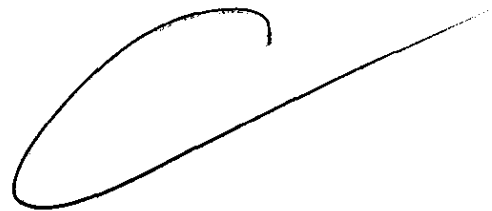


**EDINBURGH GEORGE HOTEL LIMITED**

**Report and Financial Statements**

**30 September 2000**



**Deloitte & Touche  
39 George Street  
Edinburgh  
EH2 2HZ**



**REPORT AND FINANCIAL STATEMENTS 2000**

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**REPORT AND FINANCIAL STATEMENTS 2000**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

G M Cowie  
F J Croston  
C D Glanville

**SECRETARY**

M J N Bridge

**REGISTERED OFFICE**

21 George Street  
Edinburgh  
EH2 2PB

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
39 George Street  
Edinburgh EH2 2HZ

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 September 2000.

**PRINCIPAL ACTIVITY**

The company's principal activity is operating the hotel known as the George Inter-Continental Edinburgh, located at George Street, Edinburgh.

**RESULTS AND DIVIDENDS**

The company made a loss after taxation for the year of £12,000 (1999 – profit £710,000).

**FUTURE PROSPECTS**

The directors consider that the results for the year and the financial position at 30 September 2000 are satisfactory and that the prospects for the future of the company remain healthy.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the period and up to the date of this report are as follows:

G M Cowie  
F J Croston  
C D Glanville

None of the directors had an interest in the shares of the company or any other group company.

The following directors had an interest in the ordinary shares of Bass PLC, the ultimate parent company, at 30 September 2000:

	Fully paid ordinary shares		Ordinary shares under option					
	1999	2000	At 1 October 1999	Granted in the year	Exercised in year	At 30 September 2000	Option price	Earliest exercise date
G M Cowie	-	-	10,700	-	-	10,700	798.00p	25.02.02
	-	-	-	32,900	-	32,900	597.00p	10.02.03
F J Croston	-	-	-	41,800	-	41,800	597.00p	10.02.03

**AUDITORS**

Pursuant to S386 of the Companies Act 1985 as inserted by S119 of the Companies Act 1989 an elective resolution has been passed dispensing with the requirement to appoint auditors annually, accordingly Deloitte & Touche remain in office for a further term.

Approved by the Board of Directors  
and signed on behalf of the Board

Director ~~SECRETARY~~

18 June 2001

**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 as at the end of the financial year 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
- 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. 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' REPORT TO THE MEMBERS OF  
EDINBURGH GEORGE HOTEL LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

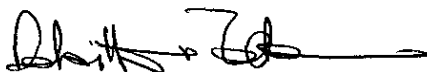
**Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

21 June 2001

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 2000**

	Note	2000 £000	1999 £000
<b>TURNOVER</b>	2	7,781	7,762
Operating costs:			
Other operating costs		(6,399)	(5,953)
Operating profit		1,382	1,809
Interest payable and similar charges	3	(1,310)	(1,243)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	72	566
Tax charge/(credit) on profit on ordinary activities	6	84	(144)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(12)	710
Profit and loss account brought forward		(397)	(1,107)
Profit and loss account carried forward		(409)	(397)

There are no recognised gains or losses for the current period and prior year other than as stated above.

All turnover and operating profit is derived from continuing activities.

**BALANCE SHEET**  
**30 September 2000**

	Note	2000 £000	1999 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	17,746	18,000
<b>CURRENT ASSETS</b>			
Stocks	8	132	136
Debtors	9	699	758
Cash at bank and in hand		3,135	1,479
		3,966	2,373
<b>CREDITORS: amounts falling due within one year</b>	10	(1,883)	(20,068)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		2,083	(17,695)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,829	305
<b>CREDITORS: amounts falling due after more than one year</b>	11	(19,536)	-
<b>NET ASSETS</b>		293	305
<b>EQUITY CAPITAL AND RESERVES</b>			
Called-up equity share capital	12	547	547
Share premium account	13	145	145
Revaluation reserve	13	10	10
Profit and loss account	13	(409)	(397)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		293	305

These financial statements were approved by the Board of Directors on

18 June 2001.

Signed on behalf of the Board of Directors

  
 Director



## NOTES TO THE ACCOUNTS

Year ended 30 September 2000

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings and certain other fixed assets, and have been prepared in accordance with applicable accounting standards.

