ARTHUR ANDERSEN

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# Edinburgh George Hotel Limited

Accounts 31 December [illegible]

together with directors' and auditors' reports

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Accounts 31 December 1993
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Registered number: SCO24663

COMPANIES HOUSE
28 JUN 1994

UK Form AP-504 (7/92)

# Directors' report

For the year ended 31 December 1993

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 1993.

**Principal activity and business review**

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

Turnover for the year to 31 December 1993 was £6,341,000 (1992 - £5,736,000). The company's loss after taxation for the year amounted to £69,000 (1992 - £7,417,000). The loss in 1992 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 |
|---|---|
| Accumulated deficit at 1 January 1993 | 6,780 |
| Retained loss for the year | 69 |
| Accumulated deficit at 31 December 1993 | 6,849 |

The directors propose that no dividend be paid in respect of the year (1992 - 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
C Mander

The directors who held office at 31 December 1993 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 7 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.

**Statement of Directors' Responsibilities**
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors' Responsibilities**
Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed inthe accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report on pages 1 to 3. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the financial statements.

**Auditors**

The directors of the company elect, under Section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually and accordingly the company's auditors, Arthur Andersen, shall remain in office until the company or the auditors otherwise determine.

21 George Street
Edinburgh
EH2 2PE

By order of the Board,

W W Bartle
Director

15 June 1994

# Auditors' report

Edinburgh

To the Members of Edinburgh George Hotel Limited:

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention (as modified by the revaluation of land and buildings) and the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**
As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company'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 the company's affairs at 31 December 1993 and of its loss for the 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 18, which outlines the consideration given by the directors to the net liability position of the company.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

18 Charlotte Square
Edinburgh
EH2 4DF

15 June 1994

# Profit and loss account

For the year ended 31 December 1993

| | Notes | 1993 £'000 | 1992 £'000 |
|---|---|---|---|
| **Turnover** | 1g) | 6,341 | 5,736 |
| Operating costs (net) | 2 | (5,361) | (6,508) |
| **Operating profit (loss)** | | 980 | (772) |
| Exceptional write down of property | 7 | - | (6,250) |
| **Profit (loss) on ordinary activites before interest and taxation** | | 980 | (7,022) |
| Interest payable (net) | 3 | (1,097) | (240) |
| **Loss on ordinary activities before taxation** | | (117) | (7,262) |
| Tax on loss on ordinary activities | 5 | 48 | (155) |
| **Retained loss for the year** | | (69) | (7,417) |
| **Retained (loss) profit at beginning of year:** | | | |
| As previously reported | | (6,780) | 219 |
| Prior year adjustment | 6 | - | 418 |
| As restated | | - | 637 |
| **Accumulated deficit at end of year** | | (6,849) | (6,780) |

The current year results have been derived wholly from continuing operations.

The reported loss on ordinary activities before tax is not materially different from the historical cost loss on ordinary activities before taxation.

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

# Statement of total recognised gains and losses

For the year ended 31 December 1993

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| **Loss for the financial year** | (69) | (7,417) |
| Unrealised loss on revaluation of property | - | (3,500) |
| **Total recognised losses relating to the year** | (69) | (10,917) |

# Balance sheet

31 December 1993

| | Notes | 1993<br>£'000 | 1992<br>£'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 7 | 11,507 | 11,500 |
| **Current assets** | | | |
| Stocks | 8 | 164 | 151 |
| Debtors | 9 | 932 | 615 |
| Cash at bank and in hand | | 76 | 187 |
| | | 1,172 | 953 |
| **Creditors: Amounts falling due within one year** | 10 | (1,990) | (2,749) |
| **Net current liabilities** | | (818) | (1,796) |
| **Total assets less current liabilities** | | 10,689 | 9,704 |
| **Creditors: Amounts falling due after one year** | 11 | (16,846) | (15,792) |
| **Net liabilities** | | (6,157) | (6,088) |
| **Capital and reserves** | | | |
| *Called-up share capital* | 12 | 547 | 547 |
| Share premium account | 13 | 145 | 145 |
| Profit and loss account | 13 | (6,849) | (6,780) |
| **Total capital deficit** | | (6,157) | (6,088) |

**Signed on behalf of the Board**

W W Bartle Director

W Bartle

15 June 1994

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

# Notes to accounts
31 December 1993

## 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.

*b) Tangible fixed assets*
Land and buildings are shown at original historical cost or subsequent valuation as set out in note 7. 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 9.

# 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 14.

*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.

## 2 Operating costs (net)

| | | 1993 £'000 | 1992 £'000 |
|---|---|---|---|
| Exchange (gain) loss on foreign currency loan | | (82) | 1,364 |
| Staff costs (Note 4) | | 2,216 | 2,088 |
| Depreciation of tangible fixed assets | - owned | 303 | 291 |
| | - held under finance leases | 21 | - |
| Auditors' remuneration | - audit fees | 19 | 19 |
| | - non audit fees | 6 | 5 |
| Other external charges | | 2,878 | 2,741 |
| | | 5,361 | 6,508 |

The exchange (gain) loss arises on a US dollar loan from the company's immediate parent company. During 1993 this loan was converted to a sterling loan.

