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The Savoy Hotel PLC

Annual Report and Accounts 1995

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A substantial improvement in profits in 1995 confirms that the revitalisation of the Group is well under way.

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7.30 am.

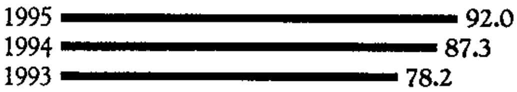
French polisher John Albert White begins work early in the morning. The lustre on the staircase is the result of twice-daily polishing – just one example of the Group's attention to detail.

Financial Highlights on Continuing Operations

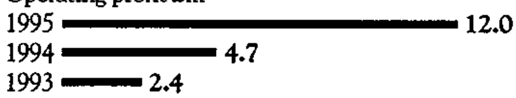
Turnover up by 5%
Operating profit up by 158%
Profit before tax £11.5m
Dividend increased by 100%

		1995 £'000	1994 £'000
Turnover		91,978	87,266
Operating profit		12,027	4,661
Profit before tax		11,546	4,437
Profit for the financial year		7,876	3,340
Dividend		4,006	2,003
Key ratio	Operating margin	13.1	5.3
Earnings per share	A Ordinary Shares of 10p each	27.5p	11.7p
	B Ordinary Shares of 5p each	13.8p	5.8p
Dividends per share	A Ordinary Shares of 10p each	14.0p	7.0p
	B Ordinary Shares of 5p each	7.0p	3.5p

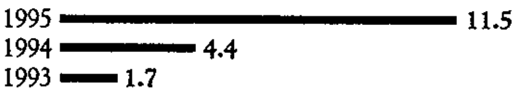
Turnover £m



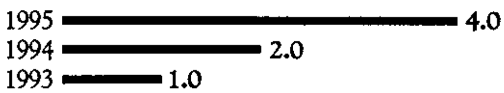
Operating profit £m



Profit before tax £m



Dividend £m



The Consolidated Profit and Loss Account and Balance Sheets are shown on pages 24 and 25.

9.00 am.

Attention to detail extends to the leisure and fitness facilities. Here Alan West checks one of the swimming pools (and will do so twice more during the day) to ensure crystal clear water and a constant temperature of 84°F.

Chairman's Statement

1995 has been a pivotal year for the Savoy Group.

Ramón Pajares, Managing Director
Sir Ewen Fergusson, Chairman

Late in 1994 we embarked on a strategy to revitalise the business after several years of disappointing performance, low occupancy rates and poor profitability. With some of the most enviable assets in the international hotel industry, our aim in 1995 has been to prepare the ground for re-establishing ourselves as the pre-eminent luxury hotel company in the world.

Our strategy is based upon:

A £58 million capital expenditure programme, financed largely from our own resources, to bring our hotels into the twenty-first century and to surpass the competition.
This programme commenced at the end of 1994 with £10.9 million spent in 1995.

A significant improvement to our customer service – one that builds on our traditional values while at the same time responding to the needs of today's guests.

A new focus on sales and marketing.

As these measures bring more customers to our hotels, and as our room occupancy rates reach the targets we have set, we aim to see a steady improvement in our profitability and therefore in our returns to shareholders.

In just over a year, the new strategy has revitalised our performance.

Turnover from our continuing operations, at £92.0 million, is 5 per cent up on 1994.

Operating profit from our continuing operations has risen by 158 per cent to £12.0 million with pre-tax profit rising 160 per cent to £11.5 million. Earnings per share from our continuing operations are up by 135 per cent to stand at 27.5p for A Shares and 13.8p for B Shares.

Against this background, the Board proposes to double the annual dividend to £4.0 million – the equivalent of 14.0p per A Share and 7.0p per B Share.

Strategies alone do not change companies. The Savoy has always stressed the vital contribution of management and staff working together. Much of the credit for this year's performance must go to our Managing Director, Ramón Pajares, who joined the Group in November, 1994. We also have new General Managers at The Savoy, Claridge's and The Berkeley and a new Finance Director, Alan Fort, who was appointed in November, 1995.

Ramón Pajares and his team have rapidly demonstrated the benefits of improved management and better motivation of staff. The speed of the turnaround has been impressive. Rigorous management controls,

10.00 am.

The Group has its own strict procedures for making up a bed. Solange Seveso carefully follows the Savoy rules, finishing off each bed with pure linen sheets and a Savoy-embroidered silk bedspread.

Chairman's Statement
continued

Our objective is to realise the latent value of the Savoy Group.

far from detracting from the splendour and hospitality of our hotels, have allowed money and efforts to be focused on those aspects which enhance our traditional appeal. Staff at all levels have responded to the challenge, becoming more accountable and taking greater pride in the service they offer. This background of control and discipline is crucial to achieving the excellence synonymous with the word 'Savoy'.

What we have seen in 1995, and will continue to see over the next two years, is a process of modernisation that quietly reinforces the unique character and values of each of our hotels and restaurants.

It takes judgement – not to mention vision and resolution – to re-orient an institution such as ours without losing the core of its appeal. There was some disquiet, for example, at the proposal to transplant a well-known New York restaurant into The Berkeley. Vong's instant popularity shows that innovation works and underlines the shrewd commercial judgement that Ramón Pajares has brought to the Group.

Your company is facing a number of uncertainties arising from the takeover by Granada of Forte with Granada having confirmed its intention, announced during the bid period, to sell Forte's shares in the Savoy. It is premature to speculate on the consequences. However, the Board is keen to ensure that all shareholders should understand the present management's contribution to enhancing the value of the Group and should have a realistic view of its considerable prospects. That is why we issued the 1995 Profit Estimate and Dividend Forecast and why I wrote to you all on 10th January, 1996 with the pleasing news that we proposed to double the dividend.

Realising value remains the theme as we move through 1996 and beyond. Our capital expenditure programme, due for completion by the end of 1997, will enable us to offer not just a magnificent tradition but a level of comfort and attractiveness that more than matches the competition. Furthermore, this investment is being made at a time when the luxury end of the hotel market is picking up after its low point in the early 1990s.

1995 has been an excellent start – but only a start – in fulfilling the potential of the Group. I look forward to further successes in the years ahead.

Sir Ewen Fergusson, *Chairman*

11.00 am.

The Savoy Group ambience is appreciated as much by working executives as those whose stay is more leisured. Here Conference and Banqueting Manager, James Partridge, checks final details before guests arrive for a business meeting.

Managing Director's Review

Our success depends on our people – and we aim to have the best-motivated staff in the industry.

I knew from the start that if the Savoy Group was to reach its full potential, it needed a strategy for the future. We needed to define our goals and establish a clear direction for the future to meet our customers' needs, satisfy the aspirations of our employees and create value for our shareholders.

The Savoy Group's future is inextricably linked with the uniqueness of our buildings and the dedication, enthusiasm and loyalty of our staff at all levels. These are qualities that cannot be duplicated. This, together with our capital expenditure programme and our investment in the training and development of staff, will re-establish the Savoy Group as the pre-eminent luxury hotel company in the world.

Any historic enterprise seeking to be commercially successful treads a knife-edge between old and new. Sixty years ago, many of our customers came on ocean liners with 30 pieces of baggage to spend the summer season in London. Today they fly, often on business, and have very different requirements. Markets change and we have to respond positively to those changes. At the same time, our competitive advantage is bound up with the Group's magnificent heritage and the legends, traditions and personalities that have made it so special. The challenge is to discern those things that must not change at any cost and those that must advance to keep us abreast of the market.

Our success will depend above all on the efforts of our employees. We cannot hope for satisfied customers unless our people are motivated – and one of our objectives is to have the best-motivated staff in the industry. Our philosophy revolves around our commitment to be the very best at what we do. This commitment will separate us from our competitors and instill in our employees a sense of pride and a clearly defined common goal.

Infrastructure

Our capital expenditure programme is progressing well and to plan. Over the next 18 months, most of our rooms will have been refurbished. That's every room at The Berkeley and Claridge's, 40 rooms at The Connaught and 97 at The Savoy. Other major projects, either completed or under way, include upgrading our banqueting rooms and air-conditioning systems in all our London hotels and creating new penthouses and a health club at Claridge's.

Before we commenced the main programme of work, we first took care to provide excellent new facilities for our staff – reflecting our commitment to our people and our belief that staff satisfaction and customer satisfaction are closely linked.

12.00 noon. Opened in November, 1995, Vong introduces a vibrant, contemporary style that complements the Savoy Group's traditional qualities and symbolises the revitalisation of the Group. Anne-Marie Sheppard, sets the tables for lunch.

Managing Director's Review
continued

Restoring past splendour goes hand in hand with stylish innovation.

The entire process will restore our hotels to their former glory. Again and again we've gone back to the original drawings and reproduced the details of the period. Bathroom fittings, for example, have been remanufactured in the original style. This painstaking process ensures that the unique characteristics of each hotel are re-established in detail. When we have finished, our hotels will be closer to the original designs than they have been for many years.

