

GLENEAGLES HOTELS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1995

Registered No 97000



GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

DIRECTORS

PJ Lederer
BF Baldock
AR Devereux
JI Lewis
Sir Ian MacLaurin
P E Yea (appointed 17 January 1996)

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 1995.

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 retained for the year amounted to £8,797,000 (1994: £11,006,000). This amount was added to reserves brought forward of £14,639,000, leaving reserves of £23,436,000 at the end of the financial year.

GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

FIXED ASSETS

The movements in fixed assets are set out in note 8 to the financial statements.

DIVIDENDS

No dividend payments are proposed for 1995.

FUTURE DEVELOPMENTS

The Directors are confident about the Company's future profitability.

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 Director's interests for PJ Lederer, A Devereux and J I Lewis in the shares of the Company's parent undertaking, Guinness PLC, are set out below. The Director's interests for BF Baldock and Sir Ian MacLaurin are shown in the annual accounts of Guinness PLC.

	<u>At 31 December 1995</u>		<u>At 1 January 1995</u>	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
PJ Lederer	10,066	128,366	10,066	119,101
A Devereux	-	-	-	-
J I Lewis	6,000	200,338	4,252	162,523

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

	<u>Options granted during 1995</u>		<u>Options exercised during 1995</u>	
	Number	Price (p)	Number	Price (p)
PJ Lederer	9,265	457.5 *	-	-
J I Lewis	37,815	457.5 *	-	-

* These options were granted under the Executive Share Option Scheme.

The options outstanding at 31 December 1995 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 1996 and 2005 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.

GLENEAGLES HOTELS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

(Continued)

DIRECTORS' AND OFFICERS LIABILITY INSURANCE

The ultimate parent undertaking, Guinness PLC purchases liability insurance covering the Directors and officers of the Company and its subsidiary.

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 1995 (Continued)

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 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.

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

24 May 1996

AUDITORS' REPORT TO THE SHAREHOLDERS OF GLENEAGLES HOTELS PLC

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention, except for the revaluation of land and buildings, and 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on 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 judgments 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 the Company's affairs as at 31 December 1995 and of the 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 Auditors
Edinburgh

24 May 1996

GLENEAGLES HOTELS PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995**

	Notes	<u>1995</u> £000	<u>1994</u> £000
TURNOVER	2	20,902	20,683
NET OPERATING COSTS	3	(19,884)	(18,825)
		—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		1,018	1,858
Interest receivable	7	11,766	13,461
Interest payable - bank		-	(1)
		—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,784	15,318
Taxation on profit on ordinary activities	4	(3,987)	(4,312)
		—	—
PROFIT RETAINED FOR THE YEAR		8,797	11,006
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		14,639	3,633
		—	—
RETAINED EARNINGS AT THE END OF THE YEAR		<u>23,436</u>	<u>14,639</u>

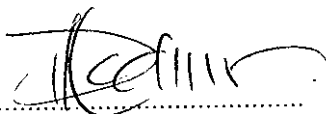
There are no recognised gains or losses other than the profit for the year, and all operations are continuing.

GLENEAGLES HOTELS PLC

BALANCE SHEET AT 31 DECEMBER 1995

	Notes	<u>1995</u> £000	<u>1994</u> £000
FIXED ASSETS			
Tangible assets	8	55,654	55,203
		<hr/>	<hr/>
		55,654	55,203
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	10	858	819
Debtors - Due within one year	11	237,452	225,412
Cash in hand and at bank		2,977	1,170
		<hr/>	<hr/>
		241,287	227,401
CREDITORS (Amounts falling due within one year)	12	(24,177)	(18,260)
		<hr/>	<hr/>
NET CURRENT ASSETS		217,110	209,141
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		272,764	264,344
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	(377)
		<hr/>	<hr/>
		272,764	263,967
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	235,672	235,672
Profit and loss account	15	23,436	14,639
Revaluation reserve		13,656	13,656
		<hr/>	<hr/>
		272,764	263,967
		<hr/>	<hr/>

Approved by the Board of Directors on 24 May 1996 and signed on its behalf by:



.....
PJ Lederer
Director

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995

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 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. However, no depreciation is provided on freehold buildings other than the Equestrian Centre. Given their substantial physical construction, the Company'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. Details of depreciation are given in note 8.

