

Edinburgh George Hotel Limited

Accounts 31 December 1994

together with directors' and auditors' reports

Registered number: SCO24663

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Directors' report

For the year ended 31 December 1994

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 1994.

Principal activity and business review

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

Turnover for the year to 31 December 1994 was £6,451,000 (1993 - £6,341,000). The company's loss after taxation for the year amounted to £188,000 (1993 - £69,000).

Results and dividends

£'000

Accumulated deficit at 1 January 1994	6,849
Retained loss for the year	188
Accumulated deficit at 31 December 1994	<u>7,037</u>

The directors propose that no dividend be paid in respect of the year (1993 - nil).

Directors and their interests

The directors who served during the year are as follows:

W W Bartle (resigned 16 June 1995)
C Mander (resigned 16 June 1995)
A Pucciarelli (appointed 16 June 1995)
P Travers (appointed 16 June 1995)

The directors who held office at 31 December 1994 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 6 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.

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

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,



P Travers
Director

29 September 1995

Auditors' report

Edinburgh

To the Members of Edinburgh George Hotel Limited:

We have audited the financial statements on pages 4 to 14 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 6 and 7.

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

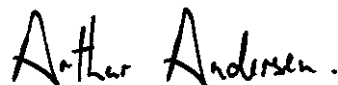
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Without qualifying our opinion above, we draw attention to note 17, which outlines the consideration given by the directors to the net liability position of the company.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

18 Charlotte Square
Edinburgh
EH2 4DF

29 September 1995

Profit and loss account

For the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Turnover	1g)	6,451	6,341
Operating costs (net)	2	(5,595)	(5,361)
Operating profit		856	980
Interest payable (net)	3	(1,110)	(1,097)
Loss on ordinary activities before taxation		(254)	(117)
Tax on loss on ordinary activities	5	66	48
Retained loss for the year		(188)	(69)
Retained loss at beginning of year		(6,849)	(6,780)
Accumulated deficit at end of year		(7,037)	(6,849)

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

The company has no recognised gains or losses other than the loss for the year.

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.

Balance sheet

31 December 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	6	14,000	11,507
Current assets			
Stocks	7	141	164
Debtors	8	1,037	932
Cash at bank and in hand		190	76
		1,368	1,172
Creditors: Amounts falling due within one year	9	(1,607)	(1,990)
Net current liabilities		(239)	(818)
Total assets less current liabilities		13,761	10,689
Creditors: Amounts falling due after one year	10	(17,577)	(16,846)
Net liabilities		(3,816)	(6,157)
Capital and reserves			
Called-up share capital - equity shares	11	547	547
Share premium account	12	145	145
Revaluation reserve	12	2,529	-
Profit and loss account	12	(7,037)	(6,849)
Total capital deficit		(3,816)	(6,157)

Signed on behalf of the Board

P Travers

Director

29 September 1995

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

Notes to accounts

31 December 1994

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 6. 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 8.

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 13.

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)

	1994 £'000	1993 £'000
Exchange loss on foreign currency loan	-	(82)
Staff costs (Note 4)	2,328	2,216
Depreciation of tangible fixed assets		
- owned	315	303
- held under finance leases	14	21
Auditors' remuneration		
- audit fees	19	19
- non audit fees	4	6
Other external charges	2,915	2,878
	<u>5,595</u>	<u>5,361</u>

The exchange loss in the prior year arose on a US dollar loan from the company's immediate parent company. During 1993 this loan was converted to a sterling denominated loan.

3 Interest payable (net)

	1994 £'000	1993 £'000
On loans from group undertaking	1,083	1,048
On bank overdraft repayable within five years, not by instalments	39	61
Other	-	10
Interest payable and similar charges	1,122	1,119
Bank interest receivable	(12)	(22)
	<u>1,110</u>	<u>1,097</u>

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

Notes to accounts (continued)

4 Staff costs

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

	1994 £'000	1993 £'000
Employee costs during the year amounted to:		
Wages and salaries	2,124	1,996
Social security costs	148	148
Other pension costs	56	72
	<u>2,328</u>	<u>2,216</u>

The average weekly number of persons employed by the company during the year was 159 (1993 - 155).

Directors' remuneration:

The directors received no emoluments in respect of services to the company during the year (1993 - nil).

