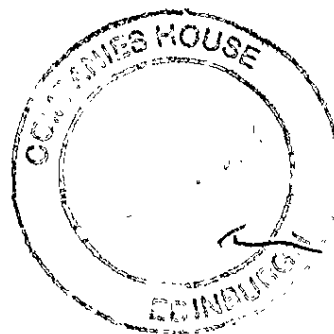


Edinburgh George Hotel Limited

Accounts 31 December 1992
together with directors' and auditors' reports

Registered number: SC024663



Directors' report

For the year ended 31 December 1992

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 1992.

Principal activity and business review

The principal activity continues to be that of hoteliers and restaurateurs.

Turnover for the year to 31 December 1992 was approximately £5,736,000 (1991 - £5,647,000). The company's loss after taxation for the year amounted to £7,417,000 (1991 - restated £387,000). The loss included a £6,250,000 exceptional write down related to a diminution in the current market value of the hotel property.

Results and dividends

	£'000
Retained profit at 1 January 1992 (as restated)	637
Retained loss for the year	(7,417)
Accumulated deficit at 31 December 1992	<u>(6,780)</u>

The directors propose that no dividend be paid in respect of the year (1991 - nil).

Directors and their interests

The directors who served during the year are as follows:

M A Cairns	(Resigned 30 June 1993)
W W Bartle	
J M Wright	(Resigned 16 March 1992)
C Mander	(Appointed 16 March 1992)

The directors who held office at 31 December 1992 had no interests in the shares, debentures or loan stock of the company or any other group company.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 8 to the accounts.

Disabled employees

The company recognises its obligations towards disabled people and endeavours to provide as much employment as the demands of the company's operations and the abilities of the disabled persons allow. Applications for employment from disabled people are studied with care. Every effort is made to find them, and any existing employees who become disabled, appropriate work and training where it is needed. Opportunities are offered to disabled employees to develop their knowledge and skills and undertake greater responsibilities.

Directors' report (continued)

Employee consultation

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the company's operations. Consultation is achieved on a formal basis through employee committees and also through more informal briefing sessions and discussions with wider groups of employees.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen (formerly Arthur Andersen & Co.) as auditors for the ensuing year.

21 George Street
Edinburgh
EH2 2PE

By order of the Board,



W W Bartle

Director

15 July 1993

Auditors' report

Edinburgh

To the Members of Edinburgh George Hotel Limited:

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 31 December 1992 and of its loss for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to note 19, which outlines the consideration given by the directors to the net liability position of the company.



Arthur Andersen
Chartered Accountants and Registered Auditor

18 Charlotte Square
Edinburgh
EH2 4DF

15 July 1993

Profit and loss account

For the year ended 31 December 1992

	Notes	1992 £'000	1991 £'000
Turnover	1g)	5,736	5,647
Operating costs (net)	2	(6,508)	(5,121)
Trading (loss) profit		(772)	526
Exceptional write down of property	8	(6,250)	-
Investment income	3	123	219
Interest payable and similar charges	4	(363)	(507)
(Loss) profit on ordinary activities before taxation		(7,262)	238
Tax on (loss) profit on ordinary activities	6	(155)	(625)
Retained loss for the year		(7,417)	(387)
Retained profit at beginning of year:			
As previously reported		219	632
Prior year adjustment	7	418	392
As restated		637	1,024
(Accumulated deficit) retained profit at end of year		(6,780)	637

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1992

	Notes	1992 £'000	1991 £'000
Fixed assets			
Tangible assets	8	11,500	21,424
Current assets			
Stocks	9	151	134
Debtors	10	615	825
Cash at bank and in hand		187	2,371
		953	3,330
Creditors: Amounts falling due within one year	11	(2,749)	(19,925)
Net current liabilities		(1,796)	(16,595)
Total assets less current liabilities		9,704	4,829
Creditors: Amounts falling due after one year	12	(15,792)	-
Net (liabilities) assets		(6,088)	4,829
Capital and reserves			
Called-up share capital	13	547	547
Share premium account	14	145	145
Revaluation reserve	14	-	3,500
Profit and loss account	14	(6,780)	637
Total capital employed		(6,088)	4,829

Signed on behalf of the Board

W W Bartle

Director



15 July 1993

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1992

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings. The accounts have been prepared in accordance with applicable accounting standards with the exception that no depreciation has been provided on hotel buildings (see b) below).

b) Tangible fixed assets

Land and buildings are shown at original historical cost or subsequent valuation as set out in note 8. Other fixed assets are shown at cost.

No depreciation is provided on freehold land and buildings. The directors believe that the company's plans for the periodic repair and refurbishment of the hotel ensure that its useful economic life and residual value, based on prices prevailing at the time of acquisition or subsequent valuation, are such that depreciation, as required by the Companies Act 1985 and accounting standards, would not be material.

