

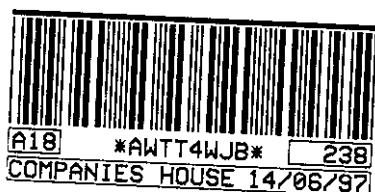
BROWNS HOTEL LIMITED

(formerly 874th Shelf Trading Company Limited)

(Registered Number: 3197645)

REPORT AND ACCOUNTS

PERIOD FROM DATE OF INCORPORATION
ON 13 MAY 1996 TO 28 SEPTEMBER 1996



BROWNS HOTEL LIMITED
(formerly 874th Shelf Trading Company Limited)
DIRECTORS' REPORT

The Directors present their Report and Accounts for the period from date of incorporation on 13 May 1996 to 28 September 1996.

INCORPORATION

The Company was incorporated on 13 May 1996 as 874th Shelf Trading Company Limited and changed its name on 19 July 1996 to Browns Hotel Limited.

PRINCIPAL ACTIVITY

The company is a hotel operator.

The Company started trading on 5 September 1996, when the fixed assets and working capital were transferred to the Company in the course of the liquidation of August Hotels Limited, a fellow subsidiary undertaking. Details of the net assets transferred and the consideration paid are set out in note 16.

TRADING RESULTS

The profit on ordinary activities before taxation for the period was £215,000. Retained profit of £139,000 was transferred to reserves.

DIVIDEND

The Directors do not recommend the payment of a dividend for the period on the Ordinary shares. A dividend of £5,000 has been accrued on the Cumulative Participating Redeemable Preference shares.

DIRECTORS

The Directors of the Company as at 28 September 1996 were as follows:

S Cartwright
GJ Parrott
HE Staunton
HJ Tautz

Serjeants' Inn Nominees Limited and Loviting Limited were appointed as Directors of the Company on the date of incorporation and resigned on 29 July 1996.

HJ Tautz and HE Staunton were appointed as Directors on 29 July 1996. S Cartwright and GJ Parrott were appointed as Directors on 29 August 1996.

BROWNS HOTEL LIMITED
(formerly 874th Shelf Trading Company Limited)
DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

None of the Directors had a direct interest in the issued share capital of the Company.

The beneficial interests of the Directors in the issued share capital of Granada Group PLC were as follows:

	At 28 September 1996	At 13 May 1996 or date of appointment (where later)
S Cartwright	1,078	1,078
HJ Tautz	Nil	Nil

The following Directors held share options under the Granada Group PLC Executive and Savings-Related Share Option schemes

	At 28 September 1996	At 13 May 1996 or date of appointment (where later)	Granted during period	Exercised during period
S Cartwright	64,369	64,369	20,000	Nil
HJ Tautz	10,540	10,540	10,200	Nil

GJ Parrott and HE Staunton are Directors of Granada Group PLC and as such their Interests are shown in that company's Report and Accounts.

STATEMENT OF DIRECTORS RESPONSIBILITIES

It is the responsibility of 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 as at the end of the financial year and of the profit or loss for that period.

The Directors consider that, in preparing the financial statements on pages 5 to 12, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed and that it is appropriate to use a going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.


The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard assets of the Company and to prevent and detect fraud and other irregularities.

BROWNS HOTEL LIMITED
(formerly 874th Shelf Trading Company Limited)
DIRECTORS' REPORT (continued)

ELECTIVE RESOLUTIONS

The Company has passed Elective resolutions to dispense with the laying of the Annual Report and Accounts before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

By Order of the Board



HJ Kautz
Secretary

8 April 1997
Registered office:
166 High Holborn
LONDON WC1V 6TT

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
BROWNS HOTEL LIMITED
(formerly 874th Shelf Trading Company Limited)**

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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 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 Company's affairs as at 28 September 1996 and its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
32 London Bridge Street
London SE1 9SY

8 April 1997

BROWNS HOTEL LIMITED
(formerly 874th Shelf Trading Company Limited)
PROFIT & LOSS ACCOUNT FOR THE PERIOD
FROM DATE OF INCORPORATION TO 28 SEPTEMBER 1996

	£'000
TURNOVER (Note 1)	547
Net operating costs (Note 2)	<u>(332)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 1)	215
TAX ON PROFIT ON ORDINARY ACTIVITIES (Note 5)	<u>(71)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	144
NON-EQUITY DIVIDENDS (Note 6)	<u>(5)</u>
PROFIT RETAINED FOR THE PERIOD (Note 13)	<u>139</u>

The Company had no recognised gains or losses during the period other than those reflected in the above profit and loss account.

