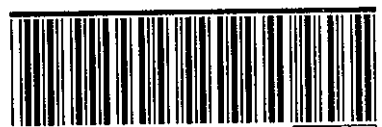


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The Park Lane Hotel
PICCADILLY



THE PARK LANE HOTEL PLC

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THE PARK LANE HOTEL PLC

Directors and advisers

Directors

Clive E B L Carr (Chairman and managing)
Gilbert B Baker (Financial)
Richard C L Carr
Frederick W Davis
Carol Gault
Paul H T Hanson
Nina Kakkar

Secretary

G B Baker FSCA

Registered office

49 Brick Street
London
W1Y 8EB

Registered number

158092

Auditors

Wm. Robertshaw & Myers
18 Cooke Street
Keighley
West Yorkshire
BD21 3NP

Solicitors

Radcliffes Crossman Block
5 Great College Street
Westminster
London
SW1P 3SJ

Registrars

Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

THE PARK LANE HOTEL PLC

Directors' report

The directors present their annual report together with the financial statements of the company for the year ended 31st December 1995.

Results, dividends and business review

The year under review showed further improvement with a turnover of £15,539,000, an increase of £1,849,000 (13.5%) on the previous year. The profit on ordinary activities before taxation for the year, and before charging the exceptional item, is £2,775,000, an increase of £996,000 (56%) compared with the previous year. After deducting the exceptional item of £303,000, taxation of £723,000 and an interim ordinary dividend of £300,000, the retained profit is £1,449,000.

The directors do not recommend the payment of a final ordinary dividend nor a dividend on either class of preference share. An interim dividend of 7.5p pence per share on the ordinary 25 pence shares was paid on 15th December 1995.

Trading this year is broadly comparable with that in 1995 and the next stage of the refurbishment programme is proceeding well.

On 29th February 1996, Sheraton Hotels (UK) Limited announced offers for all classes of the issued share capital of the company.

Market value of land and buildings

The directors are unable to express an opinion on the market value of the company's land and buildings but consider that it is in excess of book amount.

State of affairs

The directors consider that the state of the company's affairs is satisfactory.

Principal activity

The principal activity of the company continues to be the operation of The Park Lane Hotel.

Significant changes in fixed assets

Additions to fixed assets are £3,117,000 and further details are shown in notes 6 and 7 on the financial statements.

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 apply to the company.

Donations

Donations to charitable organisations amounted to £910 (1994: £2,910). There were no political contributions during the year (1994: £nil).

Board of directors

The directors holding office at the date of this report are shown on page 1.

During the year the company purchased liability insurance for certain of its directors and officers.

Non-executive directors:

R C L Carr is a barrister. He is also a director of Arsenal Football Club PLC and Tymals Investments Limited.

F W Davis is a chartered accountant. He is also a director of The Fellowship of Independent Evangelical Churches Limited.

Mrs C Gault is the company representative in North America. She is also a director of an hotel company, Settlers' Beach Limited and a trustee of The Bank of Montreal's Mutual Funds.

P H T Hanson is an executive director of Parkland Group Plc, a textile group based in Yorkshire.

Miss Nina Kakkar is a director of Tymals Investments Limited.

No non-executive director has a service contract with the company.

Executive directors:

The executive directors are C E B L Carr and G B Baker.

Reporting and controls

The board meets on a regular basis where management accounts are considered.

THE PARK LANE HOTEL PLC

Directors' report (continued)

Directors' shareholdings

The interests of the directors who served during the year, as shown in the register kept under Section 325 of the Companies Act 1985, in the shares of the company were:

	31st December 1995			1st January 1995 or later date of appointment		
	Ordinary	Preference	Second preference	Ordinary	Preference	Second preference
C E B L Carr	166,902	17,990	3,427	166,902	17,990	3,427
R C L Carr	1,020,346	17,681	18,136	920,346	17,681	18,136
F W Davis	1,196,133	11,978	49,237	1,196,133	11,978	49,237
Mrs C Gault	296,778	152	2,699	296,778	152	2,699
P H T Hanson	447,325	7,203	30,921	447,325	7,203	30,921
G B Baker	1,520	—	—	1,520	—	—

G B Baker was appointed a director on 27th February 1995. Miss N Kakkar was appointed a director on 25th January 1996.