(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 1995 (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	<u>1995</u> £000	<u>1994</u> £000
Raw materials and consumables	8,017	7,407
Staff costs (Note 5)	7,055	6,942
Depreciation	1,227	1,141
Other operating charges	3,585	3,335
	<hr/>	<hr/>
	19,884	18,825
	<hr/> <hr/>	<hr/> <hr/>
Net operating costs are stated after charging/(crediting):	<u>1995</u> £000	<u>1994</u> £000
Directors' emoluments (Note 6)	138	150
Auditors' remuneration - audit	16	16
- non audit services	1	2
Receipt of inter-company balance previously written off	-	(472)
Release of provision against subsidiary debtor	(103)	-
	<hr/> <hr/>	<hr/> <hr/>
4 TAXATION	<u>1995</u> £000	<u>1994</u> £000
UK Corporation tax on the taxable profit for the year at 33%	4,364	4,666
Deferred tax released (Note 13)	(377)	(12)
	<hr/>	<hr/>
	3,987	4,654
Over provision in previous years	-	(342)
	<hr/>	<hr/>
Tax charge for the year	3,987	4,312
	<hr/> <hr/>	<hr/> <hr/>

The effective tax rate is lower than 33% primarily as a result of accelerated capital allowances.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (Continued)

5 STAFF COSTS AND EMPLOYEES

(a) Staff Costs		<u>1995</u>	<u>1994</u>
		£000	£000
Wages and salaries		6,214	6,122
Social security costs		433	464
Other pension costs (see note 17)		408	356
		7,055	6,942
		7,055	6,942
 (b) Average number of employees		 <u>1995</u>	 <u>1994</u>
		Number	Number
Full time		524	561
Part time		16	14
		540	575
		540	575

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

6 DIRECTORS' EMOLUMENTS

Two directors received emoluments totalling £151,095 from the Company during the year. (1994: £161,806). The other directors including the chairman are remunerated by fellow group undertakings and there is no specific re-charge made to the Company in respect of their services. The emoluments of the highest paid director, excluding pension contribution, were £114,817 (1994: £107,515). The number of directors whose emoluments were within each of the following bands was:

	<u>1995</u>	<u>1994</u>
£	Number	Number
Nil	3	4
15,000 - 19,999	-	1
20,000 - 24,999	1	1
105,000 - 109,999	-	1
110,000 - 114,999	1	-
	3	7
	3	7

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (Continued)

7 INTEREST RECEIVABLE

Interest receivable is primarily in respect of the loan provided to a fellow subsidiary undertaking during 1993. The loan became interest free from November 1995.

8 TANGIBLE ASSETS

	Freehold land and buildings £000	Plant £000	Fixtures & fittings £000	Pre- Opening Expenses £000	Total £000
COST OR VALUATION					
At 1 January 1995	50,538	2,896	10,154	92	63,680
Additions	508	8	1,162	-	1,678
Disposals	-	-	(76)	-	(76)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	51,046	2,904	11,240	92	65,282
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
DEPRECIATION					
At 1 January 1995	143	1,553	6,731	50	8,477
Charge for year	72	176	947	31	1,226
Disposals	-	-	(75)	-	(75)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	215	1,729	7,603	81	9,628
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
NET BOOK AMOUNT					
At 31 December 1995	50,831	1,175	3,637	11	55,654
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 1994	50,395	1,343	3,423	42	55,203
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (Continued)

8 TANGIBLE ASSETS (Continued)

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

	£000
Historical cost	37,321
Aggregate depreciation	(215)
	<hr/>
Net book amount	37,106
	<hr/> <hr/>

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

Equestrian centre	3%
Plant	8-25%
Fixtures and fittings	14-25%
Pre-opening expenses	33%

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.

