ST. GILES HOTEL LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 31 MARCH 2000

Morison Blueprint
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Company Number: 2954321

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ST.GILES HOTEL LIMITED

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FOR THE 53 WEEKS ENDED 31 MARCH 2000

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ST. GILES HOTEL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 53 weeks ended 31 March 2000.

Principal activities

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

Review of business and future developments

The Profit and Loss Account is set out on page 4.

The company operates the St Giles Hotel, which is leased from Ravencroft Investments Inc, a company incorporated in the British Virgin Islands.

This was a year of consolidation for the hotel. Turnover rose as a result of the company's continuing strategy of increasing its share of corporate business to reduce its reliance on tourism. However, margins achieved on this business have been better than those earned from tourism.

During the first eight months of the year the company operated a second hotel close to Heathrow airport. This hotel commenced trading early in the year. Due to low margins earned at this location during the start up period, the company has not achieved an overall increase in gross margins. This has contributed to a decline in pre-tax profits from £1,660,000 to £676,000.

At the end of November 1999 operation of the hotel at Heathrow was transferred to St Giles Hotel (Heathrow) Limited.

The directors consider that with the ongoing refurbishment of the hotel's accommodation and its restaurants being fully operational again, the hotel is well placed to achieve further growth.

Proposed dividend and transfer to reserve

A retained profit of £203,000 (1998 - £1,075,000) has been transferred to reserves.

The directors do not recommend the payment of a dividend.

Fixed assets

The movement on fixed assets is shown in note 7.

Year 2000

The operation of our business depends not only on our own computer systems but also to some degree on those of our suppliers and customers. The company has assessed the risks to our business resulting from the date change to the year 2000 and determined the impact of the issue on all our activities.

The company did not experience any serious disruption to trade as a result of the year 2000 date change, although in common with many other organisations in the travel and tourism industry no trade took place over the New Year period as a precaution. All costs incurred as a result of the issue were charged to the Profit and Loss account during the year.

No future costs are anticipated in respect of this issue.

DIRECTORS' REPORT (continued)

Directors and directors' interests

The directors who held office during the year were as follows:

Robert Tan	
Daniel Taylor	(resigned 8 June 2000)
Seng Yong Chua	
Stephen Noar	(appointed 8 June 2000)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

Political and charitable contributions

The company made no political or charitable contributions during the year.

Statement of 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

The auditors Morison Stoneham have transferred their audit business to Blueprint Audit Limited. In accordance with section 26 of the Companies Act 1989 Blueprint Audit Limited trading as Morison Blueprint have been appointed as auditors to succeed Morison Stoneham and will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the Board

SHNoar

Stephen Noar
Director

Date: 20/1/01

ST. GILES HOTEL LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ST. GILES HOTEL LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 8 and 9.

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, of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Morison Blueprint

MORISON BLUEPRINT
Registered Auditors

Salisbury House
31 Finsbury Circus
London EC2M 5SQ

Date: 29 January 2001

Morison Blueprint is a trading name of Blueprint Audit Limited, a Registered Auditor

ST. GILES HOTEL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE 53 WEEKS ENDED 31 MARCH 2000

	Note	2000 £'000	1999 £'000
TURNOVER		14,914	13,091
Cost of sales		(5,187)	(4,269)
GROSS PROFIT		9,727	8,822
Administrative expenses		(10,321)	(8,139)
Other operating income	3	1,114	977
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2	520	1,660
Tax on profit on ordinary activities	6	(317)	(585)
RETAINED PROFIT FOR THE YEAR	14	203	1,075

The company had no recognised gains or losses other than those stated above.

All amounts relate to continuing activities.

