

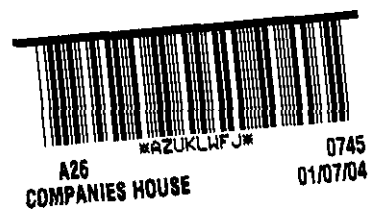


**Grand Hotel (Scarborough) Limited**

**Report and Accounts**

**31 December 2003**

**Company Registration Number 3657769**



# **Grand Hotel (Scarborough) Limited**

## **Report and accounts**

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# **Grand Hotel (Scarborough) Limited**

## **Company Information**

### **Directors**

M Pasquale  
B Jeffries  
G Lever

### **Secretary**

B Jeffries

### **Auditors**

Grant Thornton  
*The Explorer Building*  
Manor Royal  
Crawley  
RH10 9GT

### **Bankers**

Barclays Bank Plc  
London Corporate Banking Centre  
PO Box 15161R  
50 Pall Mall  
London SW1A 1QA

### **Registered Office**

Grand Ocean Hotel  
Longridge Avenue  
Saltdean  
East Sussex BN2 8RP

### **Registered number**

3657769

# Grand Hotel (Scarborough) Limited

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2003.

## PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company did not trade during the year under review. In the previous year the company's principal activity was the ownership and operation of leisure hotels.

## DIRECTORS AND THEIR INTERESTS

The directors who served during the year were G Lever, M Pasquale and B Jeffries. No director had an interest in the issued share capital of the company at any time during the period.

## DIRECTORS' RESPONSIBILITIES

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 group and of the profit or loss of the group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

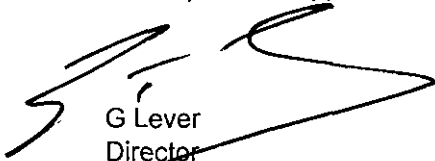
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS

On 1 July 2004 the Grant Thornton partnership will transfer its business to a limited liability partnership, Grant Thornton UK LLP. The directors have agreed to extend the audit appointment to Grant Thornton UK LLP with effect from that date in accordance with Section 26 (5) of the Companies Act 1989.

The company has, by elective resolution, dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore the auditors, Grant Thornton UK LLP, will be deemed to be reappointed for each successive financial period until notification.

This report was approved on behalf of the board on 14 June 2004.



G Lever  
Director

# GRAND HOTEL (SCARBOROUGH) LIMITED

## Independent auditors' report to the members of GRAND HOTEL (SCARBOROUGH) LIMITED

We have audited the financial statements of Grand Hotel (Scarborough) Limited for the year ended 31 December 2003 which comprise the profit and loss account, balance sheet, cash flow statement and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 group is not disclosed.

We read other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 December 2003 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Gatwick

28 June 2004

# Grand Hotel (Scarborough) Limited

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Notes	2003 £000	2002 £000
TURNOVER	2		18,606
COST OF SALES		-	(11,160)
GROSS PROFIT		-	7,446
ADMINISTRATIVE EXPENSES		-	(5,327)
OPERATING PROFIT	3	-	2,119
EXCEPTIONAL ITEMS	8		
Loss on disposal of fixed asset investment		(11,000)	(7)
Bank interest receivable		-	18
Other interest receivable		-	6
Interest payable and similar charges	6	-	(2,710)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,000)	(574)
Tax on loss on ordinary activities	7	(126)	125
(LOSS) FOR THE PERIOD	16	(11,126)	(449)

There are no recognised gains or losses other than the loss for the year

The accompanying notes form an integral part of these financial statements

# Grand Hotel (Scarborough) Limited

## BALANCE SHEET

At 31 December 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Investments in subsidiary undertakings	9	-	11,000
		<u>-</u>	<u>11,000</u>
<b>CURRENT ASSETS</b>			
Debtors	10	-	125
Cash at bank and in hand		-	1,167
		<u>-</u>	<u>1,292</u>
<b>CREDITORS: amounts falling due within one year</b>	11	(7,933)	(9,098)
<b>NET CURRENT LIABILITIES</b>		<u>(7,933)</u>	<u>(7,806)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(7,933)</u>	<u>3,194</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Loans	12	(3,793)	(3,793)
Obligations under finance leases and hire purchase contracts	13	-	(1)
		<u>(3,793)</u>	<u>(3,794)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	-	-
		<u>(11,726)</u>	<u>(600)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	-	-
Profit and loss account	16	(11,726)	(600)
<b>SHAREHOLDERS' FUNDS - EQUITY INTERESTS</b>		<u>(11,726)</u>	<u>(600)</u>

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the board of directors on 14 June 2004.