There is no difference between the reported profit for the period and that which would be reported under the historical cost convention.

The notes on pages 7 to 12 form part of these financial statements.

BROWNS HOTEL LIMITED
 (formerly 874th Shelf Trading Company Limited)
BALANCE SHEET - AS AT 28 SEPTEMBER 1996

	£'000
FIXED ASSETS	
Tangible assets (Note 7)	<u>44,690</u>
CURRENT ASSETS	
Stocks (Note 8)	102
Debtors (Note 9)	804
Cash at bank and in hand	<u>4</u>
Total current assets	910
CREDITORS - Amounts falling due within one year (Note 10)	<u>(461)</u>
NET CURRENT ASSETS	<u>449</u>
NET ASSETS	<u>45,139</u>
CAPITAL AND RESERVES	
Called up share capital (Note 12)	3,036
Share premium (Note 13)	41,964
Profit & loss reserve (Note 13)	<u>139</u>
SHAREHOLDERS' FUNDS	
Equity	44,350
Non-equity	<u>789</u>
	<u>45,139</u>

The notes on pages 7 to 12 form part of these financial statements.

APPROVED BY THE BOARD ON 8 April 1997


 DIRECTOR

BROWNS HOTEL LIMITED
(formerly 874th Shelf Trading Company Limited)
ACCOUNTING POLICIES

I ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985, as amended by the Companies Act 1989, and applicable Accounting Standards.

II TURNOVER

Turnover represents the amounts receivable for goods sold and services provided, excluding VAT and similar sales taxes.

III DEPRECIATION

- (a) Properties: In accordance with normal practice in the UK hotel industry, no depreciation is provided on freehold properties or properties on leases with twenty years or more to run at the balance sheet date 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. Accordingly the Directors consider that the lives of these assets and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is insignificant. All leasehold properties held for less than twenty years are amortised over the unexpired term.
- (b) Other assets: Depreciation is provided on all other tangible fixed assets on a straight line basis over ten to fifteen years for plant and machinery, four to ten years for furniture and equipment and up to five years for information technology software and hardware.

IV OPERATING LEASES

Operating lease rentals are charged to the profit and loss account as incurred.

V STOCKS

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

VI PENSIONS

The cost of providing pensions and other post retirement benefits for employees is charged against the profit and loss account as incurred.

VII DEFERRED TAXATION

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that the liability will be payable in the foreseeable future.

BROWNS HOTEL LIMITED

(formerly 874th Shelf Trading Company Limited)

NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996**1 SEGMENTAL INFORMATION**

The turnover and trading results are attributable to the Company's sole business of operating Browns Hotel, London. All of the Company's turnover and operating profit relates to continuing operations.

2 OPERATING COSTS

	£'000
Raw materials & consumables	57
Other equipment hire	2
Other external charges	75
Staff costs:	
Wages and salaries	119
Social security costs	9
Other pension costs	1
Depreciation	69
	<hr/>
	332

Auditors' remuneration has been borne by Forte (UK) Limited.

3 DIRECTORS' EMOLUMENTS

The Directors, none of whom spend a material amount of time working for the Company, received £nil in respect of their services to the Company during the period.

4 EMPLOYEES

The average number of employees employed by the Company following the start of trading was:

United Kingdom - full time	118
- part time	7
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	125

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	£'000
Corporation tax charge at 33%	71
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6 NON-EQUITY DIVIDENDS

	£'000
Accrued on Cumulative Participating Redeemable Preference shares	5
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BROWNS HOTEL LIMITED**(formerly 874th Shelf Trading Company Limited)****NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996 (continued)****7 TANGIBLE ASSETS**

	Short leasehold £'000	Plant & machinery £'000	Furniture & equipment £'000	Total £'000
Cost				
Transferred from August Hotels Ltd	34,799	9,198	3,520	47,517
Additions	-	43	2	45
At 28 September 1996	34,799	9,241	3,522	47,562
Depreciation				
Transferred from August Hotels Ltd	-	1,872	931	2,803
Charge for the period	-	26	43	69
At 28 September 1996	-	1,898	974	2,872
Net book amount				
At 28 September 1996	34,799	7,343	2,548	44,690