ST. GILES HOTEL LIMITED

BALANCE SHEET
AS AT 31 MARCH 2000

	Note	2000		1999	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	7		4,991		6,152
CURRENT ASSETS					
Stocks	9	31		30	
Debtors	10	1,926		1,746	
Cash at bank and in hand		700		545	
		2,657		2,321	
CREDITORS: amounts falling due within one year	11	(3,733)		(3,449)	
NET CURRENT LIABILITIES			(1,076)		(1,128)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,915		5,024
CREDITORS: amounts falling due after one year			-		(1,312)
PROVISION FOR LIABILITIES AND CHARGES	12		(302)		(302)
			3,613		3,410
CAPITAL AND RESERVES					
Called up share capital	13		850		850
Profit and loss account	14		2,763		2,560
Shareholders' funds			3,613		3,410

These financial statements were approved by the board of directors and were signed on its behalf by:

Stephen Noar
Director
Date: 20/1/01.

ST. GILES HOTEL LIMITED

CASH FLOW STATEMENT
FOR THE 53 WEEKS ENDED 31 MARCH 2000

	Note	2000 £'000	1999 £'000
NET CASH FLOW FROM OPERATING ACTIVITIES	18	2,017	1,309
TAXATION			
Corporation tax paid		(377)	(239)
CAPITAL EXPENDITURE			
Payment to acquire tangible fixed assets		(1,485)	(2,637)
Cash inflow from financing		-	1,500
INCREASE IN CASH	19	155	(67)

ST. GILES HOTEL LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE 53 WEEKS ENDED 31 MARCH 2000

	2000 £'000	1999 £'000
PROFIT FOR THE YEAR	203	1,075
Opening shareholders' funds	3,410	2,335
CLOSING SHAREHOLDERS' FUNDS	3,613	3,410

NOTES TO THE FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 31 MARCH 2000

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Leases

All of the company's leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Fixed Assets

All fixed assets are recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices at the date of acquisition, over the expected useful life of each asset on a straight line basis. The expected useful lives are as follows :-

Leasehold improvements	- 15 years
Furniture, fittings and equipment	- 5 - 10 years

No depreciation is provided in the year of acquisition.

Fixed asset investment

Investment in associated companies are stated at cost.

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000 (continued)

1. ACCOUNTING POLICIES - continued

Rental Income

Rental income has been included in the profit and loss account on a cash received basis.

Foreign Currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pension

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable.

Turnover

Turnover is derived from the operation of the hotel and comprises income from rooms and catering, excluding value added tax.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:	**2000 £'000**	**1999 £'000**
Auditors' remuneration	11	11
Operating leases - land and buildings	4,352	4,314
Operating leases - other	197	157
Depreciation	1,148	188

3. OTHER OPERATING INCOME

	2000 £'000	**1999 £'000**
Rental income	958	927
Sundry income	156	50
	1,114	977

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000 (continued)

4. DIRECTORS' REMUNERATION

Only one director received remuneration during the year.

	2000 £'000	1999 £'000
Salary and benefits	85	82
Pension costs - defined contribution scheme	11	11
	96	93

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, is as follows:

	Number of employees 2000	1999
Hotel staff	174	173
Administrative staff	27	27
	201	200

The aggregate payroll costs of these persons are as follows:

	2000 £'000	1999 £'000
Wages and salaries	3,249	2,899
Social security costs	266	244
Pension costs	35	34
	3,550	3,177

6. CORPORATION TAX

	2000 £'000	1999 £'000
UK Corporation tax at 30% (1999 - 31%)	375	435
Prior year adjustment	(58)	-
Transfer to deferred taxation	-	150
	317	585

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000 (continued)

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 27 March 1999	4,324	2,185	55	6,564
Additions in year	113	823	549	1,485
Transfers	-	(1,498)	-	(1,498)
Disposals	(857)	(77)	-	(934)
At 31 March 2000	3,580	1,433	604	5,617
Depreciation				
At 27 March 1999	281	131	-	412
Charge for the year	235	156	-	391
Disposals	(159)	(18)	-	(177)
At 31 March 2000	357	269	-	626
Net Book Value				
At 31 March 2000	3,223	1,164	604	4,991
At 26 March 1999	4,043	2,054	55	6,152

The transfer of Fixtures, fittings & equipment represents the transfer of un-depreciated assets to St Giles Hotel (Heathrow) Limited, a related party – see note 21

8. FIXED ASSET INVESTMENTS

The company paid £1 for one ordinary £1 share in The London Hotel School Limited, a company registered in England and Wales. This represents a 50% interest in the company. The principal activity of the London Hotel School Limited is that of providing training for the hotelier and restaurant trades. The share was disposed of during the year for proceeds of £1,000.

