

Registered no: 2940925

Paramount Hotels Limited
Annual report and financial statements
for the period ended 2 January 2000



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Directors and advisers

Executive directors

Michael Purtil FCA
(Managing director)

Ian Goulding BSc ACA
(Finance director)

Secretary and registered office

Ian Goulding
Fountain Court
12 Bruntcliffe Way
Morley
LEEDS
LS27 0JG

Registered auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Moseley Street
MANCHESTER
M2 3PW

Solicitors

Dibb Lupton Alsop
117 The Headrow
LEEDS
LS1 5JX

Bankers

National Westminster Bank PLC
Leeds City Office
P O Box 154
8 Park Row
LEEDS
LS1 1QS

De Nationale Investerings Bank NV
22 Eastcheap
LONDON
EC3M 1LA

Directors' report for the period ended 2 January 2000

The directors present their report and the audited financial statements for the 52 weeks ended 2 January 2000.

Principal activities and review of business

The profit and loss account for the period is set out on page 6.

The principal activity of the company is operating and managing hotels.

The directors consider the financial position at 2 January 2000 to be satisfactory and they expect this to be maintained for the foreseeable future.

Trading period

The period referred to in this report and the financial statements comprises 52 weeks. The comparative trading period was 53 weeks.

Dividends

The directors do not recommend the payment of a dividend in respect of the financial period.

Directors

The directors of the company who served during the period were:

Michael Purtill
Ian Goulding

Directors' interests

No director had any interest in the shares of the company at 2 January 2000 or 3 January 1999.

Directors' interests in shares in other group companies are shown in the annual report of Paramount Hotels Group Limited.

Charitable and political donations

Donations made by the company during the period for charitable purposes amounted to £3,574 (1998: £1,830). No contributions were made for political purposes.

Employees

The company policy is to consult and discuss with employees, at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

It is the company's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the company endeavours to abide by the agreed payment terms.

Year 2000

We have assessed the impact of all our experiences since 31 December 1999 in relation to the year 2000. We continue to monitor our significant customers, vendors and service providers and to date we have no information that indicates that significant vendors may be unable to sell to the entity, or significant customers may be unable to purchase from the entity, or significant service providers may be unable to provide services to the entity, as a result in each case of year 2000 problems.

Our contingency plans remain in place for all business critical systems to respond to the issues identified including, where relevant, mitigation of the possible impacts of non-year 2000 compliance, and any additional issues arising from the possible impacts of the leap year date.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

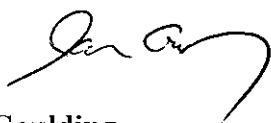
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 2 January 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board



I Goulding
Company Secretary

30 March 2000

Report of the auditors to the members of Paramount Hotels Limited

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 the affairs of the company at 2 January 2000 and of the profit of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Manchester

31 March 2000

Profit and loss account for the period ended 2 January 2000

	Notes	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Turnover	2		
Continuing operations		34,208	19,183
Acquisitions		-	9,411
		<u>34,208</u>	<u>28,594</u>
Cost of sales		<u>(5,251)</u>	<u>(4,391)</u>
Gross profit		28,957	24,203
Administrative expenses		(19,207)	(17,616)
Operating profit			
Continuing operations		9,750	3,600
Acquisitions		-	2,987
		<u>9,750</u>	<u>6,587</u>
Interest receivable and similar income		241	116
Interest payable and similar charges	5	<u>(5,519)</u>	<u>(3,581)</u>
Profit on ordinary activities before taxation	6	4,472	3,122
Tax on profit on ordinary activities	7	<u>(166)</u>	<u>(4)</u>
		4,306	3,118
Appropriations in respect of non-equity shares	8	-	(2,383)
Retained profit for the financial period		<u>4,306</u>	<u>735</u>

All of the company's operations during the period shown above represent continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.