**Tangible fixed assets**

Land and buildings and fixtures, fittings and equipment are shown at valuation as set out in note 8.

Depreciation is not provided on freehold land.

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

Freehold buildings	12 to 50 years
Fixtures, fittings and equipment	5 to 25 years

In adopting FRS 15, the directors have elected to continue to carry land and buildings and fixtures, fittings and equipment at valuation.

**Stocks**

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

**Taxation**

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

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which can be expected to reverse in the foreseeable future, calculated at the rates at which it is expected that tax will arise.

**Pension costs**

The ultimate parent company, Bass PLC, operates two defined benefit pension schemes covering all permanent UK employees employed by itself or its subsidiary companies. The assets of the schemes are held in separate trustee administered funds. The cost of providing these scheme benefits, both regular pension costs and variations in regular cost, is charged to the profit and loss account over the average expected service lives of current employees in proportion to pensionable payrolls. Differences between the amount charged in the profit and loss account and the payment made to the scheme are treated as provisions or prepayments in the balance sheet.

Further information on pension costs is provided in note 15.

**NOTES TO THE ACCOUNTS****Year ended 30 September 2000****1. ACCOUNTING POLICIES (Continued)****Foreign currencies**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of each 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.

**Turnover**

Turnover comprises the value of sales (excluding VAT) of services in the normal course of business.

**Cash flow statement**

Under the provisions of Financial Reporting Standard No 1 Revised, the company has not prepared a cash flow statement because its ultimate parent company, Bass PLC, which is incorporated in the United Kingdom, has prepared consolidated accounts which include the accounts of the company for the period and which contain an appropriate cash flow statement.

**2. TURNOVER**

Turnover and profit on ordinary activities before taxation were wholly attributable to hotel and catering operations within the United Kingdom.

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Interest on loans from parent company	1,308	1,235
Finance charges	2	8
	<hr/>	<hr/>
	<b>1,310</b>	<b>1,243</b>
	<hr/>	<hr/>

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (see note 5)	2,426	2,515
Depreciation and amounts written off tangible fixed assets		
- owned	480	250
- held under finance leases	-	14
Equipment rental	72	-
Auditors' remuneration		
- audit fees	18	15
- other services	8	8
Reversal of prior year deficit on revaluation of property	-	(10)
Gain/loss on disposal of fixed asset	-	(1)
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS****Year ended 30 September 2000****5. STAFF COSTS**

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

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Employee costs during the year amounted to:		
Wages and salaries	2,184	2,293
Social security costs	166	165
Other pensions costs (see note 15)	76	57
	<u>2,426</u>	<u>2,515</u>

The average monthly number of persons employed by the company during the financial year was 191 (1999: 175).

Directors' remuneration:

The directors received no remuneration in respect of services to the company during the financial year (1999: £nil).

**6. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
The tax charge based on the profit for the financial year end comprises:		
Group relief	84	159
Adjustment in respect of prior years	-	(303)
	<u>84</u>	<u>(144)</u>

No provision has been made in the accounts for deferred taxation as the accelerated capital allowances are not expected to reverse.

Had the company provided the full amount of potential deferred taxation, the deferred tax liability would have been as follows:

	<b>£000</b>	<b>£000</b>
Capital allowances	647	689
Other timing differences	-	504
	<u>647</u>	<u>1,193</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 2000****7. TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £000</b>	<b>Fixtures, fittings, tools and equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 October 1999	16,339	1,661	18,000
Additions	77	149	226
	<hr/>	<hr/>	<hr/>
At 30 September 2000	16,416	1,810	18,226
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 October 1999	-	-	-
Charge for the year	148	332	480
	<hr/>	<hr/>	<hr/>
At 30 September 2000	148	332	480
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 September 2000	16,268	1,478	17,746
	<hr/>	<hr/>	<hr/>
At 30 September 1999	16,339	1,661	18,000
	<hr/>	<hr/>	<hr/>

As at 30 September 1999 the freehold land and buildings were valued by Jones Lang LaSalle Hotels at £16,339,000 on an existing use value basis.

As at 30 September 1999 the fixtures, fittings & equipment were valued by Jones Lang LaSalle Hotels on an existing use value basis at £1,661,000. The surplus on valuation together with the adjustment to historic depreciation (a net amount of £10,000) was credited to the revaluation reserve in the prior year.

