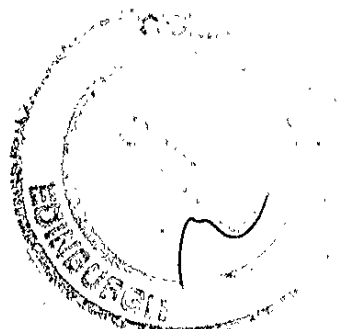


GLENEAGLES HOTELS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1992

Registered No 97000



GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992

DIRECTORS

PJ Lederer
BF Baldock
CS George
I Marchbank - Appointed 29.5.92
AR Devereux - Appointed 16.10.92
JI Lewis - Appointed 16.10.92
Sir Ian MacLaurin - Appointed 16.10.92
SP Duffy - Resigned 31.01.92

SECRETARY

GW King

REGISTERED OFFICE

The Gleneagles Hotel
Auchterarder
Perthshire
PH3 1NF

The Directors present their report and audited financial statements of the Company for the year ended 31 December 1992.

REVIEW OF THE BUSINESS

The Company was principally engaged during the year in operating The Gleneagles Hotel, Auchterarder, Perthshire.

RESULTS AND TRANSFERS TO RESERVES

After taxation the profit attributed to shareholders amounted to £104,000. This amount was added to reserves brought forward of £278,000, leaving reserves of £382,000 at the end of the financial year.

FIXED ASSETS

The movements in fixed assets are set out in note 7 to the financial statements.

GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992 (CONTINUED)

DIVIDENDS

The Directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The Directors are confident about the Company's future profitability. On 1 January 1993 the business of The Gleneagles Collection Limited and Gleneagles Golf Developments Limited were transferred to the Company. A provision for £473,000, representing the net liabilities of these companies, has been made in these financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company who held office during the period are noted on page 1. No Director has a beneficial shareholding in the Company or in any subsidiary of the Company.

The Directors' interests in the shares of the Company's parent undertaking, Guinness PLC, are set out below:

	<u>At 31 December 1992</u>		<u>At January 1992 or Date of Appointment if later</u>	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
BF Baldock	46,171	289,740	44,672	221,505
PJ Lederer	2,703	98,179	1,776	87,776
CS George	11,270	92,380	13,754	87,930
JI Lewis	1,065	85,025	1,065*	84,171*
Sir I MacLaurin	15,090	-	14,000*	-

* At date of Appointment

GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992 (CONTINUED)

DIRECTORS AND THEIR INTERESTS (CONTINUED)

During the year, the following movements in options over the ordinary shares of Guinness PLC took place:

	Options Granted		Options Exercised	
		during 1992		during 1992
	Number	Price	Number	Price
BF Baldock	85,977	533.5p	17,742	225.5p
PJ Lederer	10,403	533.5p	-	-
CS George	25,304	533.5p	20,854	225.5p
JI Lewis	854	439.0p	-	-

The options outstanding at 31 December 1992 have been granted under Group employee share participation schemes (including the Executive Share Option Scheme and the Savings Related Share Option Scheme) and are exercisable at varying dates between 1993 and 2002 and at varying prices between 127p and 548.5p. No contract or arrangement entered into by the Company in which any Director is interested has existed during the year.

EMPLOYEES

The Directors recognise that training and development are fundamental to the Company's continuing effective and efficient operation. There is, therefore, a commitment to a systematic approach to the training and development of the Company's employees which includes a review and assessment of the individual's requirements taking account of those categories of employees who may have special needs.

The Company's managers are instructed to give sympathetic consideration when recruiting, to applications from disabled persons and to bear in mind the special needs of disabled employees (including those who become disabled whilst in the Company's employment) in regard to training, structure of the Company's premises and facilities etc., and to seek to ensure that the handicaps suffered by disabled employees do not adversely affect their promotion prospects.

Responsibility for ensuring that the Company's employees are informed of and where appropriate, consulted on matters of concern to them affecting their immediate jobs rests with the Company's managers. On a wider basis the Company provides more general information to and for its employees concerning the Guinness group, its performance and economic and other matters affecting them.

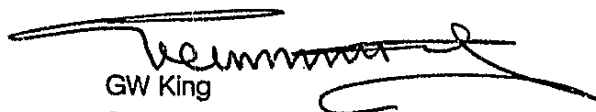
GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992 (CONTINUED)

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution concerning their re-appointment will be submitted at the Annual General Meeting.

