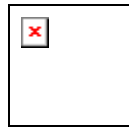


LA SIRENE GUEST HOUSE, ST. HELIER: ASSESSMENT OF BUSINESS LOSSES

**Presented to the States on 3rd July 2001
by the Housing Committee**



STATES OF JERSEY

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2001

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La Sirene Guest House, St. Helier: assessment of business losses

On 7th December 1999 the States approved Proposition P.135/99. That Proposition charged the Housing Committee to authorise the assessment by an independent firm of auditors of the business losses suffered by Mr. Laurence Hitchmough proprietor of La Sirene Guest House, prior to 16th February 1999, as a result of the redevelopment of the adjoining property, Kent Lodge, and to present the Report to the States together with their recommendations.

With the agreement of Mr. Hitchmough, KPMG, in April 2000, were appointed as independent auditors by the Housing Committee. Due mainly to difficulties in obtaining access to the La Sirene Guest House accounts, KPMG were unable to complete their research until the end of March 2001. The KPMG Report, attached as the Appendix, was finalised on 15th May 2001 and considered by the Housing Committee on 21st May 2001.

The Committee, based on the findings of the Report, decided that it would be appropriate to make an ex-gratia offer to La Sirene Guest House Limited, Mr. Hitchmough (Director of the Company) and Miss Healey (Secretary of the Company) of £2,212.63 together with interest in the sum of £936.83 and additional interest from 16th May 2001, to the date of payment at 97p per day.

The sum of £2,212.63 represents the sum of £7,212.63, which KPMG estimate as the overall net loss, less the sum of £5,000, which has already been paid by the Committee, in April 1999, by way of an ex-gratia payment.

The offer made by the Committee is conditional upon an acceptance by the parties that it is made without admission of liability and in full and final settlement of all and any claims against the States, any Committee of the States and any department of the States arising out of the redevelopment of the Kent Lodge site.

The Committee has written to the lawyers acting for the La Sirene Guest House Limited advising them of the Committee's decision.

HOUSING COMMITTEE
APPENDIX

“KPMG

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Our ref: lc/ccl

15 May 2001

Dear Sir,

La Sirene Guest House

In accordance with our engagement letter dated 7 April 2000 as amended by the letter from J.C. Hamon on 8 March 2001, we hereby provide you with our estimate of the loss in net income incurred by Mr. L. Hitchmough trading as La Sirene Guest House. As agreed in our engagement letter, we have not sought to establish the reliability of the information provided to us or the sources of the information. The scope of our work was different from that of an audit and will not provide the same level of assurance as an audit.

Period under review

As agreed, we have estimated the amount of losses in the period from 1 September 1998 to 16 February 1999 (the loss period') on a monthly basis.

Procedures performed

Mr. L. Hitchmough does not keep records of the numbers of guests residing each night at La Sirene Guest House, and the only information available to us was the accounting records and bank statements which show when the income was received. Accordingly, we have used these as the basis for our calculations.

We reviewed the accounting records and the bank statements, to determine the expected average number of guests that would normally be residing at the guest house on a monthly basis during the loss period. The expected average number of guests was then compared with the actual number of guests in the loss period to provide an estimate of the loss in net income.

The expected average number of guests was calculated using the actual income received each month and the normal nightly rate during the following periods:

- From 1 September 1994 to 16 February 1995;
- From 1 September 1995 to 16 February 1996;
- From 1 September 1996 to 16 February 1997;
- From 1 September 1997 to 16 February 1998.

It should be noted that the amount of income received in each month differed significantly year on year as there was no particular pattern to the number of guests in the same month each year.

As expenses vary on a month by month basis with some relating to fixed costs, we reviewed the unaudited profit and loss accounts, as produced by La Sirene's accountants (Buxton & Co.) for the years ended 31 December 1995, 1996, 1997 and 1998, to determine the proportion of variable costs relative to income which would be expected to be saved.

Loss during the period

Based on our review, the net loss/(profit) for each month during the loss period is as follows:

<i>Month</i>	<i>Loss/(Profit)</i>
September 1998	£1,543
October 1998	(£280)
November 1998	£650
December 1998	£2,019
January 1999	£1,747
February 1999 (up to 16 February 1999)	£1,534
Total net losses	£7,213

Interest

We were also asked to determine the amount of any interest that may be payable on the above loss. As the Housing Department made an ex-gratia payment of £5,000 on 22 April 1999, accrued interest has been calculated from 16 February 1999 to 22 April 1999 on the full amount of the loss. After 22 April 1999, the accrued interest has been calculated on £2,213 up to the date of this report. The interest has been calculated on two bases: Reasonable deposit rate and Commercial overdraft rate. Our calculations result in the following interest being payable up to the date of this report:

	<i>Accrued interest to date of this report</i>	<i>Daily interest</i>
Reasonable deposit rate	£234	£0.24
Commercial overdraft rate	£937	£0.97

The daily interest amount has been provided so that you can calculate any further interest after the date of this report should it be considered necessary.

The above information has been provided on the basis of our engagement letter dated 7 April 2000 and the information we have been provided with by Mr. L. Hitchmough at La Sirene Guest House.

Yours faithfully,

KPMG

Appendices:

Appendix 1: Calculation of loss net income

Appendix 2: Calculation of average number of guests

Appendix 3: Calculation of interest

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La Sirene Guest House

Appendix 1

Calculation of lost net income

	Average	Actual in 1998/99	Difference	Rate	Gained/ (Lost) income	Expenses incurred/ (saved)	Net profit/ (loss)
				£	£	£	£
September	390	286	(105)	18	(1,881)	339	(1,543)
October	132	151	19	18	342	(62)	280
November	164	120	(44)	18	(793)	143	(650)
December	137	0	(137)	18	(2,462)	443	(2,019)
January	112	0	(112)	19	(2,130)	383	(1,747)
February	98	0	(98)	19	(1,871)	337	(1,534)
					<u>(8,796)</u>	<u>1,583</u>	<u>(7,213)</u>

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La Sirene Guest House

Appendix 2

Calculation of average number of guests

For the period 1 September 1994 to 16 February 1995

	Income £	Rate £	No. of Guests
September	5,787	14	413
October	2,343	14	167
November	1,765	14	126
December	1,253	14	90
January	1,123	15	75
February	1,387	15	92

For the period 1 September 1995 to 16 February 1996

	Income £	Rate £	No. of Guests
September	3,277	15	218
October	2,662	15	177
November	1,396	15	93
December	713	15	48
January	1,683	16	105
February	990	16	62

For the period 1 September 1996 to 16 February 1997

	Income £	Rate £	No. of Guests
September	7,856	16	491
October	1,053	16	66
November	3,822	16	239
December	3,931	16	246
January	2,367	17	139
February	2,215	17	130

For the period 1 September 1997 to 16 February 1998

	Income £	Rate £	No. of Guests
September	7,459	17	439
October	1,966	17	116
November	3,370	17	198
December	2,796	17	164
January	2,325	18	129
February	1,966	18	109

Average

	No. of Guests
September	390
October	132
November	164
December	137
January	112
February	98

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La Sirene Guest House
Appendix 3
Calculation of interest

Overall net loss 7,212.63

Deposit interest basis 4%
Start of period 16/02/1999
Ex-gratia payment date 22/04/1999
Latest date 15/05/2001
Interest amount 234.21

Current daily interest 0.24

Overdraft interest basis 16%
Start of period 16/02/1999
Ex-gratia payment date 22/04/1999
Latest date 15/05/2001
Interest amount 936.83

Current daily interest 0.97 ”