9. STOCKS

	2000 £'000	1999 £'000
Bar and other stocks	31	30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000 (continued)

10. DEBTORS

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	866	684
Rent deposit	600	600
Other debtors	239	246
Prepayments and accrued income	221	216
	1,926	1,746

11. CREDITORS: amounts falling due within one year

	2000 £'000	1999 £'000
Bank loan	-	188
Trade creditors	1,042	541
St Giles Hotel (Heathrow) Limited	331	-
Corporation tax	425	483
Social security and other taxation	330	322
Other creditors	-	1,244
Accruals and deferred income	1,605	671
	3,733	3,449

12. PROVISION FOR LIABILITIES AND CHARGES

	2000 £'000	1999 £'000
Deferred taxation		
Accelerated capital allowances		
As at 27 March 1999	302	152
Transfer to profit and loss account	-	150
As at 31 March 2000	302	302

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000 (continued)

13. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised, allotted, called up and fully paid		
Equity interests		
Ordinary shares of £1 each	850	850

14. PROFIT AND LOSS ACCOUNT

	2000 £'000	1999 £'000
As at 27 March 1999	2,560	1,485
Profit for the year	203	1,075
As at 31 March 2000	2,763	2,560

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

All movements in shareholders' funds are shown in note 14 above. All shareholders' funds relate to Equity interests.

16. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2000 £'000	1999 £'000
Operating leases which expire:		
Within one year	46	-
Within two to five years inclusive	162	156
After more than five years	2,743	2,720

Operating leases which expire after more than five years relate to land and buildings.

17. CAPITAL COMMITMENTS

At the year end, the company had capital commitments with respect to a major refurbishment programme.

	2000 £'000	1999 £'000
Authorised and contracted for	1,445	350
Authorised but not contracted for	567	-
	2,012	350

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000 (continued)

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2000 £'000	1999 £'000
Operating profit	520	1,660
(Increase) in stocks	(1)	(4)
(Increase)/decrease in debtors	(180)	(154)
Increase/(decrease) in creditors	530	(381)
Depreciation	391	188
Loss on disposal of fixed assets	757	-
	2,017	1,309

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 27 March 1999 £'000	Cashflows £'000	At 31 March 2000 £'000
Cash at bank and in hand	545	155	700
Overdrafts	-	-	-
	545	155	700

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (Note 18)

	£'000
Increase/(decrease) in cash in the period/changes in net funds	155
Net funds at 27 March 1999	545
Net funds at 31 March 2000	700

21. RELATED PARTY TRANSACTIONS

During the year, the company was charged rent of £5,206,371 (1999: £3,993,566) by Ravencroft Investments Incorporated, a company whose shareholders are the same as those of St Giles Hotel Limited. At the balance sheet date the amount due to Ravencroft Investments Incorporated was £1,278,817 (1999: balance due from Ravencroft Investments Incorporated was £149,562).

At the balance sheet date the company was owed £66,960 by Grapevine Limited, a related party (1999 : balance due from Grapevine Limited was £1,249,941).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 31 MARCH 2000

21. RELATED PARTY TRANSACTIONS - continued

During the year the management of a Hotel close to Heathrow airport was transferred to St Giles Hotel (Heathrow) Limited, a related party. Fixed Assets with a value of £1,498,000 were transferred together with a bank loan secured against the property.