M Pasquale  
DIRECTOR

# Grand Hotel (Scarborough) Limited

## CASH FLOW STATEMENT

For the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Net cash inflow from operating activities	18a	-	(1,694)
Returns on investments and servicing of finance	18b	-	(2,686)
Taxation		(9)	210
Capital expenditure	18b	-	20,961
Financing	18b	(1,158)	(18,411)
Decrease in cash	18c	<u>(1,167)</u>	<u>(1,620)</u>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2003 £000	2002 £000
Decrease in cash		(1,167)	(1,620)
Cash outflow from decrease in lease financing		142	-
Cash outflow/(inflow) from change in debt financing			
Associated company loan	1,016	(8,561)	
Repayment of debts	-	26,972	
		<u>1,016</u>	<u>18,411</u>
Change in net debt resulting from cash flows		(9)	16,791
Exceptional Items		-	(7)
Change in Net Debt		<u>(9)</u>	<u>16,784</u>
Net debt At 31 December 2002		<u>(11,717)</u>	<u>(28,501)</u>
Net debt At 31 December 2003	18c	<u>(11,726)</u>	<u>(11,717)</u>

The accompanying notes form an integral part of these financial statements

# Grand Hotel (Scarborough) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

### 2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts received from income on occupancy and invoiced to third parties for services provided during the period.

The company did not trade during the year.

### 3. OPERATING PROFIT

	£000	£000
This is stated after charging/(crediting):		
Depreciation of owned fixed assets	-	714
Depreciation of assets held under finance leases	-	208
Amortisation of negative goodwill	-	(1,433)
Auditor's remuneration	-	30
- Audit services	-	10
- Non audit services	-	88
Operating lease rentals	-	52
- Land and buildings	-	
- Plant and machinery	-	

The auditors remuneration was paid by a fellow subsidiary undertaking.

### 4. DIRECTORS' EMOLUMENTS

	2003 £000	2002 £000
Emoluments	-	206
Compensation for loss of office	-	86
Company contributions paid to money purchase pension schemes	-	11
	-	303

The amounts in respect of the highest paid director are as follows:

Emoluments	-	65
Compensation for loss of office	-	86
Company contributions paid to money purchase pension schemes	-	6
	-	157

### 5. STAFF COSTS

	2003 £000	2002 £000
Wages and salaries	-	6,948
Social security costs	-	435
Other pension costs	-	77
	-	7,460

The monthly average number of employees during the period was as follows:

	2003 No.	2002 No.
Administration	-	19
Operations	-	792
	-	811

# Grand Hotel (Scarborough) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

<b>6. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Bank loans	-	1,506
Other loans	-	398
Finance charges payable under finance leases and hire purchase contracts	-	130
Amortisation of loan costs	-	273
Finance charge on vendor loan notes	-	403
	<u>-</u>	<u>2,710</u>
<b>7. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Based on the profit for the period:</b>		
UK corporation tax	-	-
Deferred taxation (note 14)	125	13
	<u>125</u>	<u>13</u>
Corporation tax under/(overprovided) in previous year	1	(325)
	<u>126</u>	<u>(312)</u>
Profit on ordinary activities before tax	-	(574)
Profit on ordinary activities multiplied by standard rate of corporation tax in UK	-	(180)
Effects of:		
Expenses not deductible for tax purposes	-	197
Capital Allowances for the period in excess of depreciation	-	(141)
Movements in general provisions	-	(1)
Adjustment to tax in respect of prior period	126	(325)
Utilisation of losses	-	125
Current tax charge for the period	<u>126</u>	<u>(325)</u>
<b>8. EXCEPTIONAL ITEM</b>		
During the year the investment in subsidiary undertakings was sold to Channel Hotels and Properties Limited for £1. Consequently the loss on this sale has been written off to Profit and Loss account.		
<b>9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS</b>		
<b>Cost:</b>		<b>£000</b>
At 1 January 2003		11,000
Intra Group sale		(11,000)
At 31 December 2003		<u>-</u>
<b>10. DEBTORS</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Deferred Tax	-	125
	<u>-</u>	<u>125</u>

