

SC24663

EDINBURGH GEORGE HOTEL LIMITED

Report and Financial Statements

30 September 2001



SCT SZ39K00N 0036
COMPANIES HOUSE
COMPANIES HOUSE

10/10
10/07/02

Edinburgh George Hotel Limited

Registered No. SCO24663

DIRECTORS

G M Cowie
F J Croston
C D Glanville

SECRETARIES

M J N Bridge
C D Glanville

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

21 George Street
Edinburgh EH2 2PB

Edinburgh George Hotel Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 September 2001.

RESULTS AND DIVIDENDS

The company made a loss for the year of £320,000 (2000 – loss £12,000). The directors do not recommend the payment of a dividend (2000 – £nil).

PRINCIPAL ACTIVITY

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

FUTURE DEVELOPMENTS

The directors consider that the results for the year and the financial position at 30 September 2001 are satisfactory and that the prospects for the future of the company remain healthy.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as listed on page 1.

No director had any interests in the share capital of the company.

Directors who held options in the ultimate parent undertaking and their holding at 30 September 2001 were:

<i>Name of director</i>	<i>Fully paid ordinary shares</i>		<i>At 30 September 2000</i>	<i>Ordinary shares under option</i>			<i>Option price</i>	<i>Earliest exercise date</i>
	<i>2000</i>	<i>2001</i>		<i>Granted in the year</i>	<i>Exercised in the year</i>	<i>At 30 September 2001</i>		
G M Cowie	–	–	10,700	–	–	10,700	798.00p	25/02/02
	–	–	32,900	–	–	32,900	597.00p	10/02/03
	–	15,900	–	15,900	723.00p	01/03/04		
F J Croston	–	–	41,800	–	–	41,800	597.00p	10/02/03
	–	–	–	21,400	–	21,400	723.00p	01/03/04
C D Glanville	2,000	2,000	–	–	–	–		

The ordinary shares held by C D Glanville are in the form of American Depositary Receipts.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche resigned as auditors on 9 November 2001 and Ernst & Young LLP were appointed in their place.

In accordance with Effective Resolutions passed by the company dispensing with the requirement to hold annual general meetings and appoint auditors annually, Ernst & Young LLP will continue as auditors of the company pursuant to section 386 of the Companies Act 1985.

By order of the Board



Secretary

28/06/2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDINBURGH GEORGE HOTEL LIMITED

We have audited the company's financial statements for the year ended 30 September 2001, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 affairs of the company as at 30 September 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

28 June 2002

Edinburgh George Hotel Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 2001

	<i>Notes</i>	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
TURNOVER	2	7,200	7,781
Operating costs		(6,181)	(6,399)
Operating profit	3	1,019	1,382
Interest payable and similar charges	6	(1,367)	(1,310)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(348)	72
Tax on (loss)/profit on ordinary activities	7	28	(84)
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(320)	(12)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		(409)	(397)
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		(729)	(409)

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has not recognised gains or losses other than the loss for the current and preceding financial years.

Edinburgh George Hotel Limited

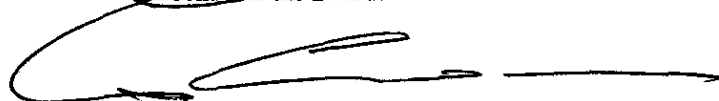
BALANCE SHEET

at 30 September 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	8	17,562	17,746
CURRENT ASSETS			
Stocks	9	143	132
Debtors	10	635	699
Cash at bank and in hand		4,006	3,135
		4,784	3,966
CREDITORS: amounts falling due within one year	11	(1,440)	(1,883)
NET CURRENT ASSETS		3,344	2,083
TOTAL ASSETS LESS CURRENT LIABILITIES		20,906	19,829
CREDITORS: amounts falling due after more than one year	12	(20,933)	(19,536)
NET (LIABILITIES)/ASSETS		(27)	293
CAPITAL AND RESERVES			
Called up share capital – equity	13	547	547
Share premium account	14	145	145
Revaluation reserve	14	10	10
Profit and loss account	14	(729)	(409)
Equity shareholders' funds		(27)	293

On behalf of the Board:

28/10/02



Director

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2001

1. ACCOUNTING POLICIES

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

Fundamental accounting concept

The financial statements have been prepared on a going concern basis on the basis of continuing financial support from the ultimate parent undertaking, Six Continents PLC, which has confirmed that it will continue to make funds available to the company to enable it to meet its debts as they fall due for as long as it remains the ultimate parent undertaking.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets.

Tangible fixed assets

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

Depreciation is not provided on freehold land.

All other tangible fixed assets are depreciated to a residual value over their estimated useful lives as follows:

Furniture, fittings and equipment	–	5 to 25 years
Freehold land and buildings	–	12 to 50 years

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

Stocks

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

Deferred 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2001

1. ACCOUNTING POLICIES (continued)

Statement of cash flows

Under the provisions of Financial Reporting Standard 1 (Revised), the company has not prepared a statement of cash flows because its ultimate parent undertaking, Six Continents PLC, which is incorporated in the United Kingdom, has prepared consolidated financial statements which include the financial statements of the company for the year and which contain an appropriate statement of cash flows.

Pension costs

The ultimate parent undertaking, Six Continents PLC, operates two defined benefit pension schemes covering all permanent UK employees employed by itself or its subsidiary undertakings. 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 in 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 is given in note 16.