By Order of the Board


GW King
Secretary

15 March 1993

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
GLENEAGLES HOTELS PLC**

We have audited the financial statements on pages 6 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditor

30 April 1993

GLENEAGLES HOTELS PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1992


		<u>1992</u> £'000	<u>1991</u> £'000
	Notes		
TURNOVER	2	15,422	15,856
NET OPERATING COSTS	3	(15,258)	(14,149)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		164	1,707
Taxation on profit on ordinary activities	4	(60)	(435)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		104	1,272
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		278	325
		<hr/>	<hr/>
DISTRIBUTABLE RESERVES		382	1,597
Dividend paid		-	(1,319)
		<hr/>	<hr/>
RETAINED EARNINGS AT THE END OF THE YEAR		382	278
		<hr/>	<hr/>

GLENEAGLES HOTELS PLC


BALANCE SHEET AT 31 DECEMBER 1992

		<u>1992</u> £'000	<u>1991</u> £'000
	Notes		
FIXED ASSETS			
Tangible Assets	7	54,035	64,233
Investments in subsidiaries	8	-	-
		<hr/>	<hr/>
		54,035	64,233
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	9	720	630
Debtors	10	1,443	1,655
Cash in hand and at bank		361	17
		<hr/>	<hr/>
		2,524	2,302
CREDITORS (Amounts falling due within one year)	11	(13,508)	(8,786)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(10,984)	(6,484)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		43,051	57,749
		<hr/>	<hr/>
CREDITORS (Amounts falling due after more than one year)	12	-	29,000
CAPITAL AND RESERVES			
Called up share capital	14	29,013	13
Profit and Loss account		382	278
Revaluation Reserve	15	13,656	28,458
		<hr/>	<hr/>
		43,051	57,749
		<hr/>	<hr/>

Approved by the Board of Directors on 15 March 1993 and signed on its behalf by:



 CS George
 Director



 PJ Lederer
 Director

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of land and buildings and in accordance with applicable accounting standards.

(2) Depreciation

Tangible assets (other than freehold land and buildings) are depreciated principally on a straight line basis at annual rates estimated to write off their book value over the term of their useful lives. Details of depreciation are given in note 7.

No depreciation is provided on freehold buildings other than the Equestrian Centre. Given their substantial physical construction, the Group's commitment to maintain the fabric and to extend and make improvements from time to time, and an estimated useful life of at least 100 years, the Directors consider that the residual value based on prices prevailing at the time of acquisition or subsequent valuation is so high that their depreciation is insignificant.

(3) Pre-opening expenses

Pre-opening expenses in respect of the marketing and publicity costs of the Hotel's developments are capitalised as part of fixed assets and depreciated over three years after the year of opening.

(4) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the invoiced cost of goods purchased for resale.

(5) Deferred taxation

Deferred taxation is provided only to the extent that a liability is expected to become payable within the foreseeable future.

(6) Leased assets

Rentals under operating leases are charged against operating profit on a straight line basis over the term of the lease.

(7) Pensions

The Company is a member of a Group Pension Scheme which is operated by its parent undertaking, Guinness PLC. Contributions to the scheme are assessed by a qualified actuary based on the cost of providing pensions across all participating companies. Costs are not determined for each individual company and accordingly contributions are charged to the Profit & Loss Account when they become payable.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

2 TURNOVER

Turnover represents the invoice value of goods sold and services provided, excluding value added tax. All turnover arises in the United Kingdom.

3 NET OPERATING COSTS

	Notes	<u>1992</u> £'000	<u>1991</u> £'000
Raw materials and consumables		2,023	2,216
Staff costs	5	5,541	5,171
Depreciation		1,236	1,380
Other operating charges		6,458	5,382
		<hr/>	<hr/>
		15,258	14,149
		<hr/>	<hr/>

Net Operating Costs are stated after taking account of:

Directors' emoluments	6	-	-
Auditors' remuneration		16	11
Hire of plant and machinery		-	31
Provision for net liabilities of subsidiary undertakings		473	-
Provision against intercompany loan account		103	-
		<hr/>	<hr/>

4 TAXATION

UK Corporation tax on the taxable profit for the year at 33%	60	530
Over provision in previous years	-	(95)
	<hr/>	<hr/>
Tax charge for the year	60	435
	<hr/>	<hr/>

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

5 STAFF COSTS AND EMPLOYEES

	<u>1992</u> £'000	<u>1991</u> £'000
(a) Staff costs		
Wages and salaries	5,193	4,858
Social security costs	348	313
Pension costs	-	-
	<hr/>	<hr/>
	5,541	5,171
	<hr/>	<hr/>

The Company has participated in a pension contributions holiday since 1 April 1988.