Depreciation is provided on other fixed assets at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

Plant and machinery	- 5 to 25 years
Furniture, fittings, tools and equipment	- 10 years

Assets acquired second hand are depreciated over their estimated remaining useful life assessed on an asset-by-asset basis.

c) Stocks

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

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 10.

Notes to accounts (continued)

1 Accounting policies (continued)

d) Taxation (continued)

The company is part of the Saison Holdings B.V group (the "group").

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the accounts of both the surrendering and recipient companies, being paid at up to one pound for every one pound of losses surrendered.

e) Pension costs

The company provides pensions to certain employees through the group pension scheme.

The amount charged to the profit and loss account in respect of pension contributions is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid to the pension scheme is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in note 15.

f) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business. An analysis of turnover by geographical area has been omitted as all sales are UK based.

h) Revaluation Reserve

Surpluses arising on the revaluation of individual fixed assets are credited to a non-distributable reserve known as the revaluation reserve. Revaluation deficits in excess of the amount of the prior revaluation surpluses are charged to the profit and loss account. On disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is transferred to the profit and loss account.

Notes to accounts (continued)

2 Operating costs (net)

	1992 £'000	1991 £'000
Exchange loss on foreign currency loan	1,364	137
Staff costs (Note 5)	2,088	1,920
Depreciation of tangible fixed assets	291	306
Auditors' remuneration	19	17
Other external charges	2,746	2,741
	<u>6,508</u>	<u>5,121</u>

The exchange loss arises on a US dollar loan from the company's immediate parent company.

3 Investment income

	1992 £'000	1991 £'000
Bank interest receivable	<u>123</u>	<u>219</u>

4 Interest payable and similar charges

	1992 £'000	1991 £'000
On loans from group undertaking	333	495
On bank overdraft repayable within five years, not by instalments	30	12
	<u>363</u>	<u>507</u>

Notes to accounts (continued)

5 Staff costs

Particulars of employees (including executive directors) are shown below:

	1992 £'000	1991 £'000
Employee costs during the year amounted to:		
Wages and salaries	1,883	1,764
Social security costs	148	107
Other pension costs	57	49
	<u>2,088</u>	<u>1,920</u>

The average weekly number of persons employed by the company during the year was 144 (1991 - 149).

Directors' remuneration:

The directors received no emoluments in respect of services to the company during the year (1991 - nil).

6 Tax on (loss) profit on ordinary activities

The tax charge is based on the (loss) profit for the year and comprises:

	1992 £'000	1991 £'000
Corporation tax at 33% (1991 - 33/34%)	4	82
Deferred tax arising from:		
- Short term timing differences	151	(140)
Charge for group relief surrendered to the company	-	720
Adjustment of current taxation in respect of prior years	-	(37)
	<u>155</u>	<u>625</u>

Notes to accounts (continued)

7 Prior year adjustment

This comprises:

	1992 £'000	1991 £'000
Overcharge in respect of depreciation	-	114
Deferred tax credit	418	278
	<u>418</u>	<u>392</u>

During 1991 it was discovered that depreciation on tangible fixed assets had been overcharged by £114,000 in the years up to 31 December 1989.

An adjustment was required to recognise a deferred tax credit in respect of short term timing differences up to 31 December 1991. The 1991 tax charge has been restated to include the movement in the deferred tax credit during 1991.

8 Tangible fixed assets

The movement on tangible fixed assets during the year was as follows:

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
Cost or valuation				
Beginning of year	19,705	677	1,951	22,333
Additions	-	37	80	117
Revaluation	(9,750)	-	-	(9,750)
End of year	<u>9,955</u>	<u>714</u>	<u>2,031</u>	<u>12,700</u>
Depreciation				
Beginning of year	-	187	722	909
Charge	-	46	245	291
End of year	<u>-</u>	<u>233</u>	<u>967</u>	<u>1,200</u>
Net book value				
Beginning of year	<u>19,705</u>	<u>490</u>	<u>1,229</u>	<u>21,424</u>
End of year	<u>9,955</u>	<u>481</u>	<u>1,064</u>	<u>11,500</u>

Notes to accounts (continued)

8 Tangible fixed assets (continued)

The freehold land and buildings were valued by the directors at £11,500,000, at 2 November 1992. The net book value of the freehold land and buildings has been adjusted to reflect this revaluation, with the resulting deficit being offset first against the revaluation reserve and then being debited as an exceptional item to the profit and loss account. The amount debited to the profit and loss account in the year was £6,250,000.

