

LE MERIDIEN PICCADILLY LIMITED

Company Number 74783

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Report and Accounts

12 months ended 31st December, 1998

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Le Meridien Piccadilly Limited

Annual Report & Accounts for the 12 months ending 31 December 1998

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Le Meridien Piccadilly Limited

Annual Report & Accounts for the 12 months ending 31 December 1998

Directors' report

The Directors present their Report and Accounts for the 12 month period ended 31 December 1998.

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 £1,523,354
(12 months ended 31 December 1997: profit of £445,530)

The Directors do not recommend the payment of a dividend (12 months ended 31 December 1997: £Nil)

Directors

The Directors of the Company at 31 December 1998 were :

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

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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 Dec 1998	At 31 Dec 1997
P B Coleridge	1,794	1,794
H J Tautz	-	-

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

	At 31 Dec 1997	Granted	Excercised	At 31 Dec 1998
P B Coleridge				
- Executive	137,500	-	103,500	34,000
- Saving Related	4,369	-	-	4,369
	141,869	-	103,500	38,369
H J Tautz				
- Executive	24,500	7500	-	32,000
- Saving Related	540	-	-	540
	25,040	7,500	-	32,540

In addition to the above the following director has conditional awards under the Granada Group Performance Share Plan, detailed information in relation to the Plan is set out in the Report and Accounts of Granada Group PLC :

	At 31 December 1998	At 31 December 1997	Awarded during the year at 784.5p	Vested during the year
Peter Coleridge	21,411	9,700	11,711	Nil

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.

Creditors 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 1998, the average creditor days were 4

Year 2000 Disclosure

Le Méridien Piccadilly Limited and fellow subsidiary undertakings are undertaking a carefully planned programme for Year 2000 compliance on business critical systems encompassing a combination of modifying and testing systems with the intention that they will function properly in 2000. We expect compliance will be primarily achieved through the replacement and enhancement of our existing systems. Our Year 2000 programme is based upon a plan to have all our business critical systems compliant in early 1999.

We are also undertaking a supplier and customer evaluation programme designed to establish the current and prospective Year 2000 status of key suppliers and customers and to seek corrective action where necessary. We will also be developing contingency plans to reduce the risk of business disruption from year 2000 failures arising in suppliers with which we do not have a direct relationship.

Because Year 2000 compliance is primarily achieved through replacing or enhancing existing systems, a substantial proportion of the costs of the programme are capital in nature. It is not possible at this stage to provide an accurate estimate of the amount of our future systems expenditure which will be charged to the profit and loss account in accordance with UITF20 'Year 2000 issues: accounting and disclosures'.

Amounts invested during the year in IT systems and amounts charged to the profit and loss account in relation to the Year 2000 issue are disclosed in the accounts of Granada Group PLC.

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.

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.

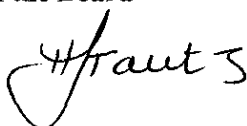
The Directors consider that, in preparing the financial statements on pages 6 to 15, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, that all accounting standards which they consider to be applicable have been 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.

By order of the Board

H J Tautz
Secretary



5/10/1999

Registered office:
Forte Hotels
Bothwell Street
Glasgow
G2 7EN

Company Number: 74783

Le Meridien Piccadilly Limited

Annual Report & Accounts for the 12 months ending 31 December 1998

Auditors report to the shareholders of Le Meridien Piccadilly Limited

We have audited the Financial Statements on pages 7 to 16

Respective responsibilities of Directors and auditors

As described on page 5 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

K. Odobek 1999

*Le Meridien Piccadilly Limited***Annual Report & Accounts for the 12 months ending 31 December 1998**

	Note	12 months ended 31 December 1998 £	12 months ended 31 December 1997 £
Turnover	2	23,199,703	22,998,658
Cost of sales		(7,300,802)	(7,998,302)
Gross profit		15,898,901	15,000,356
Administrative expenses		(12,112,114)	(11,973,221)
		3,786,787	3,027,135
Other operating income	3	666,026	347,857
Operating profit	4	4,452,813	3,374,992
Interest payable and similar charges	7	(2,929,459)	(2,929,462)
Profit on ordinary activities before taxation 2-7		1,523,354	445,530
Taxation	8	(290,104)	-
Profit on ordinary activities after taxation		1,233,250	445,530
Accumulated losses brought forward		(11,260,782)	(11,706,312)
Accumulated losses carried forward		(10,027,532)	(11,260,782)

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 9 to 16 form part of these accounts.

Le Meridien Piccadilly Limited

Annual Report & Accounts for the 12 months ending 31 December 1998

	Note	31 December 1998 £	31 December 1997 £
Fixed assets			
Tangible assets	9	14,049,308	14,014,261
Current assets			
Stocks	10	211,695	233,395
Debtors	11	27,267,516	22,710,775
Cash at bank and in hand		93,006	110,529
		<u>27,572,217</u>	<u>23,054,699</u>
Creditors: amounts falling due within one year	12	<u>(17,459,880)</u>	<u>(14,140,565)</u>
Net current assets		<u>10,112,337</u>	<u>8,914,134</u>
Total assets less current liabilities		<u>24,161,645</u>	<u>22,928,395</u>
Creditors: amounts falling due after more than one year	13	<u>(25,000,000)</u>	<u>(25,000,000)</u>
Net Liabilities		<u>(838,355)</u>	<u>(2,071,605)</u>
Capital and reserves			
Called up share capital	14	9,189,177	9,189,177
Profit and loss account		(10,027,532)	(11,260,782)
Shareholders' Funds			
Equity		(10,018,355)	(11,251,605)
Non Equity		9,180,000	9,180,000
Total deficit on equity shareholders' funds	15	<u>(838,355)</u>	<u>(2,071,605)</u>

Approved by the Board on 5 October 1999 and signed on its behalf by

H J Tautz
Director

The notes on pages 9 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 installments 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.