(b) Average number of employees

	<u>1992</u> Number	<u>1991</u> Number
Full time	486	481
Part time	23	27
	<hr/>	<hr/>
	509	508
	<hr/>	<hr/>

Part time employees are included in the above analysis on the basis of their full time equivalents.

6 DIRECTORS' EMOLUMENTS

No emoluments were paid to the Directors during the year. With the exception of Mr Devereux, directors are remunerated by fellow group undertakings and there is no specific re-charge made to the Company in respect of their services.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

7 TANGIBLE ASSETS

	Assets under construction £'000	Freehold land and buildings £'000	Plant £'000	Fixtures & fittings £'000	Pre- Opening Expenses £'000	Total £'000
COST OR VALUATION						
At 1 January 1992	4,707	54,681	2,738	8,001	90	70,217
Additions	302	4,402	114	989	-	5,807
Disposals	-	-	-	(70)	-	(70)
Transfer in	-	-	-	60	-	60
Revaluation deficit	-	(15,040)	-	-	-	(15,040)
At 31 December 1992	5,009	44,043	2,852	8,980	90	60,974
DEPRECIATION						
At 1 January 1992	-	176	1,076	4,643	89	5,984
Charge for year	-	62	223	950	1	1,236
Disposals	-	-	-	(60)	-	(60)
Transfer in	-	-	-	17	-	17
Revaluation deficit	-	(238)	-	-	-	(238)
At 31 December 1992	-	-	1,299	5,550	90	6,939
NET BOOK AMOUNT						
At 31 December 1992	5,009	44,043	1,553	3,430	-	54,035
At 31 December 1991	4,707	54,505	1,662	3,358	1	64,233

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

7 TANGIBLE ASSETS (continued)

The Gleneagles Hotel was revalued as at 31 December 1992 on the basis of an open market valuation for existing use as a fully licensed operating resort hotel with golf and leisure facilities and inclusive of plant and fixtures and fittings at an amount of £54 million. The revaluation was performed by Knight, Frank & Rutley, Chartered Surveyors.

Under historical cost principles, freehold land and buildings would be stated at

	£'000
Historical cost	30,625
Aggregate depreciation	(238)
	<hr/>
Net book amount	30,387
	<hr/>

The following table shows the principal rates of depreciation used in the year:

Equestrian centre	2.5%
Plant	8% - 25%
Fixtures and fittings	14% - 25%
Pre-opening expenses	33.3%

Assets under construction are not depreciated until they are completed and brought into use.

8 INVESTMENTS IN SUBSIDIARIES

The Company's subsidiary undertakings are as follows:

<u>Name</u>	<u>Type of share</u>	<u>% Held</u>
Gleneagles Country Club Ltd	Ordinary	100
Gleneagles Golf Developments Ltd	"	"
Gleneagles Ltd	"	"
Gleneagles Leisure Ltd	"	"
Gleneagles Motel Ltd	"	"
Gleneagles Time Sharing Ltd	"	"
The Gleneagles Collection Ltd	"	"
Equiscot Ltd	"	"

Equiscot Ltd was acquired during 1992 for a nominal consideration and operates an equestrian centre, which forms part of the hotel complex. The Company has converted a debtor balance into an interest free loan of £328,000 to Equiscot Ltd and has also undertaken to provide continuing financial support if necessary. A provision of £103,000 has been made against this loan reflecting Equiscot's financial position at 31 December 1992. The company is expected to be profitable under its current ownership.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

8 INVESTMENTS IN SUBSIDIARIES (continued)

The Gleneagles Collection Ltd and Gleneagles Golf Developments Ltd were activated during 1990 and 1991 respectively, both in order to promote the Gleneagles Hotel name internationally. On 1 January 1993 the businesses of these subsidiary undertakings were transferred to the Company. A provision for £473,000, representing the aggregate net liabilities of these companies, has been made in these financial statements.

