

**THE VICTORIA & ALBERT HOTEL
COMPANY LIMITED**

(Registered Number 2490368)

REPORT AND ACCOUNTS

52 WEEKS ENDED 26 SEPTEMBER 1998



THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their Report and Accounts for the 52 weeks ended 26 September 1998.

PRINCIPAL ACTIVITY

The Company is an hotel operator. The Company acquired the business and assets of the Victoria & Albert hotel on 26 August 1997 from another group company and commenced to trade from that date.

TRADING RESULTS

The profit on ordinary activities before taxation for the 52 weeks ended 26 September 1998 was £1,713,292 (1997: £175,267).

DIVIDEND

The Directors do not recommend the payment of a dividend for the period on the Ordinary shares (1997: £Nil).

DIRECTORS

The Directors of the Company as at 26 September 1998 were as follows

G J Parrott (appointed 30 April 1998)

H J Tautz (appointed 30 April 1998)

V J Lord and A M MacGregor resigned as Directors on 30 April 1998.

DIRECTORS' INTERESTS

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

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

	At 26 September 1998	At 27 September 1997 (or date of appointment if later)
H J Tautz	Nil	Nil

The following Directors held share options under Granada's Executive and Savings-Related Share Option Schemes

	At 26 September 1998	At 27 September 1997 (or date of appointment if later)	Granted during period	Exercised during period
H J Tautz	25,040	20,540	4,500	Nil

G J Parrott is a Director of Granada Group PLC and as such his interests are shown in that company's Report and Accounts.

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYMENT POLICIES

The employment policies of the Company embody the principles of equal opportunity and are tailored to meet the needs of the Company and the areas in which it operates. This includes suitable procedures to support the Company's policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

The Group recognises the value of employee involvement in effective communications and the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, the Group has its own framework for consultation and information, having regard to the mix and location of its employee population. Management and employees have a joint responsibility for maintaining a regular dialogue on matters of local significance and on those issues that affect them. It is the Group's policy to communicate information on corporate issues, including financial information, at least twice a year via the management of the Group and through employee reports and periodic company newsletters.

CREDITOR PAYMENT POLICY

It is Company policy to adhere to the payment terms agreed with the supplier. Payments are contingent on the supplier providing goods or services to the required standard. The Company does not follow any code or standard on payment practice.

YEAR 2000 DISCLOSURE

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

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

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

YEAR 2000 DISCLOSURE (CONTINUED)

Because Year 2000 compliance is primarily achieved through replacing or enhancing existing systems, a substantial proportion of the costs of the programme are capital in nature. It is not possible at this stage to provide an accurate estimate of the amount of our future systems expenditure which will be charged to the profit and loss account in accordance with UITF 20 'Year 2000 issues: accounting and disclosures'. Amounts invested during the year in IT systems and amounts charged to the profit and loss account in relation to the Year 2000 issue are disclosed in the accounts of Granada Group PLC.

ELECTIVE RESOLUTIONS

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

By Order of the Board


H J Tautz
Secretary

11 June 1999
Registered office
166 High Holborn
LONDON WC1V 6TT

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

It is the responsibility of the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The Directors consider that, in preparing the financial statements on pages 6 to 13, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed and that it is appropriate to use a going concern basis.

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

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

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE VICTORIA & ALBERT HOTEL COMPANY LIMITED**

We have audited the financial statements on pages 6 to 13.

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 26 September 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

22nd June 1999

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

**PROFIT & LOSS ACCOUNT FOR THE PERIOD
ENDED 26 SEPTEMBER 1998**

	52 weeks ended 26 September 1998 £	52 weeks ended 27 September 1997 £
Turnover	6,463,174	444,418
Net operating costs (Note 2)	<u>(4,749,882)</u>	<u>(269,151)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,713,292	175,267
Tax on profit on ordinary activities (Note 4)	<u>(484,030)</u>	<u>(36,000)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION RETAINED (Note 11)	<u>1,229,262</u>	<u>139,267</u>

The company had no recognised gains and losses other than those reflected in the above profit and loss account.

There is no difference between the reported profits and those that would be reported under the historical cost convention.

The company's results were derived wholly from continuing operations.

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

BALANCE SHEET - AS AT 26 SEPTEMBER 1998

	26 September 1998 £	27 September 1997 £
FIXED ASSETS		
Tangible assets (Note 5)	<u>15,245,053</u>	<u>15,025,594</u>
CURRENT ASSETS		
Stocks (Note 6)	71,375	59,138
Debtors (Note 7)	1,649,510	458,057
Cash at bank and in hand	5,944	6,444
	<u>1,726,829</u>	<u>523,639</u>
CREDITORS - Amounts falling due within one year (Note 8)	<u>(606,351)</u>	<u>(412,964)</u>
NET CURRENT ASSETS	<u>1,120,478</u>	<u>110,675</u>
NET ASSETS	<u>16,365,531</u>	<u>15,136,269</u>
CAPITAL AND RESERVES		
Called up share capital (Note 10)	10,000	10,000
Share premium (Note 11)	14,987,002	14,987,002
Profit & loss reserve (Note 11)	1,368,529	139,267
EQUITY SHAREHOLDERS' FUNDS (Note 11)	<u>16,365,531</u>	<u>15,136,269</u>

Approved by the Board on 11 June

1999 and signed on its behalf by

H. J. Mütz
Director

H. J. MÜTZ

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

NOTES TO THE ACCOUNTS - 26 SEPTEMBER 1998

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts.

(a) Basis of preparation

The accounts have been prepared in accordance with applicable Accounting Standards, and under the historical cost convention.

