

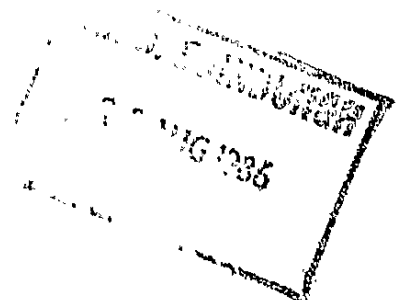
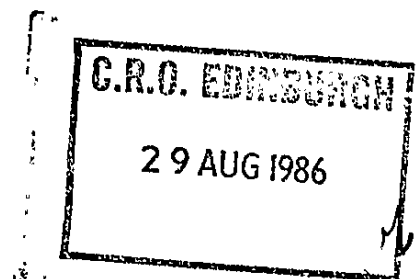
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GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

FINANCIAL STATEMENTS

for the year ended

30 SEPTEMBER 1985
=====



REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements for the year ended 30 September 1985.

Principal Activities

The principal activity of the company relates to lease income from property.

The beneficial interest in all remaining properties held by the company was transferred at book value to Grand Metropolitan Property Ltd, a fellow subsidiary with effect from 31 August 1985.

Ultimate Holding Company

The company's ultimate holding company is Grand Metropolitan Public Limited Company, which is incorporated in Great Britain and which controls 100% of the issued share capital.

Results and Dividend

The profit and loss account is set out on page 4 and shows the company's result for the year. The directors propose that no final ordinary dividend be paid in respect of the year (1984 - £Nil).

Fixed Assets

Information concerning changes in fixed assets during the year is given in notes 8 to 10 to the financial statements.

Directors

The directors of the company during the year were:

MA Cairns	(resigned 29 October 1984)
S G Grinstead	(resigned 8 February 1985)
J C Harrison	
E S Trippe	(appointed 29 October 1984)

The interests of S G Grinstead in the share and loan capital of the ultimate holding company, together with details of share options, are dealt with in the financial statements of that company.

The other directors held no interests in the share and loan capital of the ultimate holding company.

REPORT OF THE DIRECTORS (Contd)

Political and Charitable Contributions

The company made no political or charitable contributions during the year.

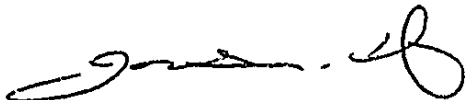
Auditors

Thomson McLintock & Co changed their name on 1 April 1985 to KMG Thomson McLintock and accordingly have signed their audit report in their new name. A resolution concerning the appointment of KMG Thomson McLintock as auditors and their remuneration will be submitted at the annual general meeting.

Events after 30 September 1985

There have been no events subsequent to 30 September 1985 which have had a material effect upon the financial position or profits of the company at that date.

BY ORDER of the BOARD



J R Smith
Secretary

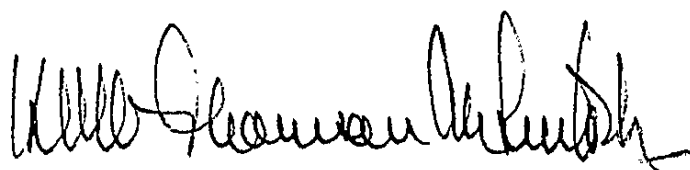
10 January 1986

AUDITORS' REPORT TO THE MEMBERS OF
GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

3.

We have audited the financial statements on pages 4 to 13 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings, give a true and fair view of the state of the company's affairs at 30 September 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.



KMG THOMSON McLINTOCK
Chartered Accountants

EDINBURGH
10 January 1986

GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

4.

PROFIT AND LOSS ACCOUNTFor the year ended 30 September 1985

	Notes	1985		1984	
		£000	£000	£000	£000
Turnover	2		36		2,727
Cost of sales			22		1,735
Gross profit	2		14		992
Distribution costs		-		88	
Administrative expenses		-		626	
			-		714
			14		278
Other operating income		-		36	
Other interest receivable		-		30	
			-		66
Profit on ordinary activities before taxation	4		14		344
Tax on profit on ordinary activities	6		(99)		71
Profit on ordinary activities after taxation			113		273
Extraordinary items:					
Profit on sale of properties		-		146	
Taxation		-		39	
			-		107
Profit for the financial year			113		380
Dividends	7		-		4
Retained profit for the year	15		113		376

The notes on pages 7 to 13 form part of these financial statements.

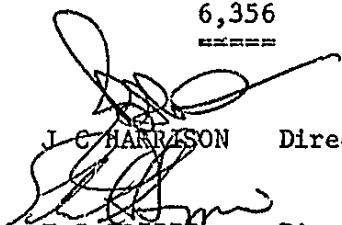
GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

5.