Following reclassification of certain related shareholdings in trust and one principal transfer (for nil consideration) of a shareholding between two such trusts and the appointment of Nina Kakkar to the board on 25th January 1996 the interests of the directors in office as at 22nd March 1996 in the said register were:

	Ordinary	Preference	Second preference
C E B L Carr	295,402	17,990	5,927
R C L Carr	1,498,596	21,000	20,636
F W Davis	782,133	11,978	49,237
Mrs C Gault	296,778	3,471	5,199
P H T Hanson	447,325	7,203	30,921
G B Baker	1,520	—	—
Miss N Kakkar	1,264,197	17,292	15,285

Certain of the holdings include the same shares more than once in relation to non-beneficial holdings.

There were no directors' share options at 31st December 1995 nor are there any at 25th March 1996, the date of signing the financial statements.


Employees

In accordance with company policy all employees are kept as fully informed as practicable concerning the activities of the company. The company is an equal opportunities employer.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. All disabled employees are eligible for training and promotion and, within the limits of their disabilities, are given equal consideration with other applicants.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. Company policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved.

49 Brick Street
London W1Y 8EB
25th March 1996

By order of the board
 **G B Baker**
Secretary

THE PARK LANE HOTEL PLC

Statement of directors' responsibilities in respect of the preparation of the financial statements

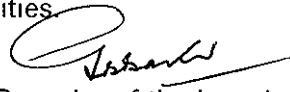
The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss for the period to that date. In preparing those financial statements, the directors are required 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the financial statements comply with the above requirements and that the company has maintained proper accounting records which disclose with reasonable accuracy at any time the financial position of the company which enables them to ensure that the financial statements comply with the requirements of the Companies Act 1985.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

49 Brick Street
London
W1Y 8EB
25th March 1996


By order of the board
G B Baker
Secretary

THE PARK LANE HOTEL PLC

Auditors' report to the members of The Park Lane Hotel PLC

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

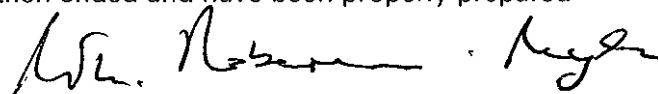
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

18 Cooke Street
Keighley
West Yorkshire
BD21 3NP
25th March 1996



Wm. Robertshaw & Myers

Chartered Accountants
Registered Auditors

THE PARK LANE HOTEL PLC

Profit and loss account

for the year ended 31st December 1995

	Note	Before exceptional item 1995	Exceptional item 1995	1995	1994
		£'000	£'000	£'000	£'000
Turnover	1	15,539	—	15,539	13,690
Cost of sales		(10,193)	—	(10,193)	(9,338)
Gross profit		5,346	—	5,346	4,352
Administrative expenses		(2,622)	(303)	(2,925)	(2,608)
Operating profit	2	2,724	(303)	2,421	1,744
Other interest receivable and similar income	3	51	—	51	35
Profit on ordinary activities before taxation		2,775	(303)	2,472	1,779
Taxation on profit on ordinary activities	4			(723)	(351)
Profit on ordinary activities after taxation				1,749	1,428
Dividends including non-equity dividends	5			(300)	(906)
Retained profit for the financial year				1,449	522
Retained profit brought forward				14,177	13,655
Retained profit carried forward				15,626	14,177

The above activities relate to continuing operations.

There are no recognised gains or losses other than those included in the profit and loss account.

The notes referred to above form part of these financial statements.

THE PARK LANE HOTEL PLC

Balance sheet

at 31st December 1995

	Note	1995		1994	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	6		16,447		15,005
Investments	7		5		25
			<u>16,452</u>		<u>15,030</u>
Current assets					
Stocks	8	594		613	
Debtors	9	1,485		1,544	
Short term deposits		1,000		1,000	
Cash at bank and in hand		241		224	
		<u>3,320</u>		<u>3,381</u>	
Creditors: amounts falling due within one year	10	(2,826)		(2,914)	
Net current assets			<u>494</u>		<u>467</u>
Net assets			<u>16,946</u>		<u>15,497</u>
Capital and reserves					
Called up share capital	11		1,320		1,320
Profit and loss account			15,626		14,177
Shareholders' funds	12		<u>16,946</u>		<u>15,497</u>
(including non-equity interests)					

These financial statements were approved by the board of directors on 25th March 1996 and were signed on its behalf by:

Cine Carr

C E B L Carr – director

The notes referred to above form part of these financial statements.