'The Savoy is always up to date and if possible a little ahead,' commented Rupert D'Oyly Carte, the son of our founder. That remains our ambition. Whether it's the quality of the security system or the detail lavished on the sauna and gym, we intend our hotels to be just as advanced as The Savoy on its opening day. We want to offer the experience – the sheer fun – of staying in a legendary hotel and to add to it the comfort and amenity that every guest should expect. This, we believe, is the route to restoring our pre-eminence among the world's luxury hotels.

Service and People

We recognise that excellence yesterday becomes no more than acceptable today and will be unacceptable tomorrow. Hence our drive for ever higher standards of service and customer satisfaction.

However wonderful the fabric, a hotel can never be excellent without excellent people. In formulating our strategy, we looked at every aspect of our business from the delivery of a message to the quality of the breakfast croissants. We identified the standard currently offered, the standard we needed to achieve to support our strategic goals, and the actions necessary to bridge the gap.

The result was over 300 individual improvement projects covering customer care, human resources, training, information technology, sales and marketing and much more. The evidence of change is very much in the details. Laundry, for example, used to be provided for our guests five and a half days a week: now it's a seven-day service with collections and deliveries twice a day. Everything from check-in procedures, to how quickly we answer letters, to the way we meet our guests at Heathrow Airport is subject to stringent and measurable standards.

These standards give all staff a benchmark for measuring their performance. Those that do better are rewarded; those that fall behind are helped with whatever training and resources they need to meet the target.

3.00 pm.

Audrey Maigret makes her selection for early evening drinks.
The Savoy Group pride itself on the range and quality of its cellars.
Guests enjoy the finest that the world's vineyards can offer.

Managing Director's Review
continued

Our strategy combines an open management style with the most rigorous business controls.

Managers in every luxury hotel in the world are now focused on customer service. However, real service can only be achieved by employees who are well-trained and well-supported. That doesn't just mean a few individuals, but every member of staff throughout the company – for the way employees are treated is mirrored in their treatment of the customer. The service and customer care battle will be won by those companies that have the most committed employees. I'm confident that on this score the Savoy Group enjoys a very strong advantage.

Management

The key lies with managers who operate by example, providing honest, effective leadership and giving all employees the chance to make their full contribution.

We have developed a participative management style – one that listens to employees and seeks to be open and honest with them. We aim to show respect and concern for all our staff and to cultivate a strong company culture through credibility, trust and common values.

Management changes during 1995 underline our strategy for the next decade. We now have a management determined to create an environment where people are encouraged to think for themselves, to take personal responsibility, and to learn from experience.

The benefit of our new, flatter organisation is that managers will be that much closer to the customer.

As well as creating a supportive culture for our staff, we have also instituted strict new management controls. Among other developments, we've introduced a more disciplined pricing policy, reduced discounting and trained our front-office staff to maximise room-rates when demand is high and to maximise occupancy at slacker times of the year. As a result, our average revenue per occupied room improved by over ten per cent during 1995 whilst occupancy remained similar to 1994, in part due to the refurbishment of our hotels.

We have also reorganised, reducing central costs and reinforced our central buying, thus achieving greater purchasing efficiencies throughout the Group while greatly improving the quality of many of the products we buy.

Sales and Marketing

One of the first tasks I undertook when I joined the Group was to reorganise and reinforce the sales and marketing department. Specialists have now been appointed who will enable us to regain market share by developing the key geographic markets (UK, USA, Europe and Japan) and by focusing on individual business and leisure segments.

6.00 pm.

Carving at the table is a Savoy tradition that passes down from one generation to the next. Mark Bell continues the art as guests arrive for a pre-theatre meal.

Managing Director's Review
continued

The secret is to promise 99 per cent and deliver 100 per cent.

Quality marketing will help to re-establish our company as the first choice for customers visiting London. It will also increase confidence in the uniqueness and comfort of our hotels and the commitment of our people. At the same time we recognise that everything we do contributes to our marketing effort and influences the customer's choice of hotel.

Image

I am sometimes asked whether the new management style and the subsequent changes will diminish the image that the Savoy Group has built up over the years.

Image equates to respect. You cannot manipulate it, you can only earn it – and that is done by creating superb surroundings and ensuring that the service, and all the human interactions that go to make up the service, are second to none. If we can promise 99 per cent and deliver 100 per cent, our image will take care of itself.

We proved as much with Vong, the new restaurant we opened at The Berkeley in November, 1995. Its ambience contrasts vividly with that of the hotel but in no way detracts from its character. Confident, vibrant and thoroughly contemporary, it also embodies the style and verve that are central to our tradition. Customers love it and Vong has immediately attracted a discerning clientele which enjoys its imaginative and original cuisine. Response from the critics has also been enthusiastic. Fay Maschler of the London Evening Standard named it 'Restaurant of the Year' and the Daily Telegraph awarded it the title, 'Best Newcomer of the Year'. Vong confirms the Group's ability to surprise and delight – which is what made The Savoy great in the first place.

Although we have done well this year, our successes simply show the potential for the future. I'm interested in more than good figures for this year and next. We have a tremendous and challenging opportunity. My aim is to build a solid foundation upon which to build the future success of the Company – one that will restore the Savoy Group to the pinnacle of the hotel industry and keep it there in the 21st century.

Ramón Pajares, *Managing Director*

7.15 pm.

With the show about to begin, Adam Ellacott is on duty at the Savoy Theatre – built in 1881 and the first in the world to use electricity. Now, as then, a courteous box office service provides a pleasant start to the evening.

Directors and Advisors

Sir Ewen Fergusson,* GCMG, GCVO Age 63
Appointed July, 1993
Chairman, appointed January, 1995
Chairman, Coutts & Co Group

R Pajares, FHCIMA Age 60
Managing Director, appointed November, 1994

M B Radcliffe, MA Age 62
Executive Director, appointed June, 1971
Secretary, appointed January, 1995

A J Fort, ACA Age 39
Finance Director, appointed November, 1995

Sir George Christie,* DL Age 61
Appointed January, 1985
Chairman, Glyndebourne Productions Ltd

J Kemp-Welch* Age 59
Appointed July, 1985
Chairman, The London Stock Exchange

Mrs C S Price* Age 55
Appointed February, 1989
Director, Sotheby's Holdings Inc

The Hon. Sir Rocco Forte,* MA, FCA Age 51
Appointed January, 1990

The Rt Hon. The Viscount Thurso,* FHCIMA
Age 42
Appointed September, 1993
Chief Executive, Fitness & Leisure Holdings Ltd

Sir Anthony Tennant* Age 65
Appointed January, 1995
Chairman, Christie's International PLC

J Leigh Pemberton,* CBE Age 62
Appointed July, 1995
Chairman, Mid Kent Holdings plc

The Savoy Hotel PLC
Registered Office
1 Savoy Hill
London WC2R 0BP
Registered in England and Wales No 29022

Auditors
Coopers & Lybrand

Brokers
Cazenove & Co.

Financial Advisors
Baring Brothers International Limited

*Non-executive directors

Directors' Report

Directors' Report for the Year Ended 31st December, 1995
The directors submit herewith their report and the audited accounts for the year ended 31st December, 1995.

Principal Activities
The principal activities of the Group are unchanged from last year and are the ownership and management of hotels and restaurants.

Review of Business
The consolidated profit and loss account and the statement of total recognised gains and losses for the year are shown on page 24.

Turnover from continuing operations increased over 1994. During the year we disposed of The Lancaster Hotel for £8.9m, of which £4.1m is due in 1998, and Forest Mere Health Hydro for £1.7m. The directors expect that the present level of activity will at least be sustained for the foreseeable future in the absence of unforeseen circumstances.

Dividend
The directors recommend an increased dividend of £4,006,000 with £2,256,000 being transferred to reserves. The recommended dividend reflects the improvement in performance in the year and the directors' confidence in the future. It will be paid on 28th May, 1996 to shareholders on the Register at the close of business on 7th May, 1996.

Property Assets
Property not used directly for hotel, restaurant or theatrical purposes, or ancillary thereto, is included among the Group's assets as investment properties. These are shown at their current value which, in the opinion of the directors, is not less than £4.5m. The freehold land and buildings of the Savoy Theatre were revalued as at 31st December, 1993 to a figure of £7m. In the opinion of the directors, this valuation is still appropriate and is included in the Group's balance sheet. The remainder of the Group's freehold and leasehold properties has, in the directors' opinion, a value that exceeds the net book value at 31st December, 1995 by more than £125m. The residual values of the Group's freehold and leasehold properties are, in the opinion of the directors, at least equal to those shown in the Group's balance sheet.

Directors
The names of the present directors of the Company are shown on page 17. The interests that the directors at 31st December, 1995, held in the share and loan capital at 1st January, 1995 and 31st December, 1995 are shown on page 38 and are deemed to be part of this report.

Sir Michael Richardson retired in December, 1995. We would like to thank him for his valuable contribution to the Company during his many years on the Board.

J Leigh Pemberton was appointed to the Board in July, 1995.

