

LE MERIDIEN PICCADILLY LIMITED

Sc
Company Number 74783

Report and Accounts
12 months ended 31st December, 1997



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Directors' report

The Directors present their Report and Accounts for the 12 month period ended 31 December 1997.

Principal activity

The Company operates a prestige hotel called "Le Méridien Piccadilly".

Trading results and dividends

The profit on ordinary activities over 12 months before taxation was £445,530 (11 months ended 31 December 1996: loss of £341,639)

The Directors do not recommend the payment of a dividend (11 months ended 31 December 1996: £Nil)

Annual Report and Accounts for the 12 months ended 31 December 1997

Directors

The Directors of the Company at 31 December 1997 were :

Mr P B Coleridge
Mr G J Parrott
Mr H E Staunton
Mrs H J Tautz

Mr P B Coleridge was appointed as Director on 13 June 1997.

Mr P J Copeland resigned as Director on 18 July 1997

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 31 December 1997	At 31 December 1996 (or date of appointment if later)
P B Coleridge	1,787	643
H J Tautz	-	-

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

	At 31 Dec 1996 (or appointment if later)	Granted	Exercised	At 31 Dec 1997
P B Coleridge				
- Executive	137,500	-	-	137,500
- Savings Related	4,369	-	-	4,369
	141,869	-	-	141,869
H J Tautz				
- Executive	20,000	4,500	-	24,500
- Savings Related	540	-	-	540
	20,540	4,500	-	25,040

In addition, on 18 December 1997, Mr P B Coleridge was awarded 9,700 shares at a price of 901p per share under the Granada Group PLC Performance Share Plan. This award is conditional on the achievement of the performance conditions set out on page 55 of the report and accounts of Granada Group PLC for the three year performance period ending 31 December 2000.

G J Parrott and H E Staunton are also Directors of Granada Group PLC and, as such, their interests are shown in the Report and Accounts of that company.

Employee involvement

The Company places great importance on the involvement of its staff in the Company's success and operations and regularly reviews and improves communications, consultation, recognition and reward systems. In particular employees are encouraged to participate in the Granada Group's Share Option Scheme and Pension Schemes. In addition, the company employees share in the benefits of the Meridien Holdings UK Ltd Profit Related Pay Scheme.

Disabled employees

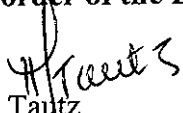
The Company's policy and practice is to encourage employment applications from all sections of the community including disabled people and to support and assist retention through training, development and career progression.

Payment Policy

The Company's policy and practice on the payment of creditors is to pay in accordance with the agreed supplier terms, provided that the relevant invoice is presented in a timely fashion and is complete. It is the Company's ongoing policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction.

For the year ended December 1997, the average creditor days were 109

By order of the Board


H J Tautz
Secretary

30 April 1998

Registered office:
Forte Hotels
Bothwell Street
Glasgow
G2 7EN

Company Number: 74783

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 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 6 to 15, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement 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 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 report to the shareholders of Le Meridien Piccadilly Limited

We have audited the Financial Statements on pages 5 to 16

Respective responsibilities of Directors and auditors

As described on page 3 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, 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 Practice Board. An audit includes an 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 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

15 May 1998

Annual Report and Accounts for the 12 months ended 31 December 1997

	Note	12 months ended 31 December 1997 £	11 months ended 31 December 1996 £
Turnover	2	22,998,658	20,677,796
Cost of sales		(7,998,302)	(8,193,119)
Gross profit		15,000,356	12,484,677
Administrative expenses		(11,973,221)	(10,375,186)
		3,027,135	2,109,491
Other operating income	3	347,857	230,172
Operating profit	4	3,374,992	2,339,663
Interest payable and similar charges	7	(2,929,462)	(2,681,302)
Profit /(Loss) on ordinary activities before taxation	2-7	445,530	(341,639)
Taxation	8	-	-
Profit /(Loss) on ordinary activities after taxation		445,530	(341,639)
Accumulated losses brought forward		(11,706,312)	(11,364,673)
Accumulated losses carried forward		(11,260,782)	(11,706,312)

All of the above results relate to continuing activities. Other than those recorded in the profit and loss account there were no other recognised gains and losses in either this or the previous period.

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

The notes on pages 8 to 16 form part of these accounts.