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 1998	12 months ended 31 December 1997
	£	£
Rental income from land and buildings	13,439	123,377
Profit on exchange	21,122	19,735
Other	631,465	204,745
	<hr/>	<hr/>
	666,026	347,857
	<hr/> <hr/>	<hr/> <hr/>

*Le Meridien Piccadilly Limited***Annual Report & Accounts for the 12 months ending 31 December 1998**

4. Operating profit is stated after charging:

	12 months ended 31 December 1998 £	12 months ended 31 December 1997 £
Depreciation on owned assets	727,168	1,370,824
Auditors remuneration		
- audit services	15,000	15,000
- non audit services	13,436	19,300
Operating lease rentals;		
- property rent payable	4,736,529	3,778,379
- plant and machinery	175,772	181,229
	<hr/>	<hr/>

5. Employees

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

	12 months ended 31 December 1998 Number	12 months ended 31 December 1997 Number
Office and management	28	28
Hotel operating staff	255	283
	<hr/>	<hr/>
	283	311
	<hr/>	<hr/>

	£	£
Staff costs (including Directors) consist of:		
Wages and salaries	4,178,617	4,417,177
Social security costs	346,623	373,440
Other pension costs	25,801	28,876
	<hr/>	<hr/>
	4,551,041	4,819,493
	<hr/>	<hr/>

6. Directors' emoluments

The Directors did not receive any emoluments in respect of their services to the company (1997:£Nil)

7. Interest payable and similar charges

	12 months ended 31 December 1998 £	12 months ended 31 December 1997 £
Payable on loan from ultimate parent undertaking	2,929,459	2,929,462
	<u>2,929,459</u>	<u>2,929,462</u>

8. Taxation on profit on ordinary activities

Profit on ordinary activities before taxation	1,523,354
Tax losses brought forward	(587,535)
Profits assessable for taxation in 1998	935,819
Provided for @ 31%	(290,104)

There was no charge to taxation in 1997 due to the utilisation of losses brought forward.

9. Tangible fixed assets

	Long Leasehold land and buildings £	Long Leasehold improve- ments £	Plant & Machinery £	F.F.&E. £	Total £
Cost					
As at 1 January 1998	408,129	11,803,550	11,040,891	6,802,337	30,054,907
Fully Written Off	-	-	(7,158,052)	(5,331,212)	(12,489,264)
Additions	-	-	603,740	169,493	773,233
As at 31 December 1998	<u>408,129</u>	<u>11,803,550</u>	<u>4,486,579</u>	<u>1,640,618</u>	<u>18,338,876</u>
Depreciation					
As at 1 January 1998	40,178	1,255,154	9,032,935	5,712,379	16,040,646
Fully Written Off	-	-	(7,158,052)	(5,331,212)	(12,489,264)
Provided for the period	4,331	124,098	304,334	305,423	738,186
	<u>44,509</u>	<u>1,379,252</u>	<u>2,179,217</u>	<u>686,590</u>	<u>4,289,568</u>
Net Book Value					
At 31 December 1998	<u>363,620</u>	<u>10,424,298</u>	<u>2,307,362</u>	<u>954,028</u>	<u>14,049,308</u>
At 1 January 1998	<u>367,951</u>	<u>10,548,396</u>	<u>2,007,956</u>	<u>1,089,958</u>	<u>14,014,261</u>

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10. Stocks

	12 months ended 31 December 1998	12 months ended 31 December 1997
	£	£
Goods held for resale	57,762	79,172
Consumable items in store	153,933	154,223
	<hr/>	<hr/>
	211,695	233,395
	<hr/>	<hr/>

11. Debtors

Trade debtors	1,992,652	2,121,077
Other debtors	161,744	293,339
Prepayments and accrued income	410,538	155,255
Amounts owed by parent Co.	16,173,309	16,148,257
Amounts owed by other Group undertakings	8,529,272	3,992,847
	<hr/>	<hr/>
	27,267,516	22,710,775
	<hr/>	<hr/>

These amounts are all due within one year.

12. Creditors: amounts falling due within one year

Trade creditors	88,360	147,103
Amounts owed to other Group undertakings	12,932,585	10,312,194
Other creditors	721,948	636,213
Taxation and social security	396,628	-
Accruals and deferred income	3,320,360	3,045,055
	<hr/>	<hr/>
	17,459,880	14,140,565
	<hr/>	<hr/>

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13. Creditors: amounts falling due after more than one year

	12 months ended 31 December 1998	12 months ended 31 December 1997
	£	£
Granada Group PLC	25,000,000	25,000,000
	<hr/>	<hr/>
	25,000,000	25,000,000
	<hr/>	<hr/>

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

	12 months ended 31 December 1998	12 months ended 31 December 1997
	£	£
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
	<hr/>	<hr/>
	10,000,000	10,000,000
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	9,189,177	9,189,177
	<hr/>	<hr/>

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.

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.