2,146)	(2,711)
Capital expenditure		
Proceeds of sale of tangible fixed assets	10,380	3,307
Purchase of tangible fixed assets	(3,937)	(1,537)
Net cash inflow for capital expenditure	6,443	1,770

	At 28 March 1998 £000	Cash flows £000	At 27 March 1999 £000
Analysis of changes in net debt:			
Cash at bank and in hand	5,151	7,642	12,793
Bank loans	(45,000)	-	(45,000)
	(39,849)	7,642	(32,207)

18. CAPITAL COMMITMENTS

	1999 £000	1998 £000
Contracted but not provided	-	-

19. OTHER FINANCIAL COMMITMENTS

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

Group	Land and buildings		Fixtures and fittings	
	1999 £000	1998 £000	1999 £000	1998 £000
Operating leases which expire:				
within one year	-	-	-	-
between two and five years	120	120	-	5
	120	120	-	5

Paragon Hotels Limited

NOTES TO THE ACCOUNTS at 27 March 1999

20. RELATED PARTY TRANSACTIONS

The company paid a management fee of £100,000 to Hemway Limited for goods and services provided. Hemway Limited is a related party through the interests of Mr T J Hemmings.

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.