Annual Report and Accounts for the 12 months ended 31 December 1997

	Note	31 December 1997 £	31 December 1996 £
Fixed assets			
Tangible assets	9	14,014,261	14,000,033
Current assets			
Stocks	10	233,395	298,540
Debtors	11	22,710,775	20,682,724
Cash at bank and in hand		110,529	33,767
		<u>23,054,699</u>	<u>21,015,031</u>
Creditors: amounts falling due within one year	12	<u>(14,140,565)</u>	<u>(12,532,199)</u>
Net current assets		<u>8,914,134</u>	<u>8,482,832</u>
Total assets less current liabilities		<u>22,928,395</u>	<u>22,482,865</u>
Creditors: amounts falling due after more than one year	13	<u>(25,000,000)</u>	<u>(25,000,000)</u>
Net Liabilities		<u>(2,071,605)</u>	<u>(2,517,135)</u>
Capital and reserves			
Called up share capital	14	9,189,177	9,189,177
Profit and loss account		(11,260,782)	(11,706,312)
Shareholders' Funds			
Equity		(11,251,605)	(11,697,135)
Non Equity		9,180,000	9,180,000
Total deficit on equity shareholders' funds	15	<u>(2,071,605)</u>	<u>(2,517,135)</u>

Approved by the Board on 30 April 1998 and signed on its behalf by

H J Tautz
H J Tautz
Director

The notes on pages 8 to 16 form part of these Accounts.

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

Basis of Preparation

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Going Concern

The financial statements have been prepared on a going concern basis. The company's intermediate parent company, Societe des Hotels Méridien SA, has confirmed its continued financial support for the foreseeable future.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent company includes the company's cash flows in its own published consolidated financial statements.

Turnover

Turnover represents sales to outside customers at invoiced amount less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated on the original cost of the assets at the following annual rates:

Leasehold improvements	- Equal annual instalments over the life of the lease
Plant and machinery	- 8% per annum
Furniture, fixtures and equipment	- 14% per annum
Office equipment	- 25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as original purchase price.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is possible that a liability will crystallise.

Annual Report and Accounts for the 12 months ended 31 December 1997

1. Accounting policies (*Continued*)

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Leased assets

All leases are operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Pensions relating to current and past services are funded by annual contributions to a money purchase scheme by means of a group personal pension. The amounts of such contributions are determined by consultation with independent funds managers. Annual contributions are charged against trading profits in the period in which they arise.

2. Turnover and result

The turnover and result before tax is attributable to the Company's principal activity and derived from sales in the United Kingdom.

3. Other operating income

	12 months ended 31 December 1997	11 months ended 31 December 1996
	£	£
Rental income from land and buildings	123,377	59,431
Profit on exchange	19,735	32,206
Other	204,745	138,535
	<hr/>	<hr/>
	347,857	230,172
	<hr/>	<hr/>

Annual Report and Accounts for the 12 months ended 31 December 1997**4. Operating profit is stated after charging:**

	12 months ended 31 December 1997	11 months ended 31 December 1996
	£	£
Depreciation on owned assets	1,370,824	1,161,511
Auditors remuneration		
- audit services	15,000	17,425
- non-audit services	19,300	17,425
Operating lease rentals;		
- Property rent payable	3,778,379	3,202,072
- Plant and machinery	181,229	188,399
	<hr/>	<hr/>

5. Employees

The average weekly number of employees, including Directors, during the period was as follows:

	12 months ended 31 December 1997	11 months ended 31 December 1996
	Number	Number
Office and management	28	28
Hotel operating staff	283	318
	<hr/>	<hr/>
	311	346
	<hr/>	<hr/>

Staff costs (including Directors)
consist of:

	£	£
Wages and salaries	4,417,177	4,639,749
Social security costs	373,440	325,571
Other pension costs	28,876	29,163
	<hr/>	<hr/>
	4,819,493	4,994,483
	<hr/>	<hr/>

6. Directors' emoluments

The Directors did not receive any emoluments in respect of their services to the company (1996:£Nil)

Annual Report and Accounts for the 12 months ended 31 December 1997**7. Interest payable and similar charges**

	12 months ended 31 December 1997 £	11 months ended 31 December 1996 £
Payable on loan from ultimate parent undertaking	2,929,462	2,681,302
	<u>2,929,462</u>	<u>2,681,302</u>

8. Taxation on profit on ordinary activities

There is no charge to taxation (1996: £Nil) due to the utilisation of losses brought forward.

9. Tangible fixed assets

	Long Leasehold land and buildings £	Long Leasehold improve- ments £	Plant and machinery £	F.F. & E. £	Total £
Cost					
At 1 January 1997	408,129	11,803,550	10,111,370	6,346,806	28,669,855
Additions	<u>-</u>	<u>-</u>	<u>929,521</u>	<u>455,531</u>	<u>1,385,052</u>
At 31 December 1997	<u>408,129</u>	<u>11,803,550</u>	<u>11,040,891</u>	<u>6,802,337</u>	<u>30,054,907</u>
Depreciation					
At 1 January 1997	29,178	878,953	8,395,104	5,366,587	14,669,822
Provided for the period	<u>11,000</u>	<u>376,201</u>	<u>637,831</u>	<u>345,792</u>	<u>1,370,824</u>
At 31 December 1997	<u>40,178</u>	<u>1,255,154</u>	<u>9,032,935</u>	<u>5,712,379</u>	<u>16,040,646</u>
Net book value					
At 31 December 1997	<u>367,951</u>	<u>10,548,396</u>	<u>2,007,956</u>	<u>1,089,958</u>	<u>14,014,261</u>
At 1 January 1997	<u>378,951</u>	<u>10,924,597</u>	<u>1,716,266</u>	<u>980,219</u>	<u>14,000,033</u>