BALANCE SHEET

As at 30 September 1985

	<u>Notes</u>	<u>1985</u>		<u>1984</u>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed Assets					
Tangible assets	8		-		441
Investments	10		-		-
			<u>-</u>		<u>441</u>
Current Assets					
Debtors	11	6,758		6,625	
Cash at bank and in hand		2		2	
		<u>6,760</u>		<u>6,627</u>	
Creditors					
Amounts falling due within one year	12	385		722	
Net current assets			<u>6,375</u>		<u>5,905</u>
Total assets less current liabilities			<u>6,375</u>		<u>6,346</u>
Creditors					
Amounts falling due after more than one year	12		19		103
			<u>6,356</u>		<u>6,243</u>
Capital and reserves					
Called up share capital	14		547		547
Reserves and profit and loss account	15		5,809		5,696
			<u>6,356</u>		<u>6,243</u>


J. C. HARRISON Director


E. S. TRIPPE Director

10 January 1986

The notes on pages 7 to 13 form part of these financial statements.

GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

6.

STATEMENT OF SOURCE AND APPLICATION OF FUNDSFor the year ended 30 September 1985

	<u>1985</u>		<u>1984</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Source of funds				
Profit before taxation		14		344
Extraordinary item before taxation		-		146
		<u>14</u>		<u>490</u>
Adjustment for items not involving the movement of funds:				
Depreciation	10		142	
(Profit)/loss on sale of fixed tangible assets	-		(146)	
		<u>10</u>		<u>(4)</u>
Total generated from operations		24		486
Funds from other sources				
Sale of fixed assets		431		6,054
Taxation and group relief received		48		-
		<u>503</u>		<u>6,540</u>
Application of funds				
Purchase of fixed tangible assets	-		358	
Taxation and group relief paid	-		279	
Dividends paid	-		8	
		<u>-</u>		<u>645</u>
		503		5,895
Increase/(decrease) in working capital				
Stocks	-		(50)	
Debtors	133		6,094	
Creditors (excluding taxation and dividends)	370		176	
		<u>503</u>		<u>6,220</u>
(Decrease)/increase in bank and cash balances		-		(325)
		<u>=====</u>		<u>=====</u>

NOTES (forming part of the financial statements)1. Accounting policies

The financial statements of the company are prepared under the historical cost convention (modified by the revaluation of land and buildings). They have been drawn up to comply in all material respects with UK statements of standard accounting practice in force at the relevant time except as stated in accounting policy note 1(d). The bases used are consistent with those used in the previous year, and the following principal accounting policies are adopted:

a) Turnover

Turnover represents the income from leased hotels.

b) Stock

Stock is valued at the lower of cost and net realisable value.

c) Fixed tangible assets

Depreciation is calculated to write off the cost and valuation of fixed tangible assets over their estimated useful lives as follows:

Freehold buildings	60 years
Leasehold property	Over life of lease
Furniture, fittings and equipment	5-10 years
Motor vehicles	5 years

Freehold land is not depreciated.

Depreciation is calculated on a straight line basis on all fixed tangible assets except leasehold property, which is written off on a sinking fund basis.

Additions to freehold and leasehold properties are not depreciated in the year of acquisition.

d) Deferred taxation

No provision is made for taxation deferred by accelerated taxation allowances on capital expenditure as the company is a member of a group which provides for deferred taxation payable in the foreseeable future in the group accounts only. The assessment of what deferred tax, if any, will become payable has not been made separately for this company.

Details of the potential amount of accumulated deferred taxation are given in note 13.

NOTES (Contd)1. Accounting policies (Contd)

e) Extraordinary items

Extraordinary items derive from events or transactions outside the ordinary activities of the business which are both material and expected not to recur frequently or regularly. They include profits and losses on disposal of properties, and costs of total closures and other permanent reductions in capacity material to the company.

2. Turnover and gross profit

The turnover and gross profit is attributable to the one activity, hotel leasing, carried out within the United Kingdom.

3. Employees

Staff costs consist of:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Wages and salaries	-	854
Social security costs	-	67
Other pension costs	-	24
	<u>-</u>	<u>945</u>
	=====	=====

The average weekly number of employees during the year was as follows:

	<u>No</u>	<u>No</u>
Part time	-	4
Full time	-	160
	<u>-</u>	<u>164</u>
	===	===

4. Profit on ordinary activities before taxation

This is arrived at after charging:

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Depreciation	10	142
Auditors' remuneration	2	5
Hire of plant and machinery	-	33
	=====	=====

NOTES (Contd)5. Directors' emoluments

The directors received no remuneration during the year and waived fees due to them which in total amounted to £Nil (1984 - £Nil).