Statement of total recognised gains and losses

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Retained profit for the financial period	4,306	735
Unrealised surplus on revaluation of properties	<u>12,385</u>	<u>1,000</u>
Total recognised gains and losses relating to the period	<u>16,691</u>	<u>1,735</u>

**Balance sheet
as at 2 January 2000**

	Notes	2 January 2000 £'000	3 January 1999 £'000
Fixed assets			
Intangible assets	9	1,752	1,848
Tangible assets	10	96,001	78,208
Investments	11	-	-
		<u>97,753</u>	<u>80,056</u>
Current assets			
Stocks	12	426	492
Debtors	13	3,923	2,553
Cash at bank and in hand		4,134	4,545
		<u>8,483</u>	<u>7,590</u>
Creditors: amounts falling due within one year	14	<u>(10,383)</u>	<u>(54,247)</u>
Net current liabilities		<u>(1,900)</u>	<u>(46,657)</u>
Total assets less current liabilities		95,853	33,399
Creditors: amounts falling due after more than one year	15	<u>(45,882)</u>	<u>(119)</u>
Net assets		49,971	33,280
Capital and reserves			
Called up share capital	18	99	99
Share premium account	19	9,315	9,315
Revaluation reserve	19	29,298	16,913
Profit and loss account	19	11,259	6,953
Total shareholders' funds	20	<u>49,971</u>	<u>33,280</u>
Analysis of shareholders' funds			
Equity interests		49,971	16,486
Non-equity interests		-	16,794
		<u>49,971</u>	<u>33,280</u>

The financial statements on pages 6 to 19 were approved by the board of directors on
30 March 2000 and were signed on its behalf by:



I Goulding
Finance Director

**Notes to the financial statements
for the period ended 2 January 2000****1 Principal accounting policies**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards. The directors consider that the accounting policies set out below are suitable, have been consistently applied, and are supported by reasonable and prudent judgements and estimates.

Tangible fixed assets

Freehold land and buildings are stated at valuation, all other tangible fixed assets are stated at their purchase cost together with any incidental costs of acquisition.

No depreciation is provided on freehold properties or on integral fixed plant. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values so high, based on prices prevailing at the time of acquisition, that their depreciation is insignificant. An annual review for impairment is performed and amounts are taken immediately to the profit and loss account as appropriate.

Depreciation is provided on all other tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Fixed plant	20 - 35 years
Plant and machinery	15 - 25 years
Furniture and equipment	7 - 15 years
Soft furnishings	7 - 10 years
Computers	5 years
Motor vehicles	5 years

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals payable are treated as consisting of capital and finance elements. The capital element is applied to reduce the outstanding obligations and the finance element is charged to the profit and loss account as interest. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

Stocks

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

Turnover

Turnover, which excludes value added tax, transactions between group companies and trade discounts, represents the invoiced value of goods and services supplied.

Pension schemes

The company operates a defined contribution scheme. The amount charged against profits represents the contribution payable to the scheme in respect of the accounting record.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Goodwill

Where businesses or subsidiaries are acquired, any difference between the cost of acquisition and the value attributable to the acquired assets and liabilities is reflected as goodwill on the balance sheet. Goodwill is written off over its estimated useful life not exceeding 20 years.

2 Segmental analysis

The company's turnover, profit before taxation and net assets are derived from its principal activity within the UK and as such no segmental information has been disclosed.

3 Directors' emoluments

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Aggregate emoluments	-	81
Company pension contributions to money purchase schemes	-	7
	-	88
	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Highest paid director		
Aggregate emoluments	-	51
Company pension contributions to money purchase schemes	-	4

4 Employee information

The average weekly number of persons employed by the company during the period was:

	52 weeks ended 2 January 2000		53 weeks ended 3 January 1999	
	Full time Number	Part time Number	Full time Number	Part time Number
By activity				
Staff in hotel outlets	664	465	529	384
Administration staff	20	-	16	-
	684	465	545	384
	52 weeks ended 2 January 2000 £'000		53 weeks ended 3 January 1999 £'000	
Staff costs (for the above persons)				
Wages and salaries	10,064		8,091	
Social security costs	757		593	
Employers' pension costs (note 23)	99		64	
	10,920		8,748	

5 Interest payable and similar charges

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Finance cost of deep discounted bonds	112	-
Interest payable on bank loans, overdrafts and other loans	5,388	3,404
Interest payable on finance leases	19	20
Amortisation of expenses of raising bank loans	-	157
	<hr/>	<hr/>
	5,519	3,581
	<hr/>	<hr/>