A J Fort, Finance Director, was appointed to the Board in November, 1995.

Sir George Christie, M B Radcliffe and J Kemp-Welch retire by rotation and, being eligible, offer themselves for re-election.

J Leigh Pemberton, having been appointed since the last Annual General Meeting, retires and, being eligible, offers himself for election.

A J Fort, having been appointed since the last Annual General Meeting, retires and, being eligible, offers himself for election.

No contract of significance subsisted during the financial year, or at the end of the year, in which any director is or was materially interested.

During the year the Company maintained insurance in respect of its directors and officers against liabilities in relation to the Company.

Staff
The Group's policy is to consult employees concerning matters likely to affect their interests.

Information on matters of concern to employees is also given through information bulletins and reports (including an annual Employee Report) which seek to achieve a common awareness on the part of all employees of the economic and financial factors affecting the Group's performance.

Well-trained and motivated staff are recognised as critical to the Group's success and we will continue to invest in this area to develop the skills of all our staff.

The Group's 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.

Health and Safety and the Environment
The Group recognises the importance of health and safety as well as environmental issues in all areas of operation. Standards are regularly monitored by an independent Health and Safety Consultant and it is our policy to recycle waste.

Charitable Donations
The Group made charitable donations during the year amounting to £40,259.

Allotment of Shares
Resolution 8 authorises the directors to allot ordinary shares up to an aggregate nominal amount of £950,000, which is approximately one third of the current issued share capital of the Company, during the five years from the passing of the resolution. The resolution complies with the guidelines of the institutional shareholder committee.

Pre-emption Rights
Resolution 9 establishes the directors authority to allot shares for cash up to a maximum of five per cent. of the issued share capital of the Company other than pro rata to existing shareholdings. This power will only be exercised in accordance with the guidelines for such issues published by the institutional shareholder committees.

Directors' Fees
Resolution 10 is proposed at the Annual General Meeting to amend the Articles of Association to increase the maximum aggregate fees payable to directors from £50,000 to £150,000 per annum. The current maximum of £50,000 restricts the Company's ability to remunerate directors in accordance with their contribution and market rates. The fee maximum was last increased in 1989. The Remuneration Committee will make recommendations to the Board on appropriate fee levels.

Auditors
Coopers & Lybrand have indicated their willingness to continue as auditors and, in accordance with Section 384 of the Companies Act 1985, a Resolution proposing their re-appointment will be put to the Annual General Meeting.

M B Radcliffe, *Secretary*
26th February, 1996

Corporate Governance

The Board supports the highest standards of corporate governance and is pleased to confirm that the Company has complied in all material respects throughout the period with the operative provisions of the Code of Best Practice published by the Cadbury Committee on the financial aspects of corporate governance.

The guidance for directors in relation to their report on the effectiveness of the system of internal control has recently been issued and is effective for accounting periods beginning on 1st January, 1995.

Board Composition
The Board currently comprises three executive and eight non-executive directors. It is chaired by Sir Ewen Fergusson and meets seven times a year. The Board is responsible for the overall direction and strategy of the Group and for securing the optimum performance of Group assets.

All non-executive directors are selected through a formal process and according to the Articles of Association a certain number retire by rotation at each Annual General Meeting and may offer themselves for re-election.

Board Committees
The Chairman's Committee proposes and recommends to the Board corporate strategies for the Group and reviews progress towards the achievement of those strategies. The Committee comprises Sir Ewen Fergusson, The Rt Hon. The Viscount Thurso and The Hon. Sir Rocco Forte. The Committee meets at least quarterly.

The Remuneration Committee recommends terms of service and remuneration for all members of the Board. The committee comprises J Kemp-Welch, Chairman, J Leigh Pemberton and The Hon. Sir Rocco Forte.

The Audit Committee meets at least three times a year to monitor compliance with statutory and regulatory standards and to enquire, as appropriate, into any financial matters relating to the Group. The Committee comprises J Leigh Pemberton, Chairman, Sir Ewen Fergusson and Sir Anthony Tennant. Sir Michael Richardson was Chairman of the Committee until his retirement in December, 1995. External auditors are invited to attend all meetings of the Committee.

The Nominations Committee makes recommendations to the Board about the nomination of non-executive directors. The Committee comprises Sir Ewen Fergusson, Chairman, The Rt Hon. The Viscount Thurso and The Hon. Sir Rocco Forte.

A Committee of Directors was established on 28th November, 1995 to deal with matters affecting the Savoy arising from the Offer on behalf of Granada Group PLC for the whole of the issued share capital of Forte Plc. The Committee comprises Sir Ewen Fergusson, Chairman, R Pajares, A J Fort, M B Radcliffe, J Kemp-Welch and The Rt Hon. The Viscount Thurso.

Going Concern
After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

Internal Financial Controls
The Board of Directors is responsible for the Group's system of internal financial controls. It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board have reviewed the effectiveness of the system of internal financial controls and report on the key procedures established as follows.

Control environment
The Group's control environment is ultimately the responsibility of the Group's directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility is delegated to operating units. The Board has communicated ethical policies to all personnel.

Identification of business risks
The Group's management have a clear responsibility for identifying risks facing each of the Group's businesses and for developing systems to mitigate and monitor risks. Both the Board's executive directors and its non-executive directors monitor this process.

Major corporate information systems
The Group's accounting manual sets out the Group's policies and financial and accounting procedures. The Group operates a comprehensive budgeting and financial reporting system, which, as a matter of routine, compares actual results to budget. Management accounts are compiled on a monthly basis. Variances are thoroughly investigated and revisions to forecasts are made. Cash flow statements prepared on a regular basis ensure that the Group has adequate funds and resources for the foreseeable future.

Main control procedures
Operating management establish control procedures in response to each of the key risks identified. Operating management reports whether its key controls have functioned effectively. Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements. The Board has procedures in place for authorisation of capital expenditure budgets.

Monitoring system used by the Board
The Board reviews and approves budgets and monitors the Group's performance against those budgets. Variances from the expected outcome are investigated fully and where lapses in internal control are detected, these are rectified. The Board receives reports on any deficiencies in internal control from the Audit Committee and external auditors. Where lapses are detected, action is taken to prevent further breaches of the Group's procedures. The Audit Committee also reviews the work programmes and findings of the external auditors.

Statement of Directors' Responsibilities

Company law requires the directors to prepare consolidated accounts for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Company and the Group for that period. In preparing those accounts, 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 accounts;

Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company, or any member of the Group, 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 the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group.

Report of the Remuneration Committee

Directors' remuneration policy
The remuneration of directors is determined by the Remuneration Committee ('the Committee') comprising J Kemp-Welch, J Leigh Pemberton and The Hon. Sir Rocco Forte. Fees of the non-executive directors are recommended by the Committee and determined by the Board as a whole. The Committee follows certain fundamental principles in deciding appropriate levels and forms of remuneration for the executive directors including a policy reflecting:

- *the decentralised nature of our operations and a focus on gaining market share*
- *the importance of recruiting and retaining international management of the appropriate calibre*
- *a strong link between reward and performance against agreed targets, specifically recognising the return provided to shareholders and the long-term performance of both the business and the individual.*

The Committee has applied these principles in the development of reward plans which:

- *pay a mid-market base salary while providing a highly competitive total pay package but only when warranted by performance*
- *recognise the importance of attaining targets set in the Company's budgets and five-year plans*
- *directly align the interests of executives with those of the shareholders.*

The following is intended as a summary of the remuneration packages for executive directors and other senior executives. Copies of the full documentation covering the various plans, together with the executive directors' employment contracts, are available for inspection by shareholders.

Details of each director's remuneration, including, but not restricted to, basic salary and fees, bonuses, compensation for loss of office, together with the total for each director for the period to 31st December, 1995 and the corresponding period to 31st December, 1994 are set out in note 11 to the accounts on pages 31 and 32.

Base salary and benefits
The base salaries and benefits (typically including car and life and health insurance) of executive directors and other senior executives are reviewed, normally annually, by the Committee, having regard to competitive market practice supported by external, independent surveys. Any increase reflects both individual and business performance.

Annual and longer-term incentive plans
Target setting
The Savoy Hotel PLC operates a systematic, annual planning and budgeting review process covering each business. The financial targets arising out of this process are reviewed and approved by the Board and the Committee. There are two important targets identified for incentive plans:

- *a Target Profit, at which the target reward is earned*
- *a Maximum Profit target (typically 125% of Target Profit) at which the maximum reward is earned.*

Executive directors' incentive scheme
R Pajares earns a bonus of 30% of nominal salary if 80% of budgeted profit before tax ('entry point') is achieved and an additional 1% of nominal salary for each incremental 1% of budgeted profit before tax achieved above the entry point up to 100% of budgeted profit before tax, at which point the maximum of 50% of nominal salary is earned. An additional bonus of £150,000 is payable (once only) if the Company's pre tax profits exceed an amount to be agreed between £18 million and £20 million.