6. Tax on profit on ordinary activities

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
UK corporation tax:		
Current year at 42.5% (1984 - 47.5%)	19	66
Prior year adjustments	(118)	5
Tax (relief)/charge	<u>(99)</u>	<u>71</u>
	=====	=====

The taxation charge for the year has been increased by £11,000 (1984 - decreased by £82,000) as a result of accelerated capital allowances for which no deferred taxation has been provided.

7. Dividends

Preference dividend paid of £Nil (1984 - £4,550)

Ordinary dividend of £Nil (1984 - £Nil)

8. Tangible assets

	<u>Total</u> <u>properties</u> <u>(per note 9)</u> <u>£000</u>	<u>Furniture, fittings</u> <u>and equipment</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost and valuation			
At start of year	442	41	483
Additions	-	-	-
Disposals	(442)	(41)	(483)
At end of year	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====
Depreciation			
At start of year	25	17	42
Provided in year	6	4	10
Eliminated on disposals	(31)	(21)	(52)
At end of year	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====
Net Book Value			
At end of year	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====
At start of year	417	24	441
	=====	=====	=====

GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

19.

NOTES (Contd)

8. Tangible assets (Contd)

Capital commitments

	<u>1985</u> <u>£000</u>	<u>1984</u> <u>£000</u>
Contracted but not provided	-	-
Authorised but not contracted	-	-

9. Properties

	<u>Freehold land £000</u>	<u>Freehold buildings £000</u>	<u>Short leasehold properties £000</u>	<u>Total £000</u>
Cost and valuation				
At start of year	72	370	-	442
Disposals	(72)	(370)	-	(442)
At end of year	-	-	-	-
Depreciation				
At start of year	-	25	-	25
Provided in year	-	6	-	6
Disposals	-	(31)	-	(31)
At end of year	-	-	-	-
Net book value				
At end of year	-	-	-	-
At start of year	72	345	-	417

GRAND METROPOLITAN HOTELS (SCOTLAND) LIMITED

11.

NOTES (Contd)

10. Fixed assets - Investments

	<u>Subsidiary companies</u>
Shares at cost less amounts written off	
At beginning and end of year	£2 ==

The companies in which the company's interest is more than 10% are as follows:

<u>Subsidiary company</u>	<u>Country of registration</u>	<u>Class and percentage of shares held</u>
Pastoria Limited	England	100% of equity capital

11. Debtors

	<u>1985 £000</u>	<u>1984 £000</u>
Amounts owed by group companies:		
Subsidiary	51	51
Fellow subsidiaries	6,707	6,574
	<u>6,758</u> =====	<u>6,625</u> =====

All amounts shown under debtors fall due for payment within one year.

NOTES (Contd)12. Creditors

	1985		1984	
	Due within	Due after	Due within	Due after
	one year	one year	one year	one year
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts owed to group companies:				
Holding company and fellow subsidiaries	262	-	703	-
Taxation based on profits	48	19	15	103
Group relief payable	67	-	-	-
Accruals and deferred income	8	-	4	-
	<u>385</u>	<u>19</u>	<u>722</u>	<u>103</u>
	===	===	===	===

All creditors are payable within five years.

13. Deferred taxation

	<u>1985</u>	<u>1984</u>
	<u>£000</u>	<u>£000</u>
The potential liability for deferred taxation is as follows:		
The excess of taxation allowances claimed on fixed assets over depreciation provided in the financial statements at 35% (1984 - 35%)	-	9
	=====	=====

No deferred taxation has been provided for in these financial statements.

14. Share capital

	Authorised		Issued and fully paid	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Ordinary shares of 25p each	400	400	287	287
3.5% cumulative preference shares of £1 each	400	400	260	260
	<u>800</u>	<u>800</u>	<u>547</u>	<u>547</u>
	===	===	===	===

The preference shares are repayable on a winding up at £1.05 per share.
The final preference dividend has been waived.

NOTES (Contd)15. Reserves and profit and loss account

	Share premium account <u>£000</u>	Revaluation reserve (non- distributable) <u>£000</u>	Profit and loss account (distributable) <u>£000</u>	<u>Total</u> <u>£000</u>
At beginning of year	145	140	5,411	5,696
Retained profit for year	-	-	113	113
Transfers between reserves	-	(140)	140	-
At end of year	<u>145</u> =====	<u>-</u> =====	<u>5,664</u> =====	<u>5,809</u> =====

16. Taxation payable

Taxation payable includes amounts which may be paid to other companies in the Grand Metropolitan group in return for the surrender of tax losses of those companies.

17. Approval of financial statements

The Board of directors approved these financial statements on 10 January 1986.