6 Profit on ordinary activities before taxation

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rents receivable	34	34
And after charging:	<hr/>	<hr/>
Depreciation charge for the period:		
Tangible owned fixed assets	1,311	1,327
Tangible fixed assets held under finance leases	81	132
Auditors' remuneration for:		
Audit	25	29
Other services	26	166
Rentals payable under operating leases:		
Property	79	81
Plant and machinery	229	144
Non-recurring costs:		
Additional depreciation of charge included above	-	349
Write off of expenses of raising bank loans (included in note 5)	-	138
Aborted acquisitions	-	69
	<hr/>	<hr/>

7 Tax on profit on ordinary activities

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Corporation tax in respect of current period	139	-
Corporation tax in respect of prior periods	27	4
	<u>166</u>	<u>4</u>

8 Appropriations in respect of non-equity shares

The appropriation in respect of non-equity shares represents the finance cost of the 10% redeemable preference shares. These preference shares were reclassified to ordinary shares on 1 December 1999 at par.

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Non-equity preference shares		
Dividends	-	1,149
Appropriations	-	1,234
	<u>-</u>	<u>2,383</u>

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 3 January 1999	1,903
Additions	-
At 2 January 2000	<u>1,903</u>
Aggregate amortisation	
At 3 January 1999	(55)
Charge for the period	(96)
At 2 January 2000	<u>(151)</u>
Net book value at 2 January 2000	<u>1,752</u>
Net book value at 3 January 1999	1,848

Goodwill is being amortised over its estimated useful economic life of 20 years. This period is the estimated average useful life of the assets acquired that gave rise to the goodwill.

10 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
At 3 January 1999	67,640	13,409	81,049
Additions	1,930	4,956	6,886
Disposals	-	(471)	(471)
Revaluation	12,385	-	12,385
At 2 January 2000	81,955	17,894	99,849
Depreciation			
At 3 January 1999	-	(2,841)	(2,841)
Charge for period	-	(1,392)	(1,392)
Disposals	-	385	385
At 2 January 2000	-	(3,848)	(3,848)
Net book value			
At 2 January 2000	81,955	14,046	96,001
Net book value			
At 3 January 1999	67,640	10,568	78,208

The net book value of tangible fixed assets includes an amount of £606,000 (1998: £344,000) in respect of assets held under finance leases.

At 2 January 2000 freehold land and buildings were all recorded at valuation, and plant and equipment was recorded at historic cost.

The above tangible fixed assets reflect a professional valuation of the freehold properties that was undertaken by Christie & Co as at 22 December 1999, on the basis of existing use value.

The historical cost and net book value of the company's freehold land and buildings included at valuation is as follows:

	2 January 2000 £'000	3 January 1999 £'000
Historical cost and net book value	52,657	50,727

On a historical cost basis, the depreciation charge for the period would not be materially different.

11 Investments

The company has an investment of £2 (1998: £2) representing the whole of the issued ordinary share capital of £2 of Paramount Hotels Services Limited, incorporated in England which provides employment services. The investment is stated at cost.

The company has not prepared consolidated financial statements for the period as permitted by Section 229 of the Companies Act 1985.

12 Stocks

	2 January 2000 £'000	3 January 1999 £'000
Raw materials and consumables	246	313
Goods for resale	180	179
	<u>426</u>	<u>492</u>

13 Debtors

	2 January 2000 £'000	3 January 1999 £'000
Amounts falling due within one year		
Trade debtors	2,247	1981
Amounts owed by group undertakings	825	-
Other debtors	214	108
Prepayments and accrued income	637	464
	<u>3,923</u>	<u>2,553</u>

14 Creditors: amounts falling due within one year

	2 January 2000 £'000	3 January 1999 £'000
Amounts due to group undertakings	5,703	49,768
Trade creditors	1,912	1,371
Obligations under finance leases	201	123
Corporation tax	23	-
Other taxation and social security	568	1,070
Other creditors	629	751
Accruals and deferred income	1,347	1,164
	<u>10,383</u>	<u>54,247</u>

15 Creditors: amounts falling due after more than one year

	2 January 2000 £'000	3 January 1999 £'000
Deep discount bonds due to group undertakings	45,612	-
Obligations under finance leases	270	119
	<u>45,882</u>	<u>119</u>

The deep discounted bonds are repayable on 31 December 2004. The finance cost rate on the deep discounted bonds is equivalent to a 9% annual interest rate and is capitalised annually on 31 December and added to the principal amount of the deep discounted bonds.

