

125335

The Balmoral Hotel Harrogate Limited

Report and Accounts

28 March 1998

ERNST & YOUNG



The Balmoral Hotel Harrogate Limited

Registered No: 125335

DIRECTORS

T J Hemmings (Chairman)
J C Kay
St John Stott

SECRETARY

St John Stott

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 28 March 1998.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £656,000 (1997: £614,000). The directors recommend the payment of a dividend of £5,391,000 in respect of the year.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the operation of hotels. On 28 March 1998 the assets and liabilities of the hotels operated by this company were transferred to its parent undertaking and a fellow subsidiary undertaking.

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. St John Stott was appointed as a director on 4 December 1997.

No director 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
22 January 1999

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 11, 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.

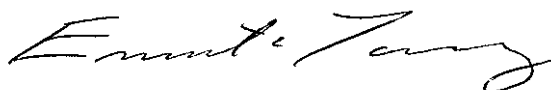
Basis of opinion

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 28 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Edinburgh

22 January 1999

The Balmoral Hotel Harrogate Limited

PROFIT AND LOSS ACCOUNT for the year ended 28 March 1998

	<i>Notes</i>	<i>1998 £000</i>	<i>1997 £000</i>
TURNOVER		4,347	4,203
Cost of sales		(2,052)	(2,072)
GROSS PROFIT		2,295	2,131
Administrative expenses		(1,154)	(1,150)
OPERATING PROFIT	2	1,141	981
Interest payable	3	(271)	(302)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		870	679
Tax on profit on ordinary activities	4	(214)	(65)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		656	614
Dividends	5	(5,391)	-
(LOSS)/PROFIT FOR THE YEAR		(4,735)	614

All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the company.

The Balmoral Hotel Harrogate Limited

BALANCE SHEET at 28 March 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	6	-	10,233
CURRENT ASSETS			
Stocks	7	-	40
Debtors	8	12,182	2,437
Cash at bank and in hand		-	3
		12,182	2,480
CREDITORS: amounts falling due within one year	9	(5,562)	(1,358)
NET CURRENT ASSETS		6,620	1,122
TOTAL ASSETS LESS CURRENT LIABILITIES		6,620	11,355
CREDITORS: amounts falling due after more than one year	10	(6,460)	(6,460)
TOTAL ASSETS LESS LIABILITIES		160	4,895
CAPITAL AND RESERVES			
Called up share capital	12	160	160
Revaluation reserve	13	-	3,778
Profit and loss account	13	-	957
EQUITY SHAREHOLDERS' FUNDS	13	160	4,895



Director

22 January 1999

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 28 March 1998

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

	1998	1997
	£000	£000
This is stated after charging:		
Depreciation of tangible fixed assets	69	59
Hire of plant and equipment under operating leases	-	1
Auditors' remuneration	5	4
	<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 £1,192,392 (1997: £1,267,000) paid to the hotel staff who are employed by a hotel management company.

3. INTEREST PAYABLE

	1998	1997
	£000	£000
On loans from parent undertaking	266	298
Bank interest payable	5	4
	<u> </u>	<u> </u>
	271	302
	<u> </u>	<u> </u>

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 28 March 1998

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
The taxation (charge) is based on the profit on ordinary activities and comprises:		
Current year:		
UK Corporation tax at 31%	(7)	(8)
Group relief	(122)	(57)
Prior year:		
UK Corporation tax at 31%	(142)	-
Group relief	57	-
	<u>(214)</u>	<u>(65)</u>

5. DIVIDENDS

	1998 £000	1997 £000
Proposed for the year	5,391	-

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant equipment furniture and fittings £000	Total £000
Cost or valuation:			
At 30 March 1997	9,709	583	10,292
Additions	-	64	64
Transfers to group companies	(9,709)	(647)	(10,356)
At 28 March 1998	-	-	-
Depreciation			
At 30 March 1997	-	59	59
Provided during the year	-	69	69
Transfers to group companies	-	(128)	(128)
At 28 March 1998	-	-	-
Net book value			
At 28 March 1998	-	-	-
At 29 March 1997	<u>9,709</u>	<u>524</u>	<u>10,233</u>

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.

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 28 March 1998

7. STOCKS

	1998 £000	1997 £000
Food and beverages	-	34
Consumables	-	6
	<u>-</u>	<u>40</u>

8. DEBTORS

	1998 £000	1997 £000
Amounts due from parent undertaking	12,182	2,182
Trade debtors	-	229
Other debtors and prepayments	-	26
	<u>12,182</u>	<u>2,437</u>

9. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Amounts owed to fellow subsidiary undertakings	164	875
Trade creditors	-	183
Other creditors	-	113
Accruals	-	78
Bank overdraft	-	101
Corporation tax	7	8
Proposed dividends	5,391	-
	<u>5,562</u>	<u>1,358</u>

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

	1998 £000	1997 £000
Amount owed to parent undertaking	6,460	6,460
	<u>6,460</u>	<u>6,460</u>

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

11. DEFERRED TAXATION

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

	1998 £000	1997 £000
Capital allowances in advance of depreciation	-	-
	<u>-</u>	<u>-</u>

The Balmoral Hotel Harrogate Limited

NOTES TO THE ACCOUNTS

at 28 March 1998

12. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	160	160	160	160

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
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
Profit for the year	-	-	656	656
Release from revaluation reserve in respect of properties transferred	-	(3,778)	3,778	-
Dividends	-	-	(5,391)	(5,391)
At 28 March 1998	160	-	-	160

14. OTHER FINANCIAL COMMITMENTS

At 28 March the company had annual commitments under non-cancellable operating leases as set out below:

	<i>1998 £000</i>	<i>1997 £000</i>
Operating leases which expire: within two to five years	-	1

15. 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.

16. 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.