NOTES TO THE ACCOUNTS  
Year ended 30 September 2000

## 7. TANGIBLE FIXED ASSETS (continued)

The equivalent amounts of fixed assets at 30 September 2000 under the historic cost basis are as follows:

	Freehold land and buildings £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost	16,729	3,696	19,955
Accumulated depreciation	(461)	(2,228)	(2,209)
<b>Net book value</b>			
At 30 September 2000	16,268	1,468	17,736
At 30 September 1999	16,339	1,651	17,990

## 8. STOCKS

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

	2000 £000	1999 £000
Food and beverage supplies	55	55
Other consumables and spares	77	81
	132	136

The replacement cost of the stocks is not materially different from the historical cost set out above.

## 9. DEBTORS

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

	2000 £000	1999 £000
Trade debtors	620	691
Prepayments	79	67
	699	758

**NOTES TO THE ACCOUNTS****Year ended 30 September 2000****10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

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

	2000 £000	1999 £000
Trade creditors	143	155
Amounts owed to other group companies	512	18,712
Tax and social security	49	62
Other creditors		
- VAT	365	353
- obligations under finance leases	-	5
- other creditors	527	578
Group relief payable	287	203
	<u>1,883</u>	<u>20,068</u>

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2000 £000	1999 £000
Amounts owed to other group companies	<u>19,536</u>	<u>-</u>

The amount owed to other group companies included a promissory note, including rolled up interest, together totalling £20,048,000 (1999 - £18,712,000), issued on 31 August 1994, which matured on 15 December 1999. Interest was charged at LIBOR plus 0.875 per cent. The group lender has granted an extension of the maturity date until 15 December 2004. Interest will be charged at LIBOR plus 2.0 per cent. The promissory note is now included in amounts owed to other group companies falling due within one year and after more than one year.

The company is part of a group arrangement for set off of balances. In addition to providing security for the overdraft, there is a contingent liability in respect of overdrafts of other group companies.

NOTES TO THE ACCOUNTS  
Year ended 30 September 2000

## 12. CALLED UP SHARE CAPITAL

	2000 £000	1999 £000
<b>Authorised</b>		
3,200,000 ordinary shares of 25p each	800	800
<b>Allotted, called-up and fully paid</b>		
2,186,667 ordinary shares of 25p each	547	547

## 13. COMBINED MOVEMENT IN RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
1 October 1999	547	145	10	(397)	305
Loss for the financial year	-	-	-	(12)	(12)
30 September 2000	547	145	10	(409)	293

## 14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

**Capital commitments**

There were no capital commitments at 30 September 2000 (1999: £nil).

**VAT**

The company is registered for VAT purposes in a group of companies which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by the 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.

**Guarantees**

The company has entered into a composite guarantee with Lloyds Bank to guarantee amounts due on overdrafts of other companies in the group headed by Bass PLC to the extent of any credit balance of the company held by Lloyds.

**NOTES TO THE ACCOUNTS****Year ended 30 September 2000****15. PENSION SCHEME**

As stated in note 1, the ultimate parent company, Bass PLC operates two defined benefit pension schemes covering all permanent UK employees employed by itself or its subsidiary companies. Retirement and death benefits are provided for eligible group employees in the United Kingdom principally by the Bass Pension Plan which covers 11,849 (1999: 11,223) employees and the Bass Executive Pension Plan which covers approximately 649 (1999:623) employees. Members of these plans are contracted out of the State Earnings Related Pension Scheme. The plans are both defined benefit schemes. The assets of these plans are held in self-administered trust funds separate from the group's assets. The group operates a number of minor pension schemes outside the United Kingdom

The pension costs related to the two principal plans are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the plans were made as at 31 March 1999. The significant assumptions in these valuations were that wages and salaries increase on average by 4% per annum, the long-term return on assets is 6% per annum, and pensions increase by 2.5% per annum. The average expected remaining service life of current employees is 14 years.

At 31 March 1999 the market value of the combined assets of the plan was £2,132 million and the actuarial value of the assets was sufficient to cover 117% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Company contributions of £61,000 were paid in the year to 30 September 2000 (year to 30 September 1999: £45,000).

**16. ULTIMATE AND IMMEDIATE PARENT COMPANY**

The company's ultimate parent company and controlling entity is Bass PLC, incorporated in the United Kingdom. The smallest and largest group in which the results of the company are consolidated is that headed by Bass PLC. The consolidated accounts of Bass PLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, DF4 3UZ.

As a wholly owned subsidiary of Bass PLC, the company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Bass PLC.