16 Finance lease obligations

The net finance lease obligations to which the company are committed are:

	2 January 2000 £'000	3 January 1999 £'000
In one year or less	201	123
Between one and two years	165	76
Between two and five years	105	43
	<u>471</u>	<u>242</u>

17 Deferred taxation

No deferred taxation has been provided in the financial statements. The full potential liability, which has not been provided, is as follows:

	2 January 2000 £'000	3 January 1999 £'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	2,699	3,524
Losses	-	(1,350)
Short term timing differences	(34)	-
	<u>2,665</u>	<u>2,174</u>

The capital gains tax liability that would arise on a disposal of the trading properties at their balance sheet amounts has not been quantified or provided as it is anticipated that rollover relief would postpone any such liability indefinitely.

18 Called up share capital

	2 January 2000 £	3 January 1999 £
Authorised, allotted, called up and fully paid		
9,900,000 ordinary shares of 1p each	99,000	-
101,600 'A' ordinary shares of 1p each	-	1,016
698,400 'B' ordinary shares of 1p each	-	6,984
9,100,000 10% cumulative redeemable preference shares of 1p each	-	91,000
	<u>99,000</u>	<u>99,000</u>

On 1 December 1999 all the authorised and issued A ordinary, B ordinary and 10% cumulative redeemable preference shares were reclassified as ordinary shares and the articles of association were amended accordingly.

19 Share premium and reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 3 January 1999	9,315	16,913	6,953
Revaluation of properties in the period	-	12,385	-
Profit retained for the period	-	-	4,306
	<u>9,315</u>	<u>29,298</u>	<u>11,259</u>
At 2 January 2000	9,315	29,298	11,259

20 Reconciliation of movements in shareholders' funds

	2 January 2000 £'000	3 January 1999 £'000
Profit for the financial period	4,306	3,118
Dividends and appropriation	-	(2,383)
	<u>4,306</u>	<u>735</u>
Reversal of non-equity appropriation	-	2,883
Revaluation of freehold properties	12,385	1,000
	<u>16,691</u>	<u>4,618</u>
Opening shareholders funds	33,280	28,662
Closing shareholders funds	<u>49,971</u>	<u>33,280</u>

21 Capital commitments

	2 January 2000 £'000	3 January 1999 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	696	1,532

22 Financial commitments

The company had annual commitments under non-cancellable operating leases as follows:

	2 January 2000		3 January 1999	
	Property £'000	Plant and machinery £'000	Property £'000	Plant and machinery £'000
Expiring:				
within one year	56	90	44	57
between two and five years	30	131	-	81
over five years	-	30	25	47
	<u>86</u>	<u>251</u>	<u>69</u>	<u>185</u>

23 Pension arrangements

The company maintains a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged in the period represents contributions payable by the company to the fund and amounted to £99,000 (1999: £64,000).

24 Parent undertaking and ultimate controlling party

The immediate parent company is Paramount Hotels Holdings Limited and the ultimate parent company and controlling party is Paramount Hotels Group Limited. Copies of Paramount Hotels Group Limited's consolidated financial statements can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

25 Related party transactions

As a wholly owned subsidiary, the company has availed itself of the exemption under Financial Reporting Standard Number 8, not to disclose intra-group transactions.

26 Contingent liabilities

The company is a participant in a fellow subsidiary's (Paramount Hotels Holdings Limited) term loan borrowings whereby these borrowings are secured by a fixed and floating charge over the company's assets.

27 Cash flow statement

Under Financial Reporting Standard Number 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of it being a wholly owned subsidiary of Paramount Hotels Group Limited.