## 3 Interest payable (net)

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| On loans from group undertaking | 1,048 | 333 |
| On bank overdraft repayable within five years, not by instalments | 61 | 30 |
| Other | 10 | - |
| Interest payable and similar charges | 1,119 | 363 |
| Bank interest receivable | (22) | (123) |
| | 1,097 | 240 |

Other interest payable relates to the interest element of charges payable under finance leases.

**4 Staff costs**

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

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Employee costs during the year amounted to: | | |
| Wages and salaries | 1,996 | 1,883 |
| Social security costs | 148 | 148 |
| Other pension costs | 72 | 57 |
| | 2,216 | 2,088 |

The average weekly number of persons employed by the company during the year was 155 (1992 - 144).

Directors' remuneration:

The directors received no emoluments in respect of services to the company during the year (1992 - nil).

**5 Tax on loss on ordinary activities**

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

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Corporation tax at 33% (1992 - 33%) | (298) | (4) |
| *Deferred tax arising from:* | | |
| - Short term timing differences | 346 | (151) |
| | 48 | (155) |

### 6 Prior year adjustment

This comprises:

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Deferred tax credit | - | 418 |
| | - | 418 |

An adjustment was required to recognise a deferred tax credit in respect of short term timing differences up to 31 December 1991.

### 7 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 | 9,955 | 714 | 2,031 | 12,700 |
| Additions | - | 25 | 306 | 331 |
| Revaluation | - | - | - | - |
| End of year | 9,955 | 739 | 2,337 | 13,031 |
| **Depreciation** | | | | |
| Beginning of year | - | 233 | 967 | 1,200 |
| Charge | - | 45 | 279 | 324 |
| End of year | - | 278 | 1,246 | 1,524 |
| **Net book value** | | | | |
| Beginning of year | 9,955 | 481 | 1,064 | 11,500 |
| End of year | 9,955 | 461 | 1,091 | 11,507 |
| Leased assets included in the above: | | | | |
| - net book value - beginning of year | - | - | - | - |
| - net book value - end of year | - | - | 123 | 123 |

**7 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 was 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 in the prior year. The amount debited to the profit and loss account in 1992 was £6,250,000.

**8 Stocks**

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

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Consumables | 116 | 116 |
| Finished products and goods for resale | 48 | 35 |
| | 164 | 151 |

**9 Debtors**

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

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Trade debtors | 235 | 242 |
| Prepayments and accrued income: | | |
| - deferred taxation on short term timing differences | 613 | 267 |
| - other | 84 | 106 |
| | 932 | 615 |

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:

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Beginning of year | 267 | 418 |
| Credited (charged) to profit and loss account in respect of: | | |
| - Short term timing differences | 346 | (151) |
| | 613 | 267 |

# Notes to accounts (continued)

**9 Debtors (continued)**

The total amount of deferred tax not provided was approximately £1,881,000 (1992 - £1,891,000), which was attributable to:

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Excess of tax allowances over book depreciation of fixed assets | 515 | 525 |
| Corporation tax on deferred capital gains arising on the transfer of the George Hotel from another group company | 1,366 | 1,366 |
| | 1,881 | 1,891 |

**10 Creditors: Amounts falling due within one year**

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

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Bank overdraft | 412 | 750 |
| Trade creditors | 258 | 256 |
| Amounts owed to other group undertakings | 524 | 996 |
| Other creditors: | | |
| - UK corporation tax payable | 257 | 226 |
| - Social security and PAYE | 43 | 42 |
| - VAT | 183 | 175 |
| Obligations under finance leases | 21 | - |
| Accruals and deferred income | 292 | 304 |
| | 1,990 | 2,749 |

**11 Creditors: Amounts falling due after one year**

| | 1993 £'000 | 1992 £'000 |
|---|---|---|
| Obligation under finance leases | 97 | - |
| Amounts owed to holding company | 16,749 | 15,792 |
| | 16,846 | 15,792 |

### 12 Called-up share capital

| | 1993 £ | 1992 £ |
|---|---|---|
| *Authorised:* | | |
| 3,200,000 ordinary shares of 25p each | 800,000 | 800,000 |
| *Allotted, called-up and fully-paid:* | | |
| 2,186,667 ordinary shares of 25p each | 546,667 | 546,667 |

### 13 Reserves

| | Share premium £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|
| Beginning of year | 145 | (6,780) | (6,635) |
| Retained loss for year | - | (69) | (69) |
| End of year | 145 | (6,849) | (6,704) |

### 14 Pension arrangements

Inter-Continental Hotels Corporation operates one defined benefit pension scheme covering employees in its UK companies. Of the employees of this company 33 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 £62,000 were paid in the year ended 31 December 1993 (1992 - £57,000). Contributions were equivalent to the pension cost.

**15 Guarantees and other financial commitments**

*a) Capital commitments*

At the end of the year, capital commitments were:

| | 1993<br>£'000 | 1992<br>£'000 |
|---|---|---|
| Contracted for but not provided for | - | 150 |
| Authorised but not contracted for | - | - |
| | - | 150 |

*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.

**16 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.

**17 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.

**18 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.