M B Radcliffe earns a bonus of 1/2% of profits before tax in excess of £5 million up to a maximum of £25,000.

Retirement benefits
Executive directors, with the exception of R Pajares, are members of the Group's contributory pension fund which, subject to Inland Revenue limits, provides them with a pension of up to two thirds of basic salary after 20 years of membership.

The company provides 20% of either basic or nominal salary, which ever is the higher, subject to Inland Revenue limits to provide a pension for R Pajares.

Entitlement to notice
R Pajares currently has a notice period of three years. This reduces to two years after 7th November, 1997 and to one year after 7th November, 1998. This was an element of the contract required to attract him to The Savoy Hotel PLC from an international competitor.

M B Radcliffe, who retires by rotation and, being eligible, offers himself for re-election, has a service contract which expires within one year.

Sir George Christie and J Kemp-Welch, who retire by rotation and, being eligible, offer themselves for re-election, have no service contract.

J Leigh Pemberton and A J Fort, having been appointed since the last Annual General Meeting, retire and, being eligible, offer themselves for election. J Leigh Pemberton has no service contract and A J Fort has a service contract with a notice period of six months.

Reports of the Auditors

To the Members of The Savoy Hotel PLC
We have audited the accounts on pages 24 to 37.

Respective responsibilities of Directors and Auditors
As described on page 21 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatements, 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1995 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors

London
26th February, 1996

Report of the Auditors to The Savoy Hotel PLC on Corporate Governance matters
In addition to our audit of the accounts, we have reviewed the directors' statement on pages 20 and 21 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion
We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial controls or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion
With respect to the directors' statement on internal financial control on pages 20 and 21 and going concern on page 20, in our opinion the directors have provided the disclosures required by paragraph 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on pages 20 and 21 appropriately reflect the Company's compliance with the other paragraphs of the Code specified in our review.

Coopers & Lybrand
Chartered Accountants

London
26th February, 1996

Consolidated Profit and Loss Account

Year ended 31st December, 1995

	Note	Continuing operations 1995 £'000	Continuing operations 1994 £'000	Discontinued operations 1995 £'000	Discontinued operations 1994 £'000	Total 1995 £'000	Total 1994 £'000
Turnover	1	91,978	87,266	4,068	4,791	96,046	92,057
Operating costs		73,488	75,923	4,117	4,597	77,605	80,520
Gross trading profit	2	18,490	11,343	(49)	194	18,441	11,537
Depreciation	14	6,463	6,682	195	359	6,658	7,041
Operating profit/(loss)		12,027	4,661	(244)	(165)	11,783	4,496
Loss on sale of discontinued operations	3	–	–	706	–	706	–
		12,027	4,661	(950)	(165)	11,077	4,496
Investment income	4	143	532	–	–	143	532
		12,170	5,193	(950)	(165)	11,220	5,028
Interest payable	5	624	756	33	42	657	798
Profit/(loss) on ordinary activities before taxation		11,546	4,437	(983)	(207)	10,563	4,230
Taxation	6	3,670	1,097	631	68	4,301	1,165
Profit/(loss) for the financial year	7	7,876	3,340	(1,614)	(275)	6,262	3,065
Dividend						4,006	2,003
Transfer to reserves	25					2,256	1,062
Earnings per share	8						
A Ordinary Shares of 10p each		27.5p	11.7p			21.9p	10.7p
B Ordinary Shares of 5p each		13.8p	5.8p			10.9p	5.4p

Statement of Total Recognised Gains and Losses

Year ended 31st December, 1995

	Note	1995 £'000	1994 £'000
Profit for the financial year	7	6,262	3,065
Other recognised gains and losses for the year:			
Exchange profit on consolidation of subsidiaries' net assets		503	200
Unrealised deficit on revaluation of Savoy Theatre		(30)	(225)
	25	473	(25)
Total gains recognised since the last annual report		6,735	3,040

Balance Sheets

At 31st December, 1995

	Note	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	As restated Company 1994 £'000
Fixed assets					
Investment properties	13	4,500	4,500	4,500	4,500
Tangible assets	14	89,978	93,809	77,199	74,860
		94,478	98,309	81,699	79,360
Investments	15	2,406	2,406	13,865	17,270
		96,884	100,715	95,564	96,630
Current assets					
Stocks	16	2,955	5,499	2,939	5,415
Debtors: amounts falling due after more than one year	17	4,145	–	4,145	–
Debtors: amounts falling due within one year	17	11,008	15,341	12,774	18,363
Cash at bank and in hand		5,577	1,142	5,567	1,074
		23,685	21,982	25,425	24,852
Creditors – amounts falling due within one year					
Loans and overdrafts	18	1,473	9,437	1,923	9,526
Creditors	20	17,752	19,353	17,933	18,896
Dividends		4,006	2,003	4,006	2,003
		23,231	30,793	23,862	30,425
Net current assets/(liabilities)		454	(8,811)	1,563	(5,573)
Total assets less current liabilities		97,338	91,904	97,127	91,057
Creditors – amounts falling due after more than one year					
Loans and overdrafts	18	2,442	2,842	2,362	2,762
Creditors	20	618	1,012	10,935	11,329
		3,060	3,854	13,297	14,091
Provisions for liabilities and charges					
Deferred taxation	21	299	167	–	–
Deferred profit on disposal	22	2,773	–	3,877	–
		3,072	167	3,877	–
		6,132	4,021	17,174	14,091
Net assets		91,206	87,883	79,953	76,966
Capital and reserves					
Called up share capital	23	2,861	2,861	2,861	2,861
Share premium account	24	3,128	3,128	3,128	3,128
Revaluation reserves	24	11,299	11,329	7,281	7,281
Other reserves	24	1,741	2,443	–	–
Profit and loss account	24	72,177	68,122	66,683	63,696
Equity shareholders' funds		91,206	87,883	79,953	76,966

The accounts on pages 24 to 37 were approved by the Board of Directors on 26th February, 1996, and were signed on its behalf by:

Sir Ewen Fergusson
Chairman

Ramón Pajares
Managing Director

Consolidated Cash Flow Statement

For the year ended 31st December, 1995

	Note	1995 £'000	1994 £'000
Net cash inflow from operating activities	A	20,916	12,043
Returns on investments and servicing of finance			
Interest received		591	59
Interest paid		(783)	(1,057)
Interest paid on finance leases		(131)	(127)
Dividend paid		(2,003)	(1,001)
Net cash outflow from returns on investments and servicing of finance		(2,326)	(2,126)
Taxation			
Corporation tax (paid)/received (net of advance corporation tax)		(1,595)	1,240
Investing activities			
Purchase of tangible fixed assets		(10,867)	(4,967)
Sale of tangible fixed assets		547	172
Sale of The Lancaster Hotel	E	4,959	–
Sale of Forest Mere	E	1,671	–
Net cash outflow from investing activities		(3,690)	(4,795)
Net cash inflow before financing		13,305	6,362
Financing			
Repayment of debentures and loans		(400)	(1,375)
Repayment of principal under finance leases		(448)	(330)
Net cash outflow from financing	D	(848)	(1,705)
Increase in cash and cash equivalents	B	12,457	4,657

Notes to the Consolidated Cash Flow Statement

For the year ended 31st December, 1995

A Reconciliation of operating profit to net cash inflow from operating activities	1995 £'000	1994 £'000
Operating profit	11,783	4,496
Depreciation of tangible fixed assets	6,658	7,041
(Profit)/loss on sale of tangible fixed assets	(17)	264
Interest paid on finance leases	131	127
Decrease in stocks	2,404	503
Increase in trade debtors	(735)	(594)
(Increase)/decrease in other debtors	(296)	191
(Increase)/decrease in prepayments and accrued income	1,091	(1,131)
Decrease in trade creditors	(928)	(300)
Increase/(decrease) in other taxation and social security	(531)	620
Decrease in other creditors	(79)	(919)
Increase in accruals and deferred income	1,435	1,745
Net cash inflow from operating activities	20,916	12,043

B Analysis of changes in cash, cash equivalents and other liquid investments during the year		
At 1st January	(7,895)	(12,558)
Net cash inflow	12,457	4,657
Exchange differences	(58)	6
At 31st December	4,504	(7,895)

C Analysis of changes in cash, cash equivalents and other liquid investments as shown in the balance sheet

	1995 £'000	Change in the year £'000	1994 £'000	Change in the year £'000	1993 £'000
Cash at bank and in hand	5,577	4,435	1,142	60	1,082
Bank loans and overdrafts	(1,073)	7,964	(9,037)	4,603	(13,640)
	4,504	12,399	(7,895)	4,663	(12,558)

D Analysis of changes in financing during the year	Share Capital 1995 £'000	Loans and finance lease obligations 1995 £'000	Share Capital 1994 £'000	Loans and finance lease obligations 1994 £'000
At 1st January	2,861	4,665	2,861	5,620
New finance leases	–	–	–	750
Net cash outflow from financing	–	(848)	–	(1,705)
At 31st December	2,861	3,817	2,861	4,665

E Disposal of subsidiary undertakings	Forest Mere £'000	The Lancaster Hotel £'000
Net assets disposed of:		
Fixed assets	1,822	6,140
Stocks	86	54
Debtors	51	30
Cash at bank and in hand/(overdrafts)	49	(224)
Creditors	(145)	(712)
Net assets disposed	1,863	5,288
Cash consideration	1,720	4,735
(Cash at bank and in hand)/overdrafts disposed	(49)	224
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,671	4,959
Deferred consideration payable 30th April, 1998	–	4,145

Accounting Policies

Basis of Accounting

These accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the UK.

