

London Britannia Hotel Limited

Directors' report and financial statements

31 December 2006

Registered number 0744379

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Directors' report and financial statements

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Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements of the London Britannia Hotel Limited ('the company') for the year ended 31 December 2006

Business review and principal activities

The principal activities of the company are the ownership and operation of the Millennium Hotel London Mayfair

The company is a subsidiary of Millennium & Copthorne Hotels plc ('the Group') The directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Limited

Turnover for the year was £19,163,000 (2005 £16,992,000) and the profit before tax was £5,223,000 (2005 £4,478,000)

A dividend was paid during the year of £3,800,000 (2005 £3,800,000) No final dividend is proposed (2005 £nil)

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to the competition from hotels in the immediate locality of the Millennium Hotel London Mayfair Further discussion of these risks and uncertainties, in context of the Group as a whole, is provided on pages 29 and 30 of the Group's annual report which does not form part of this report

Key performance indicators (KPIs)

The directors of the Group manage its operations on a geographical basis and the company's results are included in the 'London' geography of the Group's consolidated annual report and accounts The KPIs and the development, performance or position of the 'London' geography of Group, which includes the company, is discussed on pages 18 and 25 respectively, of the Group's annual report which does not form part of this report

In addition to the KPIs analysed on a geographical basis the directors measure four main KPIs specific to the company in their evaluation of the performance of the company These are set out in the table below

	2006		Definition, Method of calculation
RevPAR	£103	£83	Occupancy multiplied by Average room rate
Average Room Rate	£123	£111	Room revenue divided by Rooms sold
Occupancy	83	75	Rooms sold divided by Rooms available
Gross Operating Profit Margin	45	43	Hotel gross operating profit divided by Hotel revenue

Fixed assets

Changes in tangible fixed assets are set out in note 6 to the financial statements

Based on the most recent valuation undertaken, the Directors estimate that the market value of tangible fixed assets is approximately £17,000,000 higher than the historic cost book value of tangible fixed assets (2005 £7,000,000)

Directors' report *(continued)*

Directors

The directors who held office during the year are listed below

A G Potter (resigned 27/10/06)
A J Bushnell (appointed 27/10/06)
Copthorne Hotels Limited

Employee consultation

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company

Disabled employees

The directors confirm that it is their policy to provide fair treatment in relation to the employment, training, career development and promotion of disabled persons and employees who become disabled whilst in the service of the company

Creditor payment policy

It is the company's policy to adhere to the payment terms agreed with the supplier. Payments are contingent on the supplier providing goods or services to the required standards. The company's purchase ledger balances and payments are accounted for within the central group purchase ledger of Copthorne Hotels Limited

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditor

The company has elected to dispense with the obligation to appoint auditors annually, in accordance with section 386 of the Companies Act 1985

By order of the board


For and on Behalf of Copthorne Hotels Limited
Company Secretary

Victoria House, Victoria Road
Horley, Surrey
RH6 7AF
31 October 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

8 Salisbury Square
London
EC4Y 8BB

Independent auditor's report to the members of London Britannia Hotel Limited

We have audited the financial statements of London Britannia Hotel Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 October 2007

Profit and loss account

for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	<i>1</i>	19,163	16,992
Cost of sales		(7,139)	(6,873)
		<hr/>	<hr/>
Gross profit		12,024	10,119
Administrative expenses		(6,801)	(5,650)
		<hr/>	<hr/>
Operating profit		5,223	4,469
Interest receivable and similar income	<i>3</i>	-	9
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	5,223	4,478
Tax on profit on ordinary activities	<i>5</i>	(1,500)	(1,317)
		<hr/>	<hr/>
Profit for the financial year		3,723	3,161
		<hr/> <hr/>	<hr/> <hr/>

All activities relate to continuing operations

The company's reported profit for the current and prior year is the same as its profit reported on a historic cost basis

Statement of total recognised gains and losses

for the year ended 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	3,723	3,161
	<hr/>	<hr/>
Total gains and losses recognised relating to the financial year	3,723	3,161
	<hr/>	<hr/>
Prior year adjustment	-	(7,252)
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	3,723	(4,091)
	<hr/>	<hr/>