All subsidiaries are registered in Scotland and, with the exception of those noted above, are dormant.

In accordance with Section 228 of the Companies Act 1985, group accounts are not submitted as the Company is a wholly owned subsidiary (Note 18).

9 STOCKS

	<u>1992</u> £'000	<u>1991</u> £'000
Raw materials and consumables	550	484
Goods purchased for resale	170	146
	<hr/>	<hr/>
	720	630
	<hr/>	<hr/>

10 DEBTORS

Trade debtors	858	1,285
Amounts owed by group undertakings	225	77
Other debtors	76	-
Prepayments and accrued income	284	293
	<hr/>	<hr/>
	1,443	1,655
	<hr/>	<hr/>

The Company has provided an interest free loan of £225,000 (net of a provision of £103,000) to a subsidiary undertaking. There are no fixed repayment terms associated with this amount. £43,000 of trade debtors are due after more than one year.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

11 CREDITORS (Amounts falling due within one year)

	<u>1992</u> £'000	<u>1991</u> £'000
Bank overdraft	-	374
Payments received on account	465	249
Trade creditors	382	298
Amount owed to group undertakings	11,645	6,053
Social security and other taxes	274	163
Accruals and deferred income	682	1,119
Corporation tax	60	530
	<hr/>	<hr/>
	13,508	8,786
	<hr/>	<hr/>

12 CREDITORS (Amounts falling due after more than one year)

Due to parent undertaking	-	29,000
	<hr/>	<hr/>

During 1992 the amount due to parent undertaking was capitalised (note 14).

13 DEFERRED TAXATION

The full potential liability in respect of deferred taxation at a corporation tax rate of 33% is as follows:

Excess of accelerated capital allowances over accumulated depreciation	2,500	1,500
Chargeable gains on property	7,200	11,500
	<hr/>	<hr/>
	9,700	13,000
	<hr/>	<hr/>

The potential gain is in respect of the company's hotel which was acquired from a fellow subsidiary following a revaluation.

Deferred taxation has not been provided in these accounts as no liability is expected to become payable within the foreseeable future.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

14 CALLED UP SHARE CAPITAL

	<u>1992</u> £'000	<u>1991</u> £'000
Authorised:		
30,000,000 ordinary shares of £1 each	30,000	30,000
	<hr/>	<hr/>
Allocated and fully paid:		
29,000,000 ordinary shares of £1 each	29,000	-
Allocated and partly paid:		
50,000 ordinary shares of £1 each, 25p paid	13	13
	<hr/>	<hr/>
	29,013	13
	<hr/>	<hr/>

There was an issue of share capital to the parent undertaking as a result of the capitalisation of the amount due to the parent undertaking (note 12) to improve the financial position of the Company.

15 REVALUATION RESERVE

	<u>1992</u> £'000
Balance at 1 January 1992	28,458
Deficit on revaluation	(14,802)
	<hr/>
Balance at 31 December 1992	13,656
	<hr/>

16 COMMITMENTS

	<u>1992</u> £'000	<u>1991</u> £'000
<u>Future capital expenditure</u>		
Contracted but not provided in the financial statements	220	3,636
Authorised but not contracted	780	250
	<hr/>	<hr/>
	1,000	3,886
	<hr/>	<hr/>

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (continued)

17 PENSION FUND

The Company is a member of a group pension scheme which is operated by its parent undertaking, Guinness PLC. The scheme is of the defined type, is administered by trustees and is maintained independently of the finances of Guinness PLC and its subsidiaries.

A valuation of the scheme was performed in 1992 by the actuary and particulars of the valuation are contained in the accounts of Guinness PLC.

In accordance with the advice of the actuary, the charge to profit and loss for pensions is Nil (1991 - Nil) and no contributions are payable. It is not expected that there will be a requirement to make contributions before the date of the next valuation of the scheme in 1995.

18 PARENT UNDERTAKING

The parent undertaking is Guinness PLC, a company registered in England.

The parent undertaking is the only company preparing consolidated accounts and copies of the accounts for Guinness PLC may be obtained from The Company Secretary, Guinness PLC, 39 Portman Square, London W1H 9HB.