The principal accounting policies laid down for the preparation of the accounts have been reviewed and are appropriate to the Group and are consistent with prior years with the exception of the change in accounting policy noted below.

Change in Accounting Policy

The Group has changed its accounting policy with respect to investments in subsidiary companies. These have now been restated to cost as the Group does not have any material trading subsidiaries and therefore the adjustments are no longer regarded as necessary.

Basis of Consolidation

The consolidated accounts include the results of the Company and its subsidiaries. The results of subsidiaries, sold or acquired, are included in the consolidated profit and loss account up to, or from, the date control passes.

Fixed Assets

Expenditure on development of the Group's hotels and restaurants, including major replacement and improvement of assets and re-equipment and modernisation of hotel rooms and other facilities, is disclosed as Land and Buildings, Plant and Machinery or Fixtures and Fittings. Land and Buildings includes the costs associated with structural modifications to freehold and long-term leasehold properties. The cost of replacement of soft furnishings, glass and china and certain other loose equipment of hotels and restaurants is charged to revenue in the year in which it is incurred.

Depreciation and Amortisation

Having regard to the high level of expenditure on general maintenance, the long anticipated lives and high residual values of the Group's hotels and restaurants, the resultant amount of any further depreciation on carrying value is not considered to be material. No depreciation or amortisation is therefore charged on freehold and long-term leasehold properties, nor on investment properties.

The appraisal of residual values for each property is based on prices prevailing at the time of acquisition or subsequent valuation of the property in question. In the event of any diminution in property value below historical cost, provision is made in the profit and loss account.

Short-term leasehold properties are amortised over the period of the lease.

Depreciation and amortisation of other tangible fixed assets is provided on a straight line basis over the following useful lives:
Plant and Machinery: between 4 and 20 years.
Fixtures and Fittings: between 5 and 20 years.

Turnover

Turnover excludes value added tax and sales between Group companies.

Fixed Asset Investments

Investments in subsidiary companies are stated at their historical cost. This is a change in accounting policy and is fully disclosed in note 12.
Other unlisted investments are shown at cost.

Deferred Taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent to which they are expected to reverse in the foreseeable future.

Exchange Rates

All assets, liabilities and transactions of overseas subsidiaries have been translated to sterling at the rate ruling at the date of the balance sheet. Other transactions in foreign currencies have been translated at average rates. Foreign currency borrowings against which foreign currency receipts are offset have been translated at the historic rate. Differences on translation of foreign subsidiaries are taken to reserves.

Stocks

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

Leasing

Assets acquired under finance leases are included under the relevant category of tangible fixed assets and depreciated accordingly. The capital element of future lease rentals payable is included as appropriate under creditors due within or after more than one year. The interest element of lease rentals is charged to the profit and loss account. Rentals under operating leases are charged to profit, as incurred, over the terms of the leases.

Pensions and other post retirement benefits

Contributions to the Group's pension schemes are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over employees' working lives with the Group. The cost of providing post retirement benefits is recognised on an accruals basis.

Notes to the Accounts

For the year ended 31st December, 1995

1 Turnover	1995 £'000	1994 £'000
Hotel, restaurant and ancillary business receipts	93,798	89,347
Property rentals and theatre revenue	2,248	2,710
	96,046	92,057

2 Gross trading profit		
Gross trading profit is stated after:		
Raw materials and consumables	15,971	14,712
Staff costs (note 9)	34,033	38,029
Repairs and maintenance	2,698	3,259
Operating leases:		
Land and buildings	471	472
Other assets	202	211
Interest paid on finance leases	131	127
(Profit)/loss on sale of tangible fixed assets	(17)	264
Exceptional reorganisation costs	945	–
Profit on sale of surplus wine	(725)	(96)
Exceptional rate rebates	(92)	(1,161)
Insurance receipts	(600)	–
Auditors' remuneration – the Company	120	120
– Subsidiaries	33	45

The exceptional rate rebates of £92,000 (1994: £1,161,000) are as a result of renegotiated rateable values of the Group's London hotels and relate to periods from 1990 onwards. The insurance receipts relate to the business interruption claim arising from the Savoy Theatre fire in 1990 which was finalised in the year.

Remuneration of the Company's auditors for provision of non-audit services to the Company and its UK subsidiaries was £183,000 (1994: £185,000).

3 Loss on sale of discontinued operations	1995 £'000	1994 £'000
Loss on disposal of Forest Mere	216	–
Goodwill previously written off to profit and loss reserve	490	–
Loss on disposal of Forest Mere	706	–

The loss on disposal relates to the sale of Forest Mere on 14th December, 1995. There is no taxation charge expected with regard to this disposal.

The profit arising on the disposal of The Lancaster Hotel will be accounted for in 1998 when the deferred payment of £4,145,000 is due. The deferred profit on disposal is disclosed separately on the face of the balance sheet. A capital gains liability of £600,000 arises on the sale of The Lancaster Hotel and is included in the taxation charge for the year.

4 Investment income	1995 £'000	1994 £'000
Interest receivable	143	532

Interest receivable includes an exceptional credit of Nil (1994: £448,000) relating to an interest supplement following an arrangement between the Company and Forte Plc to surrender surplus prior year ACT.

5 Interest payable	1995 £'000	1994 £'000
On debentures, bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	453	577
Repayable within five years, by instalments	183	–
Repayable wholly or partly in more than five years	21	221
	657	798

Interest repayable within five years, not by instalments, of £453,000 (1994: £577,000), has been reduced by the release of Nil (1994: £240,000) in respect of a provision that is now no longer required.

Notes to the Accounts

For the year ended 31st December, 1995

6 Taxation	1995 £'000	1994 £'000
UK taxation:		
Corporation tax for the year at 33% (1994: 33%)	8,297	1,657
Less relief for overseas tax suffered	(4,703)	-
Capital gains tax arising on disposal of The Lancaster Hotel (note 3)	600	-
Overprovision of corporation tax in respect of prior years	(56)	(478)
Deferred tax charge/(release)	132	(82)
	4,270	1,097
Overseas taxation:		
Charge on profits for the year	31	68
	4,301	1,165

7 Profit/(loss) for the financial year

Profit for the financial year dealt with in the accounts of the Company was £6,993,000 (1994: £3,056,000).

As permitted, by Section 230 of the Companies Act 1985, a profit and loss account is not presented for the Company.

The profit/(loss) shown above does not materially differ from that which would be derived on an unmodified historical cost basis.

8 Earnings per share

This is calculated on the net basis using the totals of 27,962,739 A Ordinary Shares of 10p each and 1,306,267 B Ordinary Shares of 5p each in issue and on the profit on ordinary activities after taxation of £6,262,000 (1994: £3,065,000).

Earnings per share from continuing operations is calculated on the net basis using the totals of 27,962,739 A Ordinary Shares of 10p each and 1,306,267 B Ordinary Shares of 5p each in issue and on the profit on ordinary activities after taxation of £7,876,000 (1994: £3,340,000).

9 Employees	1995 £'000	1994 £'000
Staff costs during the year amounted to:		
Wages and salaries	30,130	33,256
Social security costs	2,853	3,018
Pension costs (note 10)	1,050	1,755
	34,033	38,029
The average weekly number of persons employed by the Group was	2,645	2,811

Wages and salaries include exceptional costs of £414,000 (1994: £1,438,000) relating to the compensation for loss of executive office of directors and redundancy payments to other employees following the rationalisation of certain of the Group's operations.

10 Pension and similar obligations

The group operates a number of pension schemes in the United Kingdom. The pension schemes are primarily of the defined benefit type. The assets of these schemes are held in separate funds administered by insurance companies.

The total pension cost for the group was £1,050,000 (1994: £1,755,000), of which £52,000 (1994: £62,000) relates to overseas schemes, £65,000 (1994: £349,000) relates to executive director's pension schemes and Nil (1994: £400,000) to provide for the actuarial value of the pensions that continue to be paid by the Company on an ex-gratia basis.

The pension cost relating to the schemes is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest actuarial valuation of those schemes was at 30th April, 1995. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments, rate of increase in dividends and the rates of increase in pension and salaries. It was assumed the investment return would be 8½% per annum, dividends increase would be 4% per annum, that salary increases would average 6½% per annum and that present and future pensions would increase at the rate of 4½% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £15m and the actuarial value of the assets was sufficient to cover 107% of the benefits which has accrued to members, after allowing for expected future increases in earnings.