5 Tax on loss on ordinary activities

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

	1994 £'000	1993 £'000
Corporation tax at 33% (1993 - 33%)	672	(298)
Adjustment for current taxation in respect of prior years	(12)	-
Deferred tax arising from:		
- Short term timing differences		
- current year	(633)	346
- prior year	39	-
	<u>66</u>	<u>48</u>

Notes to accounts (continued)

6 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	739	2,337	13,031
Additions	71	11	211	293
Surplus on revaluation	2,529	-	-	2,529
End of year	12,555	750	2,548	15,853
Depreciation				
Beginning of year	-	278	1,246	1,524
Charge	-	39	290	329
End of year	-	317	1,536	1,853
Net book value				
Beginning of year	9,955	461	1,091	11,507
End of year	12,555	433	1,012	14,000
Leased assets included in the above:				
- net book value - beginning of year	-	-	123	123
- net book value - end of year	-	-	109	109

The freehold land and buildings were valued by Jones Lang Wootton, Chartered Surveyors at £14,000,000 on 1 August 1994. The net book value of the freehold land and buildings was adjusted to reflect this revaluation, with the resulting surplus being credited to a revaluation reserve.

Notes to accounts (continued)

7 Stocks

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

	1994 £'000	1993 £'000
Consumables	97	116
Finished products and goods for resale	44	48
	<u>141</u>	<u>164</u>

8 Debtors

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

	1994 £'000	1993 £'000
Trade debtors	285	235
Due from fellow group undertaking	672	-
Prepayments and accrued income:		
- deferred taxation on short term timing differences	19	613
- other	61	84
	<u>1,037</u>	<u>932</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:

	1994 £'000	1993 £'000
Beginning of year	613	267
(Credited) charged to profit and loss account in respect of:		
- Short term timing differences		
- current year	(633)	346
- prior year	39	-
	<u>19</u>	<u>613</u>

Notes to accounts (continued)

8 Debtors (continued)

The total amount of deferred tax not provided was approximately £1,872,000 (1993 - £1,881,000), which was attributable to:

	1994 £'000	1993 £'000
Excess of tax allowances over book depreciation of fixed assets	506	515
Corporation tax on deferred capital gains arising on the transfer of the George Hotel from another group company	1,366	1,366
	<u>1,872</u>	<u>1,881</u>

9 Creditors: Amounts falling due within one year

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

	1994 £'000	1993 £'000
Bank overdraft	69	412
Trade creditors	143	258
Amounts owed to other group undertakings	671	524
Other creditors:		
- UK corporation tax payable	206	257
- Social security and PAYE	44	43
- VAT	202	183
Obligations under finance leases	21	21
Accruals and deferred income	251	292
	<u>1,607</u>	<u>1,990</u>

10 Creditors: Amounts falling due after one year

	1994 £'000	1993 £'000
Obligation under finance leases	77	97
Amounts owed to holding company	17,500	16,749
	<u>17,577</u>	<u>16,846</u>

Notes to accounts (continued)

11 Called-up share capital

	1994 £	1993 £
<i>Authorised:</i>		
3,200,000 ordinary shares of 25p each	800,000	800,000
<i>Allotted, called-up and fully-paid:</i>		
2,186,667 ordinary shares of 25p each	546,667	546,667

12 Reserves

	Share premium £'000	Revaluation reserve £'000	Profit and loss account (distributable) £'000	Total £'000
Beginning of year	145	-	(6,849)	(6,704)
Retained loss for year	-	-	(188)	(188)
Surplus on revaluation	-	2,529	-	2,529
End of year	145	2,529	(7,037)	(4,363)

13 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 an independent professionally qualified actuary, based on the results of an actuarial review of the scheme at 1 April 1994. 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 £10,082,092, and the actuarial value of these assets represented 94% 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 £56,000 were paid in the year ended 31 December 1994 (1993 - £62,000). Contributions were equivalent to the pension cost.

Notes to accounts (continued)

14 Guarantees and other financial commitments

a) *Capital commitments*

There were no capital commitments at 31 December 1994 (1993 - £nil).

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.

15 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.

The company's immediate holding company is IHC Edinburgh (Holdings) Limited, incorporated in England.

16 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.

17 Continuing Financial Support

The liabilities of the company exceed its assets. The company's parent company, IHC Edinburgh (Holdings) Ltd, has confirmed its intention to provide continuing financial support to the company. IHC Edinburgh (Holdings) Ltd relies on the continuing financial support of its ultimate parent company Saison Holdings BV (SHBV).

SHBV has substantial borrowings under its principal loan facilities which are due on or before 14 December 1995. The SHBV directors expect that SHBV will obtain refinancing to retire the existing facilities and provide funding capacity for the medium term.

Having considered the financial position of the company, including the above, the directors of the company have concluded that the company is able to meet its liabilities as they fall due. Accordingly, the accounts have been prepared on a going concern basis.