2. TURNOVER

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

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2001	2000
	£000	£000
Staff costs (see note 4)	2,348	2,426
Depreciation and amortisation – owned assets	500	480
Equipment rental	82	72
Auditors' remuneration – audit	3	18
– non-audit	–	8
(Gain)/loss on disposal of fixed assets	(1)	–
	<u>2,348</u>	<u>2,426</u>

4. STAFF COSTS

	2001	2000
	£000	£000
Wages and salaries	2,079	2,184
Social security costs	163	166
Pension costs	106	76
	<u>2,348</u>	<u>2,426</u>

The monthly average number of employees during the year was 130 (2000 – 191).

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2001

5. DIRECTORS' EMOLUMENTS

The directors received no remuneration in respect of services to the company during the financial year (2000 – £nil).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £000	2000 £000
Interest on loans from parent undertaking	1,367	1,308
Finance charges payable under finance leases	–	2
	<u>1,367</u>	<u>1,310</u>

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Group relief	(28)	84
Adjustment to prior years' tax provision:		
Corporation tax	–	–
	<u>(28)</u>	<u>84</u>

No provision has been made in the financial statements 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 charge for the year would have been decreased as follows:

	2001 £000	2000 £000
Capital allowances in advance of depreciation	(174)	(43)
Other timing differences	–	(28)
	<u>(174)</u>	<u>(71)</u>

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

	2001 £000	2000 £000
Capital allowances in advance of depreciation	473	647
Other timing differences	–	–
	<u>473</u>	<u>647</u>

Edinburgh George Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2001

8. TANGIBLE FIXED ASSETS

	<i>Freehold property £000</i>	<i>Furniture, fittings and equipment £000</i>	<i>Total £000</i>
Cost or valuation:			
At 1 October 2000	16,416	1,810	18,226
Additions	105	211	316
At 30 September 2001	16,521	2,021	18,542
Depreciation:			
At 1 October 2000	148	332	480
Provided during the year	148	352	500
At 30 September 2001	296	684	980
Net book value:			
At 30 September 2001	16,225	1,337	17,562
At 1 October 2000	16,268	1,478	17,746

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 furniture, fittings and 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.

The equivalent amounts of fixed assets at 30 September 2001 under the historic cost basis are as follows:

	<i>Freehold property £000</i>	<i>Furniture, fittings and equipment £000</i>	<i>Total £000</i>
Cost:	16,834	3,907	20,741
Accumulated depreciation	(609)	(2,580)	(3,189)
Net book value:			
At 30 September 2001	16,225	1,327	17,552
At 30 September 2000	16,268	1,468	17,736

Edinburgh George Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2001

9. STOCKS

	2001 £000	2000 £000
Food and beverage supplies	58	55
Consumables and other supplies	85	77
	<u>143</u>	<u>132</u>

10. DEBTORS

	2001 £000	2000 £000
Trade debtors	552	620
Prepayments	83	79
	<u>635</u>	<u>699</u>

11. CREDITORS: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	196	143
Amounts owed to other group undertakings	387	512
Tax and social security	45	49
Other creditors		
– VAT	302	365
– other creditors	454	527
Group relief payable	56	287
	<u>1,440</u>	<u>1,883</u>

12. CREDITORS: amounts falling due after more than one year

	2001 £000	2000 £000
Amounts owed to other group undertakings	20,933	19,536

The amounts owed to other group undertakings include a promissory note, including rolled-up interest, together totalling £21,320,000 (2000 – £20,048,000), issued on 31 August 1994 and maturing on 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 undertakings 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 undertakings.

Edinburgh George Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2001

13. SHARE CAPITAL

	2001 £000	2000 £000
Authorised: 3,200,000 ordinary shares of 25p each	800	800
Allotted, issued, called up and fully paid: 2,186,667 ordinary shares of 25p each	547	547

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total share- holders' funds £000
At 1 October 1999	547	145	10	(397)	305
Loss for the year	—	—	—	(12)	(12)
At 30 September 2000	547	145	10	(409)	293
Loss for the year	—	—	—	(320)	(320)
At 30 September 2001	547	145	10	(729)	(27)

15. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Capital commitments

There were no capital commitments at 30 September 2001 (2000 – £nil).

Operating lease commitments

At 30 September the company had annual commitments under operating leases as set out below:

	2001 £000	Equipment 2000 £000
Leases which expire:		
Within one year	19	—
In two to five years	—	19
	19	19

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 any other member 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.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2001

15. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

Guarantees

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

16. PENSION COMMITMENTS

Retirement and death benefits are provided for eligible group employees in the United Kingdom, principally by the Six Continents Pension Plan and the Six Continents Executive Pension Plan. Members of these plans are contracted out of the state earnings-related pension scheme (SERPS). 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.

Actuarial valuations were completed at 31 March 1999 which confirmed that members' accrued benefits, based on service completed to that date on rates of pensionable pay then current, were fully covered by the assets of the plans. Particulars of the actuarial valuations, which incorporated the removal of tax credits subsequently announced, are given in the financial statements of Six Continents PLC.

The group continues to account for pensions in accordance with SSAP 24. The new accounting standard for retirement benefits, FRS 17, will not be mandatory for the group until the year ending 30 September 2003. FRS 17 does, however, have an extended transitional period during which certain disclosures are required in the notes to the financial statements. These disclosures are given in the financial statements of Six Continents PLC.

The pension cost for the year for the company was £106,000 (2000 – £76,000). There was £14,000 of unpaid contributions at the balance sheet date (2000 – £nil).

17. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling entity is Six Continents PLC, incorporated in the United Kingdom. The smallest and largest group in which the results of the company are consolidated is that headed by Six Continents PLC. The consolidated financial statements of Six Continents PLC are available to the public and may be obtained from The Registrar, Companies House, Crown Way, Cardiff, CF14 3UZ.

As a wholly-owned subsidiary undertaking of Six Continents PLC, the company has taken advantage of the exemption in Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with other members of the group.