9 Stocks

The following are included in the net book value of stocks:

	1992 £'000	1991 £'000
Consumables	116	100
Finished products and goods for resale	35	34
	<u>151</u>	<u>134</u>

10 Debtors

The following are included in the net book value of debtors:

	1992 £'000	1991 £'000
Trade debtors	242	262
Prepayments and accrued income:		
- deferred taxation on short term timing differences	267	418
- other	106	145
	<u>615</u>	<u>825</u>

Deferred tax has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that part of the asset will crystallise.

The movement on deferred taxation comprises:

	1992 £'000	1991 £'000
Beginning of year	(418)	-
Charged to profit and loss account in respect of:		
- Short term timing differences	151	(418)
	<u>(267)</u>	<u>(418)</u>

Notes to accounts (continued)

10 Debtors (continued)

The total amount of deferred tax not provided was approximately £1,891,00 (1991 - £5,145,000), which was attributable to:

	1992 £'000	1991 £'000
Excess of tax allowances over book depreciation of fixed assets	525	545
Corporation tax on deferred capital gains arising on the transfer of the George Hotel from another group company	1,366	3,445
Additional taxes that would arise if the George Hotel were to be disposed of at its revalued amount	-	1,155
	<u>1,891</u>	<u>5,145</u>

11 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1992 £'000	1991 £'000
Bank overdraft	750	-
Trade creditors	256	339
Amounts owed to holding company	-	17,430
Amounts owed to other group undertakings	996	1,001
Other creditors:		
- UK corporation tax payable	226	681
- Social security and PAYE	42	43
- VAT	175	181
Accruals and deferred income	304	250
	<u>2,749</u>	<u>19,925</u>

12 Creditors: Amounts falling due after one year

	1992 £'000	1991 £'000
Amounts owed to holding company	<u>15,792</u>	<u>-</u>

Notes to accounts (continued)

13 Called-up share capital

	1992 £	1991 £
<i>Authorised:</i>		
3,200,000 ordinary shares of 25p each	<u>800,000</u>	<u>800,000</u>
<i>Allotted, called-up and fully-paid:</i>		
2,186,667 ordinary shares of 25p each	<u>546,667</u>	<u>546,667</u>

14 Reserves

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Beginning of year (restated)	145	3,500	637	4,282
Retained loss for year	-	-	(7,417)	(7,417)
Property revaluation (see note 8)	-	(3,500)	-	(3,500)
End of year	<u>145</u>	<u>-</u>	<u>(6,780)</u>	<u>(6,635)</u>

15 Pension arrangements

Inter-Continental Hotels Corporation operates one defined benefit pension scheme covering employees in its UK companies. Of the employees of this company 34 are members of the scheme. The assets of the scheme are held in a separate trustee administered fund.

The pension cost, for the purpose of Statement of Standard Accounting Practice 24, has been assessed in accordance with the advice of the independent professionally qualified actuary, based on the results of an actuarial review of the scheme at 1 April 1991. The actuarial method used for this review was the projected unit method. The principal assumptions used for the calculations were that future investment returns would average 9% a year and salaries would increase at the rate of 7% a year.

At the date of the actuarial review the market value of the scheme's assets was taken as £5,684,500, and the actuarial value of these assets represented 97.5% of the liability for the accrued benefits allowing for expected future increases in salaries.

The company pays contributions to the scheme from time to time based on the results of regular actuarial valuations. Company contributions of £57,000 were paid in the year ended 31 December 1992 (1991 - £49,000). Contributions were equivalent to the pension cost.

Notes to accounts (continued)

16 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were:

	1992 £'000	1991 £'000
Contracted for but not provided for	150	3
Authorised but not contracted for	-	-
	<u>150</u>	<u>3</u>

b) VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group would give rise to additional liabilities for the company. The directors are of the opinion that no liability is likely to arise from the failure of those companies.

c) Guarantees

The company has entered into a cross-guarantee arrangement whereby the company has guaranteed overdrafts and other liabilities of other companies in the Saison Holdings BV group.

17 Ultimate parent company

The company is a subsidiary undertaking of Saison Holdings BV, incorporated in the Netherlands.

The smallest and largest group in which the results of the company are consolidated is that headed by Saison Holdings BV. The consolidated accounts of this group are filed in the Trade Register of the Chamber of Commerce in the Netherlands and are available for inspection there.

18 Cash flow statement

A cash flow statement has not been produced, as the directors have taken advantage of the Financial Reporting Standard 1 exemption to dispense with this requirement due to a consolidated cash flow statement being incorporated in the consolidated accounts of Saison Holdings BV.

19 Continuing financial support

The liabilities of the company exceed its assets. Saison Holdings B.V has confirmed that it will continue to provide financial support to the company. The directors have considered the financial position of the company and have concluded that the company is able to meet its liabilities as they fall due.