

The Balmoral Hotel Harrogate Limited

Report and Accounts

29 March 1997

18



The Balmoral Hotel Harrogate Limited

Registered No: 125335

DIRECTORS

T J Hemmings
J C Kay

SECRETARY

J C Kay

AUDITORS

Ernst & Young
Ten George Street
Edinburgh
EH2 2DZ

BANKERS

Bank of Scotland
PO Box No 5
The Mound
Edinburgh
EH1 1YZ

SOLICITORS

Halliwell Landau
Manchester

Maclay Murray & Spens
Edinburgh

REGISTERED OFFICE

3 Glenfinlas Street
Edinburgh
EH3 6AQ

The Balmoral Hotel Harrogate Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 29 March 1997.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £614,000 (1996: £503,000). The directors do not recommend the payment of any dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the operation of hotels.

FIXED ASSETS

All changes in fixed assets are summarised in note 5.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are shown on page 2.

No directors had an interest in the shares of the company, nor in the shares of Paragon Hotels Limited, the company's parent undertaking.

AUDITORS

In accordance with the provisions of section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Ernst & Young will continue in office as auditors.

By order of the Board



Secretary

14 November 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of The Balmoral Hotel Harrogate Limited

We have audited the accounts on pages 6 to 12, which have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings and fixtures and fittings, and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

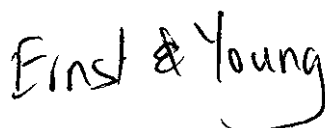
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 29 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Edinburgh

14 November 1997

The Balmoral Hotel Harrogate Limited

PROFIT AND LOSS ACCOUNT for the year ended 29 March 1997

	<i>Notes</i>	<i>Year ended 29 March 1997 £000</i>	<i>13 months ended 30 March 1996 £000</i>
TURNOVER		4,203	3,489
Cost of sales		(2,072)	(1,701)
GROSS PROFIT		2,131	1,788
Administrative expenses		(1,150)	(983)
OPERATING PROFIT	2	981	805
Interest receivable		-	3
Interest payable	3	(302)	(368)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		679	440
Taxation on profit on ordinary activities	4	(65)	63
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		614	503

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Year ended 29 March 1997 £000</i>	<i>13 months ended 30 March 1996 £000</i>
Profit for the year/period	614	503
Unrealised surplus on revaluation of freehold land and buildings and fixtures and fittings	-	3,740
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR/PERIOD	614	4,243

The Balmoral Hotel Harrogate Limited

BALANCE SHEET

at 29 March 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	5	10,233	10,216
CURRENT ASSETS			
Stocks	6	40	38
Debtors	7	2,437	1,189
Cash at bank and in hand		3	43
		2,480	1,270
CREDITORS: amounts falling due within one year	8	(1,358)	(745)
NET CURRENT ASSETS		1,122	525
TOTAL ASSETS LESS CURRENT LIABILITIES		11,355	10,741
CREDITORS: amounts falling due after more than one year	9	(6,460)	(6,460)
TOTAL ASSETS LESS LIABILITIES		4,895	4,281
CAPITAL AND RESERVES			
Called up share capital	11	160	160
Revaluation reserve	12	3,778	3,740
Profit and loss account	12	957	381
EQUITY SHAREHOLDERS' FUNDS	12	4,895	4,281

J. Hemmings
14 November 1997

Directors

NOTES TO THE ACCOUNTS

at 29 March 1997

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of freehold land and buildings and fixtures and fittings, and in accordance with currently applicable accounting standards.

Turnover

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of an hotel business (excluding Value Added Tax).

Taxation

The charge for taxation takes into account the timing differences in the accounting and taxation treatment of certain items to the extent that they are expected to reverse in the future. Deferred taxation is provided using the liability method.

Fixed assets

All fixed assets are initially recorded at cost. The properties were revalued as at 30 March 1996, with the revaluation surplus being taken to a revaluation reserve. Freehold properties and integral fixed plant are not depreciated as it is the policy to maintain properties to a high standard with regular maintenance expenditure being charged against operating profit. Depreciation is provided on all other tangible fixed assets on a straight line basis over their expected useful lives, generally between four and ten years.

Stocks

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

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. OPERATING PROFIT

	<i>Year ended 13 months ended</i>	
	<i>29 March</i>	<i>30 March</i>
	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
This is stated after charging:		
Depreciation of tangible fixed assets	59	132
Hire of plant and equipment under operating leases	1	7
Auditors' remuneration	4	6
	<u> </u>	<u> </u>

The company has no employees and none of the directors receives any emoluments from the company.

In addition the gross profit is stated after charging £1,267,000 (1996: £1,030,000) paid to the hotel staff who are employed by a hotel management company.

