

**Meridien Acquisition Company I Limited (formerly  
Grand Hotels (M) Acquisition Company I Limited)**

**Directors' report and financial  
statements**

Registered number 4214259

For the period from incorporation on  
10 May 2001 to 30 June 2001



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## Directors' report

The directors present their first annual report and the audited financial statements for the period from incorporation on 10 May 2001 to 30 June 2001.

### Principal activities

The company acts as an investment holding company.

### Results and dividends

The company did not trade during the period and consequently no profit or loss account is presented.

There were no reserves available for distribution at the balance sheet date.

### Directors and their interests

The directors who were appointed and held office during the period and subsequent period were as follows:

K. Rodrigues (alternate to R.L. Mahony)	(appointed: 22 March 2002)	
J. R. Elton	(appointed: 22 May 2001)	
L. M. Mackenzie	(appointed: 23 October 2001)	
R. L. Mahoney	(appointed: 23 October 2001)	
M. Tagliaferri	(appointed: 22 May 2001)	
G. Hands	(appointed: 23 May 2001)	
F. S. Duncan	(appointed: 10 May 2001)	resigned: 23 October 2001)
M. G. Fresson	(appointed: 22 June 2001)	resigned: 23 October 2001)

None of the directors who held office at the end of the financial period had an interest in the shares of the company or any other group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

### Political and charitable contributions

The company made no political or charitable contributions during the period.

### Change of company name

The name of the Company was changed to Meridien Acquisition Company I Limited from Grand Hotels (M) Acquisition Company I Limited on 26 October 2001.

### Auditors

The directors will place a resolution before the annual general meeting to re-appoint KPMG Audit Plc as auditors for the ensuing year.

By order of the board

Director

  
RICHARD MAHONEY

166 High Holborn  
London  
WC1V 6TT

30 April 2002

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

### **Independent auditors' report to the members of Meridien Acquisition Company I Limited (formerly Grand Hotels (M) Acquisition Company I Limited)**

We have audited the financial statements on pages 4 to 8.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

#### **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 30 June 2001 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

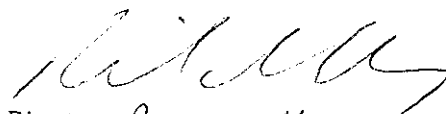
*30 April*

2002

**Balance sheet***at 30 June 2001*

	<i>Note</i>	<b>2001 £'000</b>
<b>Fixed assets</b>		
Investments	4	15,326
<b>Current assets</b>		
Debtors	5	112,959
Cash at bank and in hand		2,698
		115,657
<b>Creditors: amounts falling due within one year</b>	6	(130,983)
<b>Net current liabilities</b>		(15,326)
<b>Total assets less current liabilities</b>		-
<b>Net assets</b>		-
<b>Capital and reserves</b>		
Called up share capital	7	-
Profit and loss account	8	-
<b>Shareholder's funds - equity</b>		-

These financial statements were approved by the board of directors on *30 April* 2002 and were signed on its behalf by:

  
 Director *RICHARD MAHONEY*

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *(a) Basis of preparation*

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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

Shares in subsidiary undertakings are revalued periodically on the basis of the Company's share of the net assets of these undertakings. Any diminution in carrying value below historical cost is charged to the profit and loss account.

Overseas trading results are translated into sterling at the average rates of exchange during the financial year. Overseas net assets and UK loans denominated in foreign currencies are translated into sterling at period end rates of exchange. Exchange differences arising on the company's net investments in overseas subsidiary undertakings and on borrowings in foreign currencies specifically taken out to hedge those investments are dealt with through reserves. Other exchange differences are taken to the profit and loss account.

As 100% of the company's voting rights are controlled within the group headed by Newgate Capital Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and is therefore not obliged to disclose transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Newgate Capital Limited, within which this company is included, can be obtained from 166 High Holborn, London WC1V 6TT.

#### *(b) Investments*

Investments acquired with the intention that they will be held for the long term are stated at cost less provision, if appropriate, for any permanent diminution in value.

#### *(c) Going concern*

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. As disclosed in note 9 of the financial statements, subsequent to the period end the group entered into new loan arrangements with its bankers. On the basis of this cash flow information and discussions with the group's bankers, the directors consider that the group will continue to operate within the banking covenants currently agreed for the period ended 31 December 2002 and within those which they expect will be agreed in the summer of 2002 for the period ended 31 December 2003. While there can be no certainty in relation to these matters, the financial statements do not include any adjustments that would result from a withdrawal of funding by the group's bankers.

### 2 Auditors' remuneration

The auditors' remuneration in the period was borne by a fellow group undertaking.

### 3 Staff costs and directors emoluments

The company had no employees during the period. No director of the company received emoluments for services to the company during the period.