THE PARK LANE HOTEL PLC

Cash flow statement

for the year ended 31st December 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£'000	£'000
Net cash inflow from operating activities	14	4,464	3,328
Returns on investments and servicing of finance			
Interest received		51	35
Dividends paid		(1,006)	(546)
Net cash outflow from returns on investments and servicing of finance		(955)	(511)
Taxation		3,509	2,817
UK corporation tax (paid)/refunded		(441)	49
		3,068	2,866
Investing activities			
Purchase of tangible fixed assets		(3,084)	(2,782)
Purchase of investments		—	(4)
Sale of fixed assets		33	—
Net cash outflow from investing activities		(3,051)	(2,786)
Increase in cash and cash equivalents	15	17	80

The notes referred to above form part of these financial statements.

THE PARK LANE HOTEL PLC

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 are prepared under the historical cost convention and in accordance with applicable accounting standards.

Fixed assets and depreciation

For the years up to and including 31st December 1976 expenditure on tangible fixed assets was shown at original cost with renewals or replacements being charged to the profit and loss account.

Capital expenditure incurred after 1st January 1977 is shown as additions to tangible fixed assets. Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets over their estimated useful lives as follows:

- Short leasehold land and buildings – within the unexpired term of the lease;
- Plant and equipment – 4 to 25 years.

No depreciation is provided on freehold property as it is the company's policy to maintain its property in good condition which prolongs its useful life and any depreciation involved would not be material.

Major refurbishments of the leasehold property are treated as additions to short leasehold land and buildings.

Leasing commitments

Rentals paid under operating leases are charged against income as incurred.

Repairs

Repairs are charged against income as incurred.

Advance corporation tax

Advance corporation tax is carried forward only to the extent that it is considered to be recoverable in the foreseeable future.

Deferred taxation

Deferred taxation is provided using the liability method in respect of all material timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Pension costs

The company operates two defined benefit pension schemes administered by trustees, the funds of which are separate from those of the company. Sufficient contributions are paid to the trustees on a regular basis to secure the benefits provided under the rules of the schemes and to maintain at least 100% funding levels.

Turnover

Turnover represents the amount receivable for goods sold and services provided, in the ordinary course of business, net of value added tax.

Investment income

Income is credited to the profit and loss account on an accruals basis.

Overseas currencies

Assets and liabilities have been translated at the rate of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

Stocks

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

THE PARK LANE HOTEL PLC

Notes on the financial statements

	1995	1994
	£'000	£'000
1. Turnover and segmental analysis		
Turnover, profit before taxation and net assets of the company relate wholly to the United Kingdom and the principal activity of the company.		
2. Operating profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets	1,675	1,461
Write down of investments	16	—
Profit on sale of tangible fixed assets	(29)	—
Directors' emoluments (including pension contributions):		
– as directors	51	53
– as executives	633	504
Hire of plant and machinery	1	3
Operating lease costs:		
– ground rent	13	13
– plant and machinery	50	75
Auditors' remuneration:		
– audit	25	21
– other services	25	16
– exceptional item (see below)	15	—
Foreign exchange gains	(38)	(42)

Exceptional item

This relates to professional fees incurred to 31st December 1995 in respect of the proposed sale of the company.

Directors emoluments

The emoluments, excluding pension contributions, of the chairman, who is also the highest paid director, were:

281	244
-----	-----

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	Number of directors	Number of directors
£ 5,001 - £ 10,000	3	4
£ 20,001 - £ 25,000	1	1
£105,001 - £110,000	1	—
£240,001 - £245,000	—	1
£280,001 - £285,000	1	—

THE PARK LANE HOTEL PLC

Notes on the financial statements *(continued)*

	<u>1995</u>	<u>1994</u>
2. Operating profit is stated after charging/(crediting) (continued)		
Employees		
The average number of staff, including directors, employed by the company during the year was:	<u>256</u>	<u>255</u>
	<u>£'000</u>	<u>£'000</u>
The aggregate payroll costs of all employees were:		
Wages and salaries	4,645	4,241
Social security costs	379	382
Other pension costs	333	327
	<u>5,357</u>	<u>4,950</u>
3. Other interest receivable and similar income		
Short term deposits	<u>51</u>	<u>35</u>
4. Taxation on profit on ordinary activities		
UK corporation tax at 33% (1994: 33%) on the profit for the year	800	351
Deferred taxation	(77)	—
	<u>723</u>	<u>351</u>
The 1995 taxation charge is reduced by approximately £202,000 (1994:£219,000) due to the company not providing deferred taxation on accelerated capital allowances as it is anticipated that this liability will not crystallise in the foreseeable future.		
5. Dividends		
Non-equity:		
5.6% cumulative preference – proposed	—	9
10.5% second preference – proposed	—	17
Equity:		
Ordinary – interim paid	300	200
– proposed final	—	680
	<u>300</u>	<u>906</u>