11 Remuneration of directors

	1995 £'000	1994 £'000
Staff costs include the following remuneration in respect of directors of the Company:		
Fees	23	47
Salary payments (including other emoluments)	340	370
Pension contributions	65	99
Annual incentive payments	109	–
Fees paid to third parties	18	15
	555	531
Compensation for loss of executive office	198	569
	753	1,100

Compensation for loss of executive office represents amounts paid in respect of W R L Leigh of £198,000 who resigned as a director in January, 1995. The 1994 payment of compensaton for loss of executive office represents amounts paid in respect of G R C Shepard.

The number of directors within each of the following ranges of remuneration, exclusive of pension contributions and compensation for loss of executive office, was:

	1995	1994		1995	1994
£ 0 to £ 5,000	9	2	£ 75,001 to £ 80,000	–	1
£ 5,001 to £10,000	2	6	£ 85,001 to £ 90,000	–	1
£20,001 to £25,000	1	–	£105,001 to £110,000	1	–
£25,001 to £30,000	1	1	£125,001 to £130,000	–	1
£30,001 to £35,000	–	2	£280,001 to £285,000	1	–

Fees and other emoluments include amounts paid to:	Chairman 1995 £	Highest paid director 1995 £	Chairman 1994 £	Highest paid director 1994 £
Salary payments	30,000	181,231	25,008	110,625
Annual incentive payments	–	84,196	–	–
Other emoluments	–	15,965	8,114	15,428
	30,000	281,392	33,122	126,053
Pension contributions	–	27,353	–	61,263
Compensation for loss of executive office – pension	–	–	–	250,000
– other	–	–	–	319,325
	30,000	308,745	33,122	756,641

Sir Anthony Tuke retired on 11th January, 1995 and his emoluments as Chairman are disclosed in the table on page 32. Details on the executive directors incentive schemes are included in the Report of the Remuneration Committee on page 22.

Notes to the Accounts

For the year ended 31st December, 1995

11 Remuneration of directors (continued)

Directors' emoluments	Salary Payments £	Other Emoluments £	Incentive Payments £	Pension Contributions £	Fees £	1995 Total £	1994 Total £
Executive directors							
R Pajares	181,231	15,965	84,196	27,353	–	308,745	33,158
M B Radcliffe	76,000	8,228	25,000	35,951	–	145,179	102,629
A J Fort [1]	20,000	877	–	–	–	20,877	–
W R L Leigh [2]	4,823	404	–	2,009	–	7,236	94,935
G R C Shepard [3]	–	–	–	–	–	–	187,316
Non-executive directors							
Sir Ewen Fergusson	30,000	–	–	–	–	30,000	7,415
Sir Michael Richardson [4]	–	–	–	–	5,000	5,000	9,165
Sir George Christie	–	–	–	–	5,000	5,000	5,820
J Kemp-Welch	–	–	–	–	5,000	5,000	7,140
Mrs C S Price	–	–	–	–	8,750	8,750	33,691
The Hon. Sir Rocco Forte	–	–	–	–	5,000	5,000	5,040
The Rt Hon. The Viscount Thurso	–	–	–	–	5,000	5,000	5,106
Sir Anthony Tennant [5]	–	–	–	–	5,000	5,000	–
J Leigh Pemberton [6]	–	–	–	–	2,500	2,500	–
Sir Anthony Tuke [7]	769	761	–	–	–	1,530	33,122
D A Main [7]	–	–	–	–	–	–	5,000
Sir Oliver Wright [8]	–	–	–	–	–	–	1,875
	312,823	26,235	109,196	65,313	41,250	554,817	531,412

[1] Appointed 14th November, 1995
[2] Resigned 14th January, 1995 – W R L Leigh received an additional £198,000 in 1995 for loss of executive office.
[3] Resigned 12th September, 1994 – G R C Shepard received an additional £569,000 in 1994 for loss of executive office.
[4] Retired 31st December, 1995
[5] Appointed 11th January, 1995
[6] Appointed 11th July, 1995
[7] Retired 11th January, 1995
[8] Retired 16th May, 1994

During the year G R C Shepard received a post retirement benefit of £3,725.

In 1994 the total emoluments included discounts received of £27,034. In 1995 these are excluded. This change has been made as the discounts are allowed to enable the directors to promote the facilities of the Group and hence is not considered a benefit in kind. The level of discounts are reviewed annually by the Audit Committee.

12 Change in accounting policy

Comparative figures in the Company's accounting statements have been restated to reflect the following change in accounting policy:

Fixed asset investments – investments in subsidiary companies are stated at historical cost. Previously these investments were revalued each year to their net asset value.

As a result, the comparative figures for the Company for the year ended 31st December, 1994 have been adjusted as follows:

	Fixed Asset Investments Cost £'000	Fixed Asset Investments Provision £'000	Revaluation Reserve £'000	Profit and Loss Reserve £'000
As previously reported at 31st December, 1994	25,800	–	15,737	66,170
Prior year adjustment	(7,035)	3,895	(8,456)	(2,474)
As restated at 31st December, 1994	18,765	3,895	7,281	63,696

There has been no impact on the Company's profit and loss account in the year to 31st December, 1995.

13 Investment properties	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Freehold land and buildings	**4,500**	4,500	**4,500**	4,500

Investment properties are shown at the directors' estimate of their open market value at 31st December. This value has been supported by an independent valuation commissioned by the directors. If these properties had not been revalued they would have been shown at their historical cost of £450,000 (1994: £450,000). The revaluation surplus of £4,050,000 (1994: £4,050,000) is included in Revaluation Reserves.

In accordance with SSAP 19 the value of these properties is considered annually and any surplus or deficit arising is transferred to an investment revaluation reserve. No depreciation is therefore provided in respect of these properties.

14 Tangible fixed assets	Land and Buildings Freehold £'000	Leasehold Long-term £'000	Leasehold Short-term £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Group						
Cost or valuation						
At 1st January, 1995	36,703	9,057	4,437	56,009	28,097	134,303
Additions in the year	2,182	–	–	4,906	3,779	10,867
Reclassification of assets	40	–	–	(290)	250	–
Translation differences	392	–	–	2	310	704
Disposals in the year	(6,834)	–	–	(1,338)	(5,270)	(13,442)
Revaluation in the year	(30)	–	–	–	–	(30)
At 31st December, 1995	32,453	9,057	4,437	59,289	27,166	132,402
Depreciation						
At 1st January, 1995	–	–	2,331	21,996	16,167	40,494
Charge for the year	–	–	259	4,145	2,254	6,658
Reclassification of assets	–	–	–	(212)	212	–
Translation differences	–	–	–	–	221	221
Disposals in the year	–	–	–	(984)	(3,965)	(4,949)
At 31st December, 1995	–	–	2,590	24,945	14,889	42,424
Net book value						
At 31st December, 1995	32,453	9,057	1,847	34,344	12,277	89,978
At 1st January, 1995	36,703	9,057	2,106	34,013	11,930	93,809
Company						
Cost or valuation						
At 1st January, 1995	20,754	9,057	4,437	53,187	24,443	111,878
Additions in the year	2,152	–	–	4,782	3,654	10,588
Reclassification of assets	40	–	–	(290)	250	–
Disposals in the year	(1,750)	–	–	(1,024)	(1,346)	(4,120)
Revaluation in the year	88	–	–	–	88	176
At 31st December, 1995	21,284	9,057	4,437	56,655	27,089	118,522
Depreciation						
At 1st January, 1995	–	–	2,331	21,151	13,536	37,018
Charge for the year	–	–	259	3,750	2,116	6,125
Reclassification of assets	–	–	–	(212)	212	–
Disposals in the year	–	–	–	(781)	(1,039)	(1,820)
At 31st December, 1995	–	–	2,590	23,908	14,825	41,323
Net book value						
At 31st December, 1995	21,284	9,057	1,847	32,747	12,264	77,199
At 1st January, 1995	20,754	9,057	2,106	32,036	10,907	74,860

Included within plant and machinery are £2,283,000 (1994: Nil) of assets under construction.

Notes to the Accounts

For the year ended 31st December, 1995

14 Tangible fixed assets (continued)	1995 £'000	1994 £'000
Freehold properties of the Group at cost or valuation comprise:		
At valuation in 1948	1,281	1,281
At valuation in 1962	4,136	4,136
At valuation in 1993, 1994 and 1995	7,000	7,000
At historical cost	20,036	24,286
	32,453	36,703
At historical cost	25,204	29,424

Plant and machinery includes assets held under finance leases with a net book value of £952,000 (1994: £1,355,000). The depreciation charge for the year on these assets was £403,000 (1994: £343,000).