## Notes (continued)

<b>4</b>	<b>Fixed assets - Investments in shares of subsidiary</b>	<b>2001</b>
		<b>£'000</b>
	At beginning of period	-
	Acquisitions during the period	15,326
		<hr/>
	At end of period	15,326
		<hr/> <hr/>

During the period the Company acquired 100% of the ordinary shares of the fellow group undertakings listed below, unless stated otherwise.

The principal companies in which the company's interest at the period end is more than 20%, or the directors consider significant, are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings:</i>			
Meridien Acquisition Company III Limited	England	Holding company	100% ordinary shares
Meridien USA Holdings Inc	USA	Holding company	100% ordinary shares
Meridien Cafe Royal Limited	England	Holding company	100% ordinary shares
Meridien Netherlands Holdings BV	Netherlands	Holding company	100% cumulative preference shares
Meridien Italia Holdings SpA	Italy	Holding company	95% ordinary shares
Meridien Italia Holdings SpA (*)	Italy	Holding company	5% ordinary shares

(\*) indirectly held

<b>5</b>	<b>Debtors</b>	<b>2001</b>
		<b>£'000</b>
	Prepayments	112,732
	Other debtors	222
	Amounts owed by group undertakings	5
		<hr/>
		112,959
		<hr/> <hr/>

Prepayments include £110,432,000 in respect of acquisition costs.



## Notes (continued)

<b>6</b>	<b>Creditors: amounts falling due within one year</b>	<b>2001</b>
		<b>£'000</b>
	Amounts owed to intermediate parent company	222
	Amounts owed to fellow subsidiary undertakings	17,802
	Accruals	110,432
	Other creditors	2,527
		<hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px;"/> 130,983 <hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px;"/>

<b>7</b>	<b>Called up share capital</b>	<b>2001</b>
		<b>£</b>
	<i>Authorised</i>	
	Equity: 10,000 Ordinary shares of £0.01 each	100
		<hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px;"/>
	<i>Allotted, called up and fully paid</i>	
	Equity: 1 Ordinary share of £0.01 each	-
		<hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px;"/>

One ordinary share was issued on 10 May 2001. The consideration paid was the nominal value of the share, £0.01.

## 8 Reconciliation of movement in shareholders funds

	Share capital £000	Profit and loss account £000	Total £000
At beginning and end of period	-	-	-
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## 9 Post balance sheet events

On 11 July 2001, the Company (formerly Grand Hotels (M) Acquisition Company I Limited) acquired the Meridien hotels business from Hospitality Holdings Limited, Forte (UK) Limited and Forte International BV, through the acquisition of certain direct and indirect subsidiaries of these companies for £1,586,160,000.

### *Group Banking arrangements*

On 11 July 2001 a facility agreement relating to a Euro 302,880,706 term loan, Euro 20,614,795 capital expenditure term loan and Euro 23,325,558 revolving credit facility was put in place between Meridien Intermediate Holding Company I Limited and Meridien Holdings S.p.A. as borrowers and Merrill Lynch Capital Markets Bank Limited, Milan Branch as lenders.

The senior facility dated 25 May 2001 relating to a £750,000,000 term loan facility, £110,000,000 capital expenditure term loan facility and £25,000,000 revolving credit facility was varied as a result of the acquisition of the Le Meridien hotel group on 11 July 2001 and to take effect of the new facility agreement dated 11 July 2001 as described above.

## **Notes (continued)**

### **9 Post balance sheet events (continued)**

The senior mezzanine facility dated 25 May 2001 relating to a £75,000,000 term loan facility was revised as a result of the acquisition of the Le Meridien hotel group on 11 July 2001 and to take effect of the new facility agreement dated 11 July 2001 as described above.

The junior mezzanine facility dated 25 May 2001 relating to a £160,000,000 term loan facility was revised as a result of the acquisition of the Le Meridien hotel group on 11 July 2001 and to take effect of the new facility agreement dated 11 July 2001 as described above.

During January to April 2002, the financial covenants as set in each of the above facilities were renegotiated for the period to 31 December 2002.

### **10 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Le Méridien Hotels & Resorts Limited incorporated in England.

The smallest and largest group in which the results of the company are consolidated is that headed by Newgate Capital Limited. The consolidated accounts of this group are available to the public and may be obtained from 166 High Holborn, London WC1V 6TT.

As at 30 June 2001, the Nomura group of companies, of which Nomura International Plc is the principal UK subsidiary had the ability to exercise a controlling influence over the company through the Nomura group's holding of warrants to subscribe for ordinary shares in certain subsidiaries of Newgate Capital Limited.

On 27 March 2002, NIP's interest in the outstanding warrants and loan notes of certain subsidiaries were contributed to Terra Firma Capital Partners I, an English Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited, a company registered in Guernsey.