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 29 March 1997

3. INTEREST PAYABLE

	<i>Year ended 13 months ended</i>	
	<i>29 March</i>	<i>30 March</i>
	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
On loans from parent undertaking	298	263
Bank interest payable	4	105
	<u>302</u>	<u>368</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>Year ended 13 months ended</i>	
	<i>29 March</i>	<i>30 March</i>
	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
The taxation (charge)/credit is based on the profit on ordinary activities and comprises:		
Current year:		
UK Corporation tax at 33%	(8)	(20)
Group relief	(57)	(63)
Prior year:		
Group relief	-	146
	<u>(65)</u>	<u>63</u>

5. TANGIBLE FIXED ASSETS

	<i>Freehold</i>	<i>Plant</i>	
	<i>land and</i>	<i>equipment</i>	
	<i>buildings</i>	<i>furniture</i>	
	<i>and fittings</i>		<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 31 March 1996	9,707	509	10,216
Additions	2	74	76
	<u>9,709</u>	<u>583</u>	<u>10,292</u>
At 29 March 1997			
Depreciation			
At 31 March 1996	-	-	-
Provided during the year	-	59	59
	<u>-</u>	<u>59</u>	<u>59</u>
At 29 March 1997			
Net book value			
At 29 March 1997	9,709	524	10,233
	<u>9,707</u>	<u>509</u>	<u>10,216</u>
At 31 March 1996			

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 29 March 1997

5. TANGIBLE FIXED ASSETS (continued)

One of the company's hotels was valued on an existing use value basis at 30 March 1996 by the directors. 5% of the hotel valuation was attributed to fixtures and fittings.

On the historical cost basis, the assets would have been included as follows:

	<i>Land and buildings £000</i>	<i>Fixtures and fittings £000</i>
<i>Cost:</i>		
At 30 March 1996	6,041	937
At 29 March 1997	<u>6,043</u>	<u>1,011</u>
<i>Cumulative depreciation:</i>		
At 30 March 1996	-	502
At 29 March 1997	<u>-</u>	<u>599</u>

6. STOCKS

	<i>1997 £000</i>	<i>1996 £000</i>
Food and beverages	34	30
Consumables	6	8
	<u>40</u>	<u>38</u>

7. DEBTORS

	<i>1997 £000</i>	<i>1996 £000</i>
Amounts due by parent undertaking	2,182	895
Trade debtors	229	237
Other debtors and prepayments	26	57
	<u>2,437</u>	<u>1,189</u>

8. CREDITORS: amounts falling due within one year

	<i>1997 £000</i>	<i>1996 £000</i>
Amounts owed to fellow subsidiary undertakings	875	307
Trade creditors	183	176
Other creditors	113	180
Accruals	78	62
Bank overdraft	101	-
Corporation tax	8	20
	<u>1,358</u>	<u>745</u>

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 29 March 1997

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

	1997 £000	1996 £000
Amount owed to parent undertaking	6,460	6,460

There are no formal repayment terms agreed between parent and subsidiary undertakings and the loans are not repayable on demand.

10. DEFERRED TAXATION

The potential deferred taxation provision not recognised in these accounts is:

	1997 £000	1996 £000
Capital allowances in advance of depreciation	-	152

11. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1997 £000	1996 £000	1997 £000	1996 £000
Ordinary shares of £1 each	160	160	160	160

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i> £000	<i>Revaluation reserve</i> £000	<i>Profit and loss account</i> £000	<i>Total</i> £000
At 1 March 1995	10	-	(122)	(112)
Profit for period	-	-	503	503
Share capital subscribed during period	150	-	-	150
Surplus on revaluation of assets	-	3,740	-	3,740
At 30 March 1996	160	3,740	381	4,281
Profit for the year	-	-	614	614
Release from profit and loss account	-	38	(38)	-
At 29 March 1997	160	3,778	957	4,895

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 29 March 1997

13. OTHER FINANCIAL COMMITMENTS

At 29 March the company had annual commitments under non-cancellable operating leases as set out below:

	1997 £000	1996 £000
Operating leases which expire: within two to five years	1	7

14. CONTINGENT LIABILITIES

The company is party to an agreement with its bankers whereby the bank is entitled to hold all sums at credit of any accounts in the company's name in security of all sums due to the bank by the company's parent company and fellow subsidiary undertakings. The overdraft is secured by bond and floating charge and standard security over all of the group's properties.

15. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is Paragon Hotels Limited, a company registered in England and Wales. The company's results are included in the consolidated accounts of Paragon Hotels Limited and copies of its Annual Report and Accounts may be obtained from 28 Ribblesdale Place, Preston, Lancashire.

The company's ultimate parent company and controlling party is Calgarth Limited, which is incorporated in the Isle of Man.