THE PARK LANE HOTEL PLC

Notes on the financial statements (continued)

6. Tangible fixed assets

	Land and buildings		Plant and	Total
	Freehold	Short leasehold	equipment	
	£'000	£'000	£'000	£'000
Cost				
1st January 1995	34	11,468	13,141	24,643
Additions	—	1,172	1,945	3,117
Disposals	—	—	(942)	(942)
31st December 1995	34	12,640	14,144	26,818
Depreciation				
1st January 1995	—	3,009	6,629	9,638
Charge for the year	—	512	1,163	1,675
On disposals	—	—	(942)	(942)
31st December 1995	—	3,521	6,850	10,371
Net book amount				
31st December 1995	34	9,119	7,294	16,447
31st December 1994	34	8,459	6,512	15,005

7. Investments

	Listed	Unlisted	Total
	£'000	£'000	£'000
Cost			
1st January 1995	1	99	100
Disposals	—	(4)	(4)
31st December 1995	1	95	96
Provision for diminution in value			
1st January 1995	—	75	75
Additional provision	—	16	16
31st December 1995	—	91	91
Net book amount			
31st December 1995	1	4	5
Net book amount			
31st December 1994	1	24	25

THE PARK LANE HOTEL PLC

Notes on the financial statements (continued)

	1995	1994
	£'000	£'000
7. Investments (continued)		
Valuation at 31st December 1995		
Listed – market value	7	6
Unlisted – directors' valuation	4	24
	<u>11</u>	<u>30</u>

The listed investments are quoted on The London Stock Exchange Limited

At 31st December 1995 unlisted investments included a holding of 15% (1994: 15%) of the issued ordinary share capital of Daniele Ryman Limited, a company registered in England and Wales

8. Stocks		
Raw materials and consumables	594	613
	<u>594</u>	<u>613</u>
9. Debtors		
Trade debtors	1,242	905
Other debtors	—	4
Prepayments and accrued income	243	535
Deferred taxation	—	100
	<u>1,485</u>	<u>1,544</u>

With the exception of deferred taxation all debtors fall due for payment within one year

10. Creditors: amounts falling due within one year		
Trade creditors	777	698
Fixed asset creditors	219	186
Advance corporation tax on proposed dividends	—	177
Advance corporation tax on dividends paid	75	50
Corporation tax	548	214
Other taxes and social security costs	567	508
Accruals and deferred income	357	375
Accruals re potential sale	283	—
Proposed dividends	—	706
	<u>2,826</u>	<u>2,914</u>

THE PARK LANE HOTEL PLC

Notes on the financial statements (continued)

	1995	1994
	£'000	£'000
11. Called up share capital		
Authorised		
160,000 5.6% cumulative preference shares of £1 each	160	160
160,000 10.5% second preference shares of £1 each	160	160
8,000,000 ordinary shares of 25 pence each	2,000	2,000
	<u>2,320</u>	<u>2,320</u>
Allotted, called up and fully paid		
Non-equity shares:		
160,000 5.6% cumulative preference shares of £1 each	160	160
160,000 10.5% second preference shares of £1 each	160	160
Equity shares:		
4,000,000 ordinary shares of 25 pence each	1,000	1,000
	<u>1,320</u>	<u>1,320</u>
<p>The non-equity interests, both of which are irredeemable, relate to 5.6% cumulative preference shares and 10.5% second preference shares and have the following rights:</p> <ol style="list-style-type: none"> 1. an entitlement to payment of a fixed preferential dividend in priority to the ordinary shares. 2. an entitlement to repayment of capital in priority to the ordinary shares in the event of a winding up together with arrears of dividends. 3. preference shareholders do not have the right to attend or receive notice of general meetings of the company and may not vote at such meetings save in circumstances where dividends are more than six months in arrears. 		
12. Reconciliation of movements in shareholders' funds		
Profit for the year after taxation	1,749	1,428
Dividends	(300)	(906)
Net addition to shareholders' funds	<u>1,449</u>	<u>522</u>
Opening shareholders' funds	15,497	14,975
Closing shareholders' funds	<u>16,946</u>	<u>15,497</u>

THE PARK LANE HOTEL PLC

Notes on the financial statements (continued)