Annual Report and Accounts for the 12 months ended 31 December 1997**10. Stocks**

	31 December 1997	31 December 1996
	£	£
Goods held for resale	79,172	128,371
Consumable items in store	154,223	170,169
	<hr/>	<hr/>
	233,395	298,540
	<hr/>	<hr/>

11. Debtors

Trade debtors	2,121,077	1,949,773
Other debtors	293,339	280,064
Prepayments and accrued income	155,255	132,940
Amounts owed by parent Co.	16,148,257	16,148,257
Amounts owed by other Group undertakings	3,992,847	2,171,690
	<hr/>	<hr/>
	22,710,775	20,682,724
	<hr/>	<hr/>

These amounts are all due within one year.

12. Creditors: amounts falling due within one year

Trade creditors	147,103	142,596
Amounts owed to other Group undertakings	10,312,194	8,232,952
Other creditors	636,213	294,031
Taxation and social security	-	541,583
Accruals and deferred income	3,045,055	3,321,037
	<hr/>	<hr/>
	14,140,565	12,532,199
	<hr/>	<hr/>

Annual Report and Accounts for the 12 months ended 31 December 1997**13. Creditors: amounts falling due after more than one year**

	31 December 1997	31 December 1996
	£	£
Granada Group PLC	25,000,000	25,000,000

The above long term loan is from Fuji Bank Limited for a period of 9 years with repayment in full at the expiry on 6 May 2001. Interest is fixed at 11.75% per annum, and the loan is guaranteed by Societe des Hotels Méridien S.A.

The loan from Fuji Bank Limited was transferred to the ultimate holding company, Granada Group PLC on January 1st 1997, and replaced with an inter company loan, on the same terms.

14. Called up share capital

	1997	1996
	£	£
Authorised		
820,000 ordinary shares of £1 each	820,000	820,000
9,180,000 deferred shares of £1 each	9,180,000	9,180,000
	10,000,000	10,000,000
Issued, allotted and fully paid		
9,177 ordinary shares of £1 each	9,177	9,177
9,180,000 deferred shares of £1 each	9,180,000	9,180,000
	9,189,177	9,189,177

The rights to dividends and voting in general meetings are held only by Ordinary shareholders. On a winding up, Ordinary shareholders take preference over Deferred shareholders.

Annual Report and Accounts for the 12 months ended 31 December 1997

15. Reconciliation of movements in Shareholders' funds

	Share capital	Profit and loss reserve	Total 1997	Total 1996
	£	£	£	£
As at 31 December 1996	9,189,177	(11,706,312)	(2,517,135)	(2,175,496)
Retained profit / (loss) for the period	-	445,530	445,530	(341,639)
As at 31 December 1997	9,189,177	(11,260,782)	(2,071,605)	(2,517,135)
Equity			(11,251,605)	(11,697,135)
Non Equity			9,180,000	9,180,000
			(2,071,605)	(2,517,135)

16. Pensions

The Company operates 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 charge represents contributions payable by the Company to the fund and amounted to £28,876 (11 months to Dec 1996 : £29,163). No contributions were payable to the fund at the period end (1996 : £Nil).

17. Commitments under operating leases

As at 31 December 1997, the Company had annual commitments under non-cancellable operating leases expiring as set out below:

	31 December 1997		31 December 1996	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	£	£	£	£
Operating leases which expire:				
Within one year	-	57,843	-	54,309
In two to five years	-	27,428	-	30,949
After five years	4,615,999	-	3,840,984	-
	4,615,999	85,271	3,840,984	85,258

18. Related Party Transactions

As the company is a wholly owned subsidiary of Granada Group PLC, the company has taken advantage of the exemption contained in the Financial Reporting Standard No. 8 and has therefore not disclosed transactions or balances with entities which form part of the group, headed by Granada Group PLC.

The directors confirm that there were no related party transactions other than those disclosed in these accounts.

19. Ultimate parent and controlling company and parent undertaking of smallest and largest group of which the company is a member

The directors consider the ultimate holding and controlling company to be Granada Group PLC, incorporated in Great Britain. The accounts of the ultimate holding company, which heads both the largest and smallest group in which the results of the Company are consolidated, are available to the public at the following address :

Granada Group PLC
Stornoway House
13 Cleveland Row
London
SW1A 1GG

The immediate holding and controlling company is Meridien Holdings UK Ltd, a company registered in England.