15 Fixed asset investment – unlisted	Subsidiaries £'000	Other Investments £'000	Total £'000
Group			
Cost			
At 1st January and 31st December, 1995	–	2,406	2,406
Company			
Cost			
Restated at 1st January, 1995 (note 12)	18,765	2,400	21,165
Net disposals in the year	(4,681)	–	(4,681)
At 31st December, 1995	14,084	2,400	16,484
Provision against cost			
Restated at 1st January, 1995 (note 12)	3,895	–	3,895
Utilised during the year	(1,276)	–	(1,276)
At 31st December, 1995	2,619	–	2,619
Net book value			
At 31st December, 1995	11,465	2,400	13,865
At 1st January, 1995	14,870	2,400	17,270

16 Stocks	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Raw materials and consumables	2,955	5,499	2,939	5,415

17 Debtors				
Amounts falling due within one year:				
Trade debtors	5,995	5,482	5,624	5,015
Advance corporation tax recoverable	1,001	4,015	1,001	4,015
Amounts owed by subsidiaries	–	–	2,209	4,291
Other debtors	721	948	717	376
Prepayments and accrued income	3,291	4,896	3,223	4,666
	11,008	15,341	12,774	18,363
Amounts falling due after more than one year:				
Other debtors	4,145	–	4,145	–

Other debtors falling due after more than one year represents the deferred payment of £4,145,000 (1994: Nil) due in respect of the sale of The Lancaster Hotel. This payment is due on 30th April, 1998 and carries interest at the rate of 3% per annum.

18 Loans and overdrafts	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	1,473	9,437	1,923	9,526
Amounts falling due after more than one year:				
Secured loan repayable in 1998 (interest at building society rates)	312	312	312	312
4% First Mortgage Perpetual Debenture Stock	450	450	450	450
Bank loans:				
Repayable within five years	1,600	1,600	1,600	1,600
Repayable in more than five years	–	400	–	400
Savoy Theatre Limited:				
4% First Mortgage Perpetual Debenture Stock	80	80	–	–
	2,442	2,842	2,362	2,762

Bank loans and overdrafts incur interest at rates which vary with LIBOR.

The Company has a ten year loan repayable in annual instalments of £400,000 with £2,000,000 (1994: £2,400,000) outstanding at the year end. Of this total £400,000 (1994: £400,000) is included in amounts falling due within one year, £1,600,000 (1994: £1,600,000) repayable within five years and Nil (1994: £400,000) repayable in more than five years.

19 Financial commitments	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Capital commitments:				
Authorised but not contracted	10,321	–	10,321	–
Contracted but not provided in the accounts	7,507	2,676	7,507	2,676
Operating lease commitments:				
Land and buildings expiring – within one year	6	6	6	6
– in two to five years	56	55	56	55
– in more than five years	396	411	396	411
	458	472	458	472
Other assets expiring – within one year	57	42	55	42
– in two to five years	85	147	80	118
– in more than five years	8	10	8	10
	150	199	143	170
Annual commitments under non-cancellable leases	608	671	601	642

20 Creditors				
Amounts falling due within one year:				
Trade creditors	2,490	3,611	2,390	3,285
Corporation tax including ACT payable	4,736	2,146	4,634	2,016
Other taxation and social security payable	3,000	3,780	2,889	3,544
Other creditors	1,029	4,383	1,662	4,952
Obligations under finance leases	357	411	357	411
Accruals and deferred income	6,140	5,022	6,001	4,688
	17,752	19,353	17,933	18,896

Notes to the Accounts

For the year ended 31st December, 1995

20 Creditors (continued)	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Amounts falling due after more than one year:				
Amounts owed to subsidiaries	–	–	10,317	10,317
Obligations under finance leases				
repayable – between one and two years	237	357	237	357
– between two and five years	339	533	339	533
– over five years	42	122	42	122
	618	1,012	10,935	11,329

21 Deferred taxation

Amount provided for accelerated capital allowances	299	167	–	–
Potential liability:				
Accelerated capital allowances	9,655	10,332	9,338	10,150
Revaluation and capital gains deferred by rollover and holdover relief	900	920	900	920
Other timing differences	(286)	(403)	(284)	(402)
	10,269	10,849	9,954	10,668
Deferred taxation movements:				
At 1st January	167	249	–	149
Charge/(release) for the year	132	(82)	–	(149)
At 31st December	299	167	–	–

22 Deferred profit on disposal

Included in provisions for liabilities and charges is an amount of £2,773,000 (1994: Nil) which is the Group's deferred profit on the sale of The Lancaster Hotel. This amount includes £104,000 (1994: Nil) of goodwill previously written off to the Profit and Loss Account Reserve. The deferred profit in the Company is £3,877,000 (1994: Nil). The deferred profit will be recognised in the profit and loss account when the deferred payment of £4,145,000 is received in April, 1998.

23 Called up share capital	1995 £'000	1994 £'000
Authorised:		
48,780,490 A Ordinary Shares of 10p each	4,878	4,878
2,439,020 B Ordinary Shares of 5p each	122	122
	5,000	5,000
Allotted, called up and fully paid:		
27,962,739 A Ordinary Shares of 10p each	2,796	2,796
1,306,267 B Ordinary Shares of 5p each	65	65
	2,861	2,861

The A and B Ordinary Shares rank *pari passu* in all respects other than their voting rights. A Ordinary Shares of 10p carry 1 vote per 10 shares. B Ordinary Shares of 5p carry 10 votes per 5 shares.

24 Share premium account and reserves	Share Premium £'000	Revaluation Reserves £'000	Other Reserves £'000	Profit and Loss Account £'000
Group				
At 1st January, 1995	3,128	11,329	2,443	68,122
Profit for the financial year	–	–	–	6,262
Dividend	–	–	–	(4,006)
Exchange profit on consolidation of subsidiaries	–	–	503	–
Realised exchange profits on disposal of subsidiaries	–	–	(1,205)	1,205
Revaluation of the Savoy Theatre	–	(30)	–	–
Goodwill adjustment – Forest Mere (note 3)	–	–	–	490
– The Lancaster Hotel (note 22)	–	–	–	104
At 31st December, 1995	3,128	11,299	1,741	72,177
Company				
At 1st January, 1995 (note 12)	3,128	7,281	–	63,696
Profit for the financial year	–	–	–	6,993
Dividend	–	–	–	(4,006)
Revaluation in the year	–	176	–	–
Disposal in the year	–	(176)	–	–
At 31st December, 1995	3,128	7,281	–	66,683

The accumulated goodwill written off to Group reserves as at 31st December, 1995 is £1,209,000 (1994: £1,803,000).

25 Reconciliation of movements in shareholders' funds	1995 £'000	1994 £'000
Profit for the financial year	6,262	3,065
Dividend for the year	(4,006)	(2,003)
	2,256	1,062
Goodwill adjustment – Forest Mere (note 3)	490	–
– The Lancaster Hotel (note 22)	104	142
Other recognised gains/(losses) for the year	473	(25)
Net addition to shareholders' funds	3,323	1,179
At 1st January	87,883	86,704
At 31st December	91,206	87,883

26 Interest in Group undertakings

The principal trading subsidiaries of the Company are:

	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares held by the Company
Camelot Barthropp Ltd	England & Wales	Ordinary Shares of £1	100%
Savoy Theatre Ltd	England & Wales	Ordinary Shares of £5.50	100%

Directors' Interests and Other Major Shareholdings

Interest at 31st December, 1995, and at 1st January, 1995 (or * at date of appointment if later)

	Ordinary Share Capital			
Directors' Beneficial Interests	A Shares		B Shares	
	31st December 1995	1st January 1995	31st December 1995	1st January 1995
M B Radcliffe	3,233	3,233	–	–
Sir Michael Richardson	1,500	1,500	–	–
Sir George Christie	1,500	1,500	–	–
J Kemp-Welch	3,000	3,000	–	–
Mrs C S Price	2,500	2,500	90	90
The Rt Hon. The Viscount Thurso	200	200	3	3
R Pajares	100	–	–	–
J Leigh Pemberton*	500	–	8	8
Directors' Interests as Trustees				
M B Radcliffe	1,044,903	1,044,903	329,651	329,021
The Hon. Sir Rocco Forte	10	10	–	–
R Pajares	–	–	630	–

M B Radcliffe has a beneficial interest of £500 (1994: £500) in the 4% First Mortgage Debenture Stock of Savoy Theatre Ltd. R Pajares and M B Radcliffe have an interest as trustees of £600 (1994: Nil) in the 4% First Mortgage Perpetual Debenture Stock of The Savoy Hotel PLC.

M B Radcliffe and The Rt Hon. The Viscount Thurso have interests as members on the Conseil d'Administration of La Fondation pour la Formation Hôtelière in 155,163 B Shares.

J Leigh Pemberton purchased 500 A Shares on 18th September, 1995 and R Pajares purchased 100 A Shares on 7th June, 1995.

There has been no change in directors' interests between 31st December, 1995 and 31st January, 1996.

Major Interests in the Ordinary Share Capital at 31st January, 1996.
The Company has been notified that Forte Plc (a subsidiary of Granada Group PLC) is interested in 19,479,880 A Shares and 164,960 B Shares equal to 68.36% of the ordinary share capital of The Savoy Hotel PLC, which carries the right to 42.12% of the total votes. Under the terms of the Companies Act 1985, The Savoy Hotel PLC is not a subsidiary of Forte Plc.