8 STOCKS

	£'000
Raw materials and consumables	102

9 DEBTORS

	£'000
Trade debtors	438
Amounts owed by fellow subsidiary undertaking	263
Other debtors and prepayments	103
	804

10 CREDITORS - Amounts falling due within one year

	£'000
Trade creditors	47
Corporation tax	71
Accrued dividend on Cumulative Participating Redeemable Preference shares	5
Other creditors and accruals	338
	461

BROWNS HOTEL LIMITED**(formerly 874th Shelf Trading Company Limited)****NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996 (continued)****11 DEFERRED TAXATION**

The deferred taxation balance and potential amount of deferred taxation for all timing differences are as follows:

	Amount provided in the accounts £'000	Potential liability £'000
Excess of capital allowances over depreciation	-	2,934

12 CALLED UP SHARE CAPITAL

	£'000
Authorised	
16,000,000 Ordinary shares of 25p each	4,000
6,000,000 Cumulative Participating Redeemable Preference shares of 25p each	1,500
	<u>5,500</u>
Allotted and fully paid	
8,987,004 Ordinary shares of 25p each	2,247
3,157,596 Cumulative Participating Redeemable Preference shares of 25p each	789
	<u>3,036</u>

The Company was incorporated on 13 May 1996 with allotted share capital of two Ordinary £1 shares. On 29 August 1996 each £1 Ordinary share was subdivided into four shares of 25p. On 5 September 1996 a further 8,986,996 Ordinary 25p shares and 3,157,596 Cumulative Participating Redeemable Preference 25p shares "CPRP shares" were allotted.

CPRP shares are redeemable at par in whole or in part by the holders or the Company at any time after 14 August 1999. Any shares left in issue will be redeemed by the Company on 15 August 2001. CPRP shares carry a fixed dividend of 5.4873% per annum and a participating dividend of 0.04% of the dividend paid on Ordinary shares. On a winding up the holders are entitled to receive arrears and accruals of dividends, the nominal value of the shares and a further 0.04% of the assets of the Company available for distribution, subject to a maximum of 30p per share. CPRP shares only carry voting rights in the event that dividends remain unpaid, on a winding up or in relation to a resolution to vary the special rights attaching to the CPRP shares.

BROWNS HOTEL LIMITED

(formerly 874th Shelf Trading Company Limited)

NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996 (continued)**13 MOVEMENT IN SHAREHOLDERS FUNDS**

	Share capital £'000	Share premium £'000	Profit and loss reserve £'000	Total £'000
At 13 May 1996	-	-	-	-
Shares issued in the period	3,036	41,964	-	45,000
Retained profit for the period	-	-	139	139
At 28 September 1996	3,036	41,964	139	45,139

14 PENSION COMMITMENTS

The Company participates in the Forte pension fund. This scheme is of the defined benefit type providing benefits to certain employees within the Granada group and the assets are held separately from the group's assets.

The latest actuarial valuation of the main group scheme, the Forte Pension and Life Assurance Fund was carried out as at 5 April 1994. Details of this valuation are included in the accounts of Granada Group PLC.

The total pension cost for the Company was £1,000.

15 CAPITAL EXPENDITURE COMMITMENTS

	£'000
Committed	104

16 ASSETS TRANSFERRED IN THE COURSE OF THE LIQUIDATION OF AUGUST HOTELS LIMITED

The Company started trading on 5 September 1996, when the fixed assets and working capital were transferred to the Company in the course of the liquidation of August Hotels Limited, a fellow subsidiary undertaking. Details of the net assets transferred and the consideration paid are set out below:

Book value of net assets transferred and fair value to the company	£'000
Tangible fixed assets	44,714
Stocks	96
Other working capital	190
	45,000
Consideration	
Share capital issued	45,000

BROWNS HOTEL LIMITED

(formerly 874th Shelf Trading Company Limited)

NOTES TO THE ACCOUNTS - 28 SEPTEMBER 1996 (continued)

17 ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent undertaking is Granada Group PLC, a company incorporated in England. Copies of the group accounts of Granada Group PLC can be obtained from the following address: Stornoway House, 13 Cleveland Row, London, SW1A 1GG.