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

(b) Turnover

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

(c) Depreciation

(i) Properties: In accordance with common practice in the UK hotel industry, no depreciation is provided on freehold properties or properties on leases with twenty years or more to run at the balance sheet date or on integral fixed plant. It is the Company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly the Directors consider that the lives of these assets and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is insignificant. All leasehold properties held for less than twenty years are amortised over the unexpired term. Any permanent diminution in the value of properties is charged to the profit and loss account as appropriate.

(ii) Other assets: Depreciation is provided on all other tangible fixed assets on a straight line basis over ten to fifteen years for plant and machinery, four to ten years for furniture and equipment and up to five years for information technology software and hardware.

(d) Operating leases

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

(e) Stocks

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

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

NOTES TO THE ACCOUNTS - 26 SEPTEMBER 1998 (CONTINUED)

1 ACCOUNTING POLICIES

(f) Pensions

The cost of providing pensions and other post retirement benefits for employees is charged against the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

(g) Deferred taxation

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

2 OPERATING COSTS

	52 weeks ended 26 September 1998 £	52 weeks ended 27 September 1997 £
Raw materials & consumables	1,110,118	70,708
Equipment hire	32,301	3,326
Operating lease charges	6,573	139
Other external charges	1,807,331	54,040
Staff costs		
Wages and salaries	1,605,701	128,636
Social security costs	103,019	7,800
Other pension costs	1,728	-
Depreciation	83,111	4,502
	<u>4,749,882</u>	<u>269,151</u>

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

The average number of employees employed by the Company in the operation of the hotel in the period following the start of trading was

	1998	1997
United Kingdom - full time	113	112
- part time	4	4
	<u>117</u>	<u>116</u>

3 DIRECTORS' EMOLUMENTS

The Directors, none of whom spend a material amount of time working for the Company, received £Nil in respect of their services to the Company during the period (1997:£Nil).

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

NOTES TO THE ACCOUNTS - 26 SEPTEMBER 1998 (CONTINUED)

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 26 September 1998 £	52 weeks ended 27 September 1997 £
Corporation tax at 31% (1997: 32%)	484,000	36,000
Adjustments to prior years' tax provisions	30	-
	<u>484,030</u>	<u>36,000</u>

5 TANGIBLE ASSETS

	Freehold land and buildings £	Plant & machinery £	Furniture & equipment £	Total £
Cost				
At 27 September 1997	14,179,547	470,940	462,683	15,113,170
Additions	-	155,112	147,458	302,570
At 26 September 1998	<u>14,179,547</u>	<u>626,052</u>	<u>610,141</u>	<u>15,415,740</u>
Depreciation				
At 27 September 1997	-	38,293	49,283	87,576
Charge for the period	-	34,463	48,648	83,111
At 26 September 1998	<u>-</u>	<u>72,756</u>	<u>97,931</u>	<u>170,687</u>
Net book amount				
At 26 September 1998	<u>14,179,547</u>	<u>553,296</u>	<u>512,210</u>	<u>15,245,053</u>
At 27 September 1997	<u>14,179,547</u>	<u>432,647</u>	<u>413,400</u>	<u>15,025,594</u>

The directors are of the opinion that there has been no permanent diminution in the value which would warrant a write down in the carrying value of the company's assets.

6 STOCKS

	1998 £	1997 £
Raw materials and consumables	<u>71,375</u>	<u>59,138</u>

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

NOTES TO THE ACCOUNTS - 26 SEPTEMBER 1998 (CONTINUED)

7 DEBTORS

	1998	1997
	£	£
Trade debtors	442,501	442,220
Amount owed by fellow subsidiary undertakings	1,171,997	-
Other debtors and prepayments	35,012	15,837
	<u>1,649,510</u>	<u>458,057</u>

8 CREDITORS - Amounts falling due within one year

	1998	1997
	£	£
Trade creditors	23,702	51,552
Corporation tax	484,000	36,000
Amount owed to group undertakings	-	187,865
Accruals	29,723	67,504
Other creditors	68,926	70,043
	<u>606,351</u>	<u>412,964</u>

9 DEFERRED TAXATION

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

	Amount provided in the accounts		Potential liability	
	1998	1997	1998	1997
	£	£	£	£
Excess of capital allowances over depreciation	-	-	228,000	167,000

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

NOTES TO THE ACCOUNTS - 26 SEPTEMBER 1998 (CONTINUED)

10 CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, issued, allotted and fully paid		
10,000 Ordinary shares of £1.00 each	10,000	10,000

11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS

	Share capital £	Share premium £	Profit and loss reserve £	Total 1998 £	Total 1997 £
At 27 September 1997	10,000	14,987,002	139,267	15,136,269	2
Profit for the period		-	1,229,262	1,229,262	139,267
Issue of share capital	-	-	-	-	14,997,000
At 26 September 1998	10,000	14,987,002	1,368,529	16,365,531	15,136,269

12 PENSION COMMITMENTS

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

The latest actuarial valuation of the Granada Pension Scheme was carried out as at 1 October 1995. Details of this valuation are included in the financial statements of Granada Group PLC.

The total pension cost for the Company was £1,728 (1997: £1,395).

13 RELATED PARTY TRANSACTIONS

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

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

THE VICTORIA & ALBERT HOTEL COMPANY LIMITED

NOTES TO THE ACCOUNTS - 26 SEPTEMBER 1998 (CONTINUED)

14 ULTIMATE PARENT AND CONTROLLING COMPANY AND PARENT UNDERTAKINGS OF SMALLEST AND LARGEST GROUP OF WHICH THE COMPANY IS A MEMBER

The Directors consider the ultimate holding and controlling company to be Granada Group PLC, a company registered in England. The accounts of the ultimate holding company, which heads both the largest and smallest group in which the results of the Company are consolidated, are available to the public from the following address: Stornoway House, 13 Cleveland Row, London SW1A 1GG.

The immediate holding and controlling company is Forte Limited, a company registered in England.