	1995	1994
	£'000	£'000
12. Reconciliation of movements in shareholders' funds (continued)		
Analysis of shareholders' funds		
Non-equity shareholders' interests:		
5.6% cumulative preference share capital	160	160
10.5% second preference share capital	160	160
	<u>320</u>	<u>320</u>
Equity shareholders' interests	16,626	15,177
	<u>16,946</u>	<u>15,497</u>
13. Provisions for liabilities and charges		
Deferred taxation		
Movement in provision:		
1st January 1995	(100)	(10)
Profit and loss account	(77)	—
Advance corporation tax	177	(90)
	<u>—</u>	<u>(100)</u>
31st December 1995	<u>—</u>	<u>(100)</u>
The amounts provided and unprovided at 33% (1994: 33%) are set out below:		
Provided		
Short term timing difference	—	77
Advance corporation tax recoverable	—	(177)
	<u>—</u>	<u>(100)</u>
31st December 1995	<u>—</u>	<u>(100)</u>
Unprovided		
Capital allowances	2,987	2,785
	<u>2,987</u>	<u>2,785</u>

THE PARK LANE HOTEL PLC

Notes on the financial statements (continued)

	1995	1994
	£'000	£'000
14. Reconciliation of operating profit to cash flow from operating activities		
Operating profit	2,421	1,744
Depreciation	1,675	1,461
Profit on sale of fixed assets	(29)	—
Write down of investments	16	—
Decrease/(increase) in stocks	19	(7)
Increase in debtors	(41)	(63)
Increase in creditors	403	193
Net cash inflow from operating activities	4,464	3,328
15. Reconciliation of movements in cash and cash equivalents with balance sheet items		
At start of year	1,224	1,144
Net cash inflow	17	80
At end of year	1,241	1,224
	Change in year £'000	
Cash at bank and in hand	17	241
Short term deposits	—	1,000
Cash and cash equivalents	17	1,241
16. Capital commitments		
Capital commitments at the end of the financial year, for which no provision has been made, are as follows:		
Contracted	2,252	118
Authorised by the directors but not contracted	410	2,083
	2,662	2,201

THE PARK LANE HOTEL PLC

Notes on the financial statements (continued)

	1995	1994
	£'000	£'000
17. Operating lease commitments		
The company had annual commitments under operating leases as follows:		
Plant and machinery		
On leases expiring within one year	10	—
On leases expiring in two to five years	18	56
	<u> </u>	<u> </u>
Land and buildings		
On leases expiring after five years	13	13
	<u> </u>	<u> </u>

18. Pension obligations

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions to the scheme are determined by an actuary on the basis of triennial valuations whereby the future expected income and outgoings are projected over 5 years. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9.0% per annum, salaries would increase by 7.5% per annum and pensions would increase by 3.0% per annum. The most recent actuarial valuation of the principal asset of the scheme on 1st December 1995 was £1,942,000 which represented 104% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The pension charge for the year was £94,000 (1994: £67,000) and the contributions of the company and employees were approximately 7.9% and 5% of earnings respectively. With effect from 1st December 1995 the company contribution has increased to 16%. Included in creditors (1994 debtors) is an amount accrued of £12,000 (1994 prepaid: £109,000) in respect of these contributions. The company also operates a non-contributory defined benefit scheme for one of its directors. The assets of the scheme are held separately from those of the company, being invested with an insurance company. The pension charge for the year was £239,000 (1994: £260,000). Included in debtors is an amount prepaid of £42,000 (1994: £119,000). The company has been advised that the scheme will be fully funded, subject to no material adverse movements in annuity rates, after paying contributions in the forthcoming year of £63,000, which would result in an anticipated charge for the year of £105,000.

THE PARK LANE HOTEL PLC

Five year summary

	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Turnover	15,539	13,690	10,985	11,482	11,226
Profit before taxation	2,472	1,779	621	1,036	1,380
Dividends	300	906	426	626	646
Capital expenditure	3,117	2,968	1,961	935	1,251
Shareholders' funds	<u>16,946</u>	<u>15,497</u>	<u>14,975</u>	<u>14,778</u>	<u>14,126</u>
Pence per ordinary share					
Earnings	<u>43.7</u>	<u>35.1</u>	<u>14.9</u>	<u>31.3</u>	<u>24.6</u>
Ordinary dividends	<u>7.5</u>	<u>22.0</u>	<u>10.0</u>	<u>15.0</u>	<u>15.5</u>