# Grand Hotel (Scarborough) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

### 11. CREDITORS: amounts falling due within one year

	2003 £000	2002 £000
Obligations under finance leases and Hire purchase contracts	-	142
Corporation tax	-	7
Amounts owed to fellow subsidiary undertakings	7,933	8,949
	<u>7,933</u>	<u>9,098</u>

### 12. LOANS

	2003 £000	2002 £000
Amounts repayable: In more than two years but not more than five years	3,793	3,793
	<u>3,793</u>	<u>3,793</u>
Current obligations	-	-
Non-current obligations	3,793	3,793
	<u>3,793</u>	<u>3,793</u>

The loan balances as at 31 December 2003 comprised:

£3,792,950 (2002: £3,792,950) unsecured loan from K Leech for an initial period of 3 years from 20 December 2002 payable after giving 12 months notice by either party at an interest rate of nil%.

### 13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2003 £000	2002 £000
Amounts payable:		
Within one year	-	163
In two to five years	-	1
	<u>-</u>	<u>164</u>
Less: finance charges allocated to future periods	-	21
	<u>-</u>	<u>143</u>

Finance leases and hire purchase contracts are analysed as follows:

	2003 £000	2002 £000
Current obligations (note 15)	-	142
Non-current obligations	-	1
	<u>-</u>	<u>143</u>

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous year are as follows

	2003 £000	2002 £000
At 1 January	(125)	114
Charge for the period (Note 7)	125	(239)
At 31 December	<u>-</u>	<u>(125)</u>

The closing amount at 31 December 2002 is shown in debtors.

# Grand Hotel (Scarborough) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

### 15. SHARE CAPITAL

	Authorised 2003 No.	2002 No.	Allotted, called up and fully paid 2003 £	2002 £
Ordinary shares of £1 each	900	900	100	100
Preferred ordinary shares of £1 each	100	100	-	-

### 16. PROFIT AND LOSS ACCOUNT

	£000
At 1 January 2003	(600)
Loss for the period	(11,126)
At 31 December 2003	(11,726)

### 17. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share Capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2003	-	(600)	(600)
Loss for the year	-	(11,126)	(11,126)
At 31 December 2003	-	(11,726)	(11,726)

### 18. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	-	2,119
Depreciation	-	922
Amortisation of negative goodwill	-	(1,433)
Loss on sale of assets	-	2
Decrease/(Increase) in Debtors	-	2,044
(Increase)/Decrease in Stocks	-	213
(Decrease)/Increase in Creditors	-	(5,561)
Net cash inflow from operating activities	-	(1,694)

#### (b) Analysis of cash flows for headings netted in the statement of cash flows

	2003 £000	2002 £000
<i>Returns on investments and servicing of finance</i>		
Interest received	-	24
Interest paid	-	(2,580)
Interest element of finance leases and hire purchase	-	(130)
	-	(2,686)

# Grand Hotel (Scarborough) Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2003 £000	2002 £000
<i>Capital expenditure and financial investment</i>		
Payment to acquire tangible fixed assets	-	(1,452)
Proceeds on sale of assets	-	22,413
	<u>-</u>	<u>20,961</u>
	2003 £000	2002 £000
<i>Financing</i>		
Fellow subsidiary undertakings	(1,016)	8,561
Repayment of capital element of finance leases and hire purchase contracts	(142)	(226)
Repayment of loans		(26,746)
	<u>(1,158)</u>	<u>(18,411)</u>

(c) Analysis of changes in net debt

	At 31 December 2002 £000	Cash flow £000	Acquisition £000	Other £000	At 31 December 2003 £000
Cash	1,167	(1,167)	-	-	-
Finance lease and hire purchase obligations	(142)	142	-	-	-
Associate company loan	(8,949)	1,016	-	-	(7,933)
Vendor loan	(3,793)	-	-	-	(3,793)
	<u>(11,717)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(11,726)</u>

### 19. RELATED PARTY TRANSACTIONS

As disclosed in note 8, the investment in subsidiary undertakings was sold to Channel Hotels and Properties Limited.

### 20. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking is Channel Hotels and Properties Limited, a company registered in Jersey. In the directors' opinion the company's ultimate controlling party is Mr D Kirch.