The Company has also been informed of the interest as shown below of the trustees of The D'Oyly Carte Charitable Trust, which amounts to 25.19% of the B Shares in issue and 3.74% of the A Shares (equivalent to 14.10% of the total votes), the trustees of The Wontner Family Settlement, which amounts to 20.66% of the B Shares (equivalent with A Shares to 10.66% of the total votes) and of the trustees of The Savoy Educational Trust, which amounts to 18.82% of the B Shares and 4.57% of the A Shares (equivalent to 11.45% of the total votes).

The individual interest of each trustee, as notified to the Company, being their total interest in the A and B Ordinary Shares is as follows: E J P Elliott 2,323,182 A Shares and 574,840 B Shares; Mrs J Sibley 2,323,192 A Shares and 574,840 B Shares; R F Jones 1,278,449 A Shares and 245,819 B Shares; D Battersby and M T Parker 1,278,424 A Shares and 245,189 B Shares; Sir John Batten, Sir Martyn Beckett and J A McCracken 1,044,758 A Shares and 329,021 B Shares; Mrs F M Radcliffe 1,048,136 A Shares and 329,021 B Shares; Lady Wontner 271,520 B Shares; M J Donovan and J B Dinan 269,827 B Shares.

Other interests of which the Company has been notified are as follows: La Fondation pour la Formation Hôtelière has an interest in 155,163 B Shares (equivalent with A Shares to 5.74% of the total votes); December Commercial (No.1) Ltd (in Receivership) formerly St Anselm Development Co Ltd has 822,443 A Shares and 64,492 B Shares (equivalent to 3.90% of the total votes); JPM Nominees Ltd has 928,400 A Shares representing 3.32% of the A Shares in issue; J I H Wontner 90,926 B Shares representing 6.96% of the B Shares in issue; A G I Wontner 45,457 B Shares representing 3.48% of the B Shares in issue; Mrs J C S Emery 84,918 B Shares representing 6.50% of the B Shares in issue.

Financial Record

	1991 £'000	1992 £'000	1993 £'000	1994 £'000	1995 £'000
Turnover					
Continuing operations	74,205	71,801	78,167	87,266	91,978
Discontinued operations	5,014	4,961	5,102	4,791	4,068
	79,219	76,762	83,269	92,057	96,046
Operating profit/(loss)					
Continuing operations	3,659	387	2,444	4,661	12,027
Discontinued operations	(85)	(444)	(899)	(165)	(244)
	3,574	(57)	1,545	4,496	11,783
Loss on sale of discontinued operations	–	–	–	–	706
	3,574	(57)	1,545	4,496	11,077
Investment income	278	229	589	532	143
	3,852	172	2,134	5,028	11,220
Interest payable	1,581	1,599	1,409	798	657
Profit/(loss) on ordinary activities before taxation	2,271	(1,427)	725	4,230	10,563
Taxation	(2,744)	(1,066)	215	1,165	4,301
Profit/(loss) for the financial year	5,015	(361)	510	3,065	6,262
Dividend	2,003	2,003	1,001	2,003	4,006
Transfer to/(from) reserves	3,012	(2,364)	(491)	1,062	2,256
Earnings per share from continuing operations					
A Ordinary Shares of 10p each	17.7p	0.0p	4.5p	11.7p	27.5p
B Ordinary Shares of 5p each	8.8p	0.0p	2.2p	5.8p	13.8p
Earnings per share from total operations					
A Ordinary Shares of 10p each	17.5p	(1.3)p	1.8p	10.7p	21.9p
B Ordinary Shares of 5p each	8.8p	(0.6)p	0.9p	5.4p	10.9p
Net assets employed					
Fixed assets	95,483	98,945	102,349	100,715	96,884
Net current assets/(liabilities)	(4,535)	(10,061)	(11,421)	(8,811)	454
Total assets less current liabilities	90,948	88,884	90,928	91,904	97,338
Long-term creditors and provisions	759	1,093	982	1,179	3,690
Long-term loans and overdrafts	5,011	4,617	3,242	2,842	2,442
Net assets	85,178	83,174	86,704	87,883	91,206
Called up share capital	2,861	2,861	2,861	2,861	2,861
Reserves including share premium	82,317	80,313	83,843	85,022	88,345
Equity shareholders' funds	85,178	83,174	86,704	87,883	91,206

Notice of Meeting

Notice is hereby given that the One Hundred and Seventh Annual General Meeting of The Savoy Hotel PLC will be held at The Savoy Hotel (River Entrance), London WC2R 0EU, on Monday, 20th May, 1996, at 12 noon, for the purpose of transacting the following business:

Resolutions

1 To receive and adopt the Directors' Report, the Consolidated Profit and Loss Account for the year ended 31st December, 1995, and the Balance Sheets as at 31st December, 1995 and to declare a dividend of 140% for the year ended 31st December, 1995.

2 To re-elect Sir George Christie, a Director retiring by rotation.

3 To re-elect M B Radcliffe, a Director retiring by rotation.

4 To re-elect J Kemp-Welch, a Director retiring by rotation.

5 To elect J Leigh Pemberton, a Director appointed since the last Annual General Meeting.

6 To elect A J Fort, a Director appointed since the last Annual General Meeting.

7 To re-appoint Coopers & Lybrand as auditors to the Company and to authorise the Directors to determine their remuneration.

As special business, to consider and, if thought fit, to pass Resolution 8 as an Ordinary Resolution and Resolutions 9 and 10 as Special Resolutions:

8 That the Board of Directors of the Company be and it is hereby generally and unconditionally authorised to exercise any power of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £950,000, provided that this authority, unless renewed, shall expire on the day preceding the fifth anniversary of the date of the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9 That, subject to the passing of Resolution 8 set out above, the Board of Directors be and is hereby empowered pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the said Act) for cash, as if section 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited:

(A) to the allotment of equity securities in connection with a rights issue in favour of A and B Ordinary shareholders where the equity securities respectively attributable to the interests of the A and B Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of A and B Ordinary Shares held by them (subject in each case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and

(B) to the allotment (otherwise than pursuant to sub-paragraph (A) above) of equity securities up to an aggregate nominal value of £143,079

and shall expire at the conclusion of the next Annual General Meeting of the Company or fifteen months from the date on which this Resolution is passed, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

10 That Article 1(F) of the Articles of Association be amended by the deletion of '£50,000' and the substitution of '£150,000' with effect from the conclusion of the meeting.

Registered Office:
1 Savoy Hill
London WC2R 0BP
Registered in England and Wales No 29022

By Order of the Board
M B Radcliffe
Secretary
29th February, 1996

Notes

A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of them. A proxy need not be a member of the Company. To be valid, instruments of proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time approved for holding the meeting. Ordinary Shareholders will find enclosed a form of proxy for use at the meeting.

Completion and return of the form of proxy will not prevent an Ordinary Shareholder attending and voting at the meeting in person.

A statement of the holdings and of all the transactions of each Director and his family interests in the equity share capital of the Company and the service contracts of Directors will be available for inspection by any member of the Company at the Registered Office of the Company during the usual business hours on any weekday (Saturdays and Bank Holidays excepted) from the date of this Notice until the date of the Annual General Meeting. This statement together with service contracts of Directors will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

The Savoy Group of Hotels and Restaurants

The Berkeley
Wilton Place, Knightsbridge
London SW1X 7RL
Tel (0171) 235 6000
Fax (0171) 235 4330

Claridge's
Brook Street, Mayfair
London W1A 2JQ
Tel (0171) 629 8860
Fax (0171) 499 2210

The Connaught
Carlos Place, Mayfair
London W1Y 6AL
Tel (0171) 499 7070
Fax (0171) 495 3262

The Savoy
Strand
London WC2R 0EU
Tel (0171) 836 4343
Fax (0171) 240 6040

The Lygon Arms
Broadway
Worcestershire WR12 7DU
Tel (01386) 852255
Fax (01386) 858611

Brasserie St. Quentin
243 Brompton Road
London SW3 2EP
Tel (0171) 589 8005/581 5131
Fax (0171) 584 6064

Grill St. Quentin
3 Yeoman's Row
London SW3 2AL
Tel (0171) 581 8377
Fax (0171) 584 6064

Simpson's-in-the-Strand
100 Strand
London WC2R 0EW
Tel (0171) 836 9112
Fax (0171) 836 1381

Edward Goodyear
Court Florist
45 Brook Street
London W1A 2JQ
Tel (0171) 629 1508
Fax (0171) 495 0524

Les Specialites St. Quentin
256 Brompton Road
London SW3 2AT
Tel (0171) 225 1664
Fax (0171) 584 6064

Savoy Theatre
Strand
London WC2R 0ET
Tel (0171) 836 8888
Fax (0171) 379 7322

Designed by Bamber Forsyth
Printed by Royle Print Limited
Photographs by Rick Cordell