9 INVESTMENTS IN SUBSIDIARIES

The Company's has the following subsidiary undertaking:

<u>Name</u>	<u>Type of share</u>	<u>% Held</u>
Equiscot Limited	Ordinary	100

The Company has undertaken to provide continuing financial support to Equiscot Limited if necessary.

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (Continued)

9 INVESTMENTS IN SUBSIDIARIES (Continued)

Equiscot Limited is registered in Scotland and is principally engaged in operating the Equestrian Centre, Braco Road, Auchterarder, Perthshire.

In accordance with Section 228 of the Companies Act 1985, group accounts are not submitted as the Company is a wholly owned subsidiary (Note 19).

	<u>1995</u> £000	<u>1994</u> £000
10 STOCKS		
Raw materials and consumables	396	397
Goods purchased for resale	462	422
	—	—
	858	819
	—	—
11 DEBTORS		
	<u>1995</u> £000	<u>1994</u> £000
Trade debtors	1,882	1,452
Amounts owed by subsidiary undertakings	135	162
Amounts owed by fellow subsidiary undertakings	235,181	223,478
Other debtors	86	195
Prepayments and accrued income	168	125
	—	—
	237,452	225,412
	—	—

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (Continued)

12 CREDITORS (Amounts falling due within one year)

	<u>1995</u> £000	<u>1994</u> £000
Payments received on account	440	450
Trade creditors	1,226	954
Amount owed to group undertakings	15,604	10,284
Social security and other taxes	345	280
Accruals and deferred income	2,217	1,645
Corporation tax	4,345	4,647
	<hr/>	<hr/>
	24,177	18,260
	<hr/> <hr/>	<hr/> <hr/>

13 DEFERRED TAXATION

		£000
Balance provided at 31 December 1994		377
Movement in the year (Note 4)		(377)
		<hr/>
Balance provided at 31 December 1995		-
		<hr/> <hr/>
The full potential liability in respect of deferred taxation at a corporation tax rate of 33% is as follows:	<u>1995</u> £000	<u>1994</u> £000
Short term timing differences	-	377
Excess of accelerated capital allowances over accumulated depreciation	372	314
Chargeable gains on property	8,500	8,600
	<hr/>	<hr/>
	8,872	9,291
	<hr/> <hr/>	<hr/> <hr/>

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

With the exception of short term timing differences which are accounted for in full, no deferred taxation has 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 1995 (Continued)

14	CALLED UP SHARE CAPITAL	<u>1995</u> £000	<u>1994</u> £000
	Authorised: 236,659,000 ordinary shares of £1 each	236,659	236,659
	Allocated and fully paid: 235,659,000 ordinary shares of £1 each	235,659	235,659
	Allocated and partly paid: 50,000 ordinary shares of £1 each, 25p paid	13	13
		<u>235,672</u>	<u>235,672</u>
		<u> </u>	<u> </u>
15	COMMITMENTS	<u>1995</u> £000	<u>1994</u> £000
	<u>Future capital expenditure</u>		
	Contracted but not provided in the financial statements	312	90
	Authorised but not contracted	1,038	301
		<u>1,350</u>	<u>391</u>
		<u> </u>	<u> </u>

GLENEAGLES HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (Continued)

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1995</u> £000	<u>1994</u> £000
Profit for the financial year	8,797	11,006
Opening shareholders' funds	263,967	252,961
	<hr/>	<hr/>
Closing shareholders' funds	272,764	263,967
	<hr/> <hr/>	<hr/> <hr/>

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 benefit 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 1995 by R Watson & Sons, Consulting Actuaries 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 £408,059 (1994: £356,452).

18 CASH FLOW STATEMENT

The Company is exempt from the preparation of a cash flow statement in accordance with Financial Reporting Standard 1 as a wholly owned subsidiary of an EEC registered company which prepares a consolidated cash flow statement.

19 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 0EE.