Balance sheet

at 31 December 2006

	<i>Note</i>	2006 £000	2006 £000	2005 £000	2005 £000
Fixed assets					
Tangible assets	6		88,944		89,904
Current assets					
Stocks	7	60		56	
Debtors	8	794		638	
Cash at bank and in hand		86		85	
		<u>940</u>		<u>779</u>	
Creditors amounts falling due within one year	9	(2,862)		(3,250)	
Net current liabilities			<u>(1,922)</u>		<u>(2,471)</u>
Total assets less current liabilities			<u>87,022</u>		<u>87,433</u>
Creditors amounts falling due after more than one year	10	(7,115)		(7,437)	
Provisions for liabilities and charges	11	(4,212)		(4,224)	
Net assets			<u>75,695</u>		<u>75,772</u>
Capital and reserves					
Called up share capital	12		1		1
Share premium account	13		62,629		62,629
Special reserve	13		12,244		12,244
Profit and loss account	13		821		898
Equity shareholders' funds	14		<u>75,695</u>		<u>75,772</u>

These financial statements were approved by the board of directors on 31 October 2007 and were signed on its behalf by


A J Bushnell
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following principal accounting policies have been applied consistently throughout the year, dealing with items which are considered material to the company's financial statements

Basis of preparation

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

Under FRS 1 'Cash flow statements', 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

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £1,922,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Millennium & Copthorne Hotels plc, the company's intermediate holding undertaking. Millennium & Copthorne Hotels plc has indicated to the company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Assets are depreciated to their residual values on a straight-line basis over their estimated useful lives as follows:

Building core	-	50 years or lease term if shorter
Building surface, finishes and services	-	30 years or lease term if shorter
Plant and machinery	-	20 years
Furniture and equipment	-	10 years
Soft furnishings	-	7 years
Computer equipment	-	5 years
Motor vehicles	-	4 years

Freehold land is not depreciated.

No residual values are ascribed to building surface finishes and services. The residual values ascribed to building core depend on the nature, location and tenure of the hotel property.

Capital expenditure on major projects is recorded separately within fixed assets as capital work in progress. Once the project is complete the balance is transferred to the appropriate fixed asset categories. Capital work in progress is not depreciated.

Operating supplies, which include china, linen, glass and silverware, are treated as a base stock upon initial hotel opening. Subsequent renewals and replacements of such stocks are written off to the profit and loss account as incurred.

Interest attributable to funds used to finance construction is capitalised gross of tax relief and added to the cost of the hotel core.

Notes (continued)

Operating leases

Rentals under operating leases are charged as incurred

Stocks

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

Turnover

Turnover represents amounts derived in the United Kingdom from the ownership and operation of the hotel. Turnover is stated net of value added tax and is recognised on an accruals basis to match the provision of the related goods and services.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved for payment.

Foreign exchange

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs

The company participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

2 Profit on ordinary activities before taxation

	2006 £000	2005 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration		
Audit services	19	19
Depreciation of tangible fixed assets	1,468	1,439
Rentals under operating leases		
Plant and machinery	79	77
	<u> </u>	<u> </u>

3 Interest receivable and similar income

	2006 £000	2005 £000
Other interest receivable	-	9
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons (excluding directors) employed by the company during the year, analysed by category, was as follows

	2006 Number	2005 Number
Operating staff	224	223
Administration staff	17	15
Repairs and maintenance staff	14	12
Sales and marketing staff	9	11
	<u> </u>	<u> </u>
	264	261
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	5,021	4,614
Social security costs	393	368
Other pension costs	50	41
	<u> </u>	<u> </u>
	5,464	5,023
	<u> </u>	<u> </u>

No emoluments were paid to any director for services to the company during the year (2005 £nil)

Notes (continued)

5 Tax on profit on ordinary activities

(i) Analysis of tax charge in the year

	2006 £000	2005 £000
UK corporation tax		
Payment for group relief	1,661	1,044
Tax credit relating to prior years	(150)	(65)
	<hr/>	<hr/>
Total current tax	1,511	979
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences		
- Current year	(179)	214
- Adjustment relating to prior years	168	124
	<hr/>	<hr/>
	(11)	338
	<hr/>	<hr/>
Total tax on profit on ordinary activities	1,500	1,317
	<hr/>	<hr/>

(ii) Factors affecting the current tax charge for year

The current tax charge for the year is different to the standard rate of tax in the UK (30%). The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	5,223	4,478
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	1,567	1,343
Effect of		
Capital allowances for year less than/(in excess of) depreciation	18	(214)
Other timing differences	161	-
Permanent taxation differences	6	(1)
Transfer pricing imputed credit	(91)	(84)
Prior year adjustment	(150)	(65)
	<hr/>	<hr/>
Total current tax	1,511	979
	<hr/>	<hr/>

In 2006 a credit of £91,000 (2005 £84,000) has been recorded for taxation imputed on intra-group interest and management charges for the period, in accordance with UK transfer pricing regulations

Notes (continued)

6 Tangible fixed assets

	Long leasehold land and buildings £000	Capital work in progress £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation					
At beginning of year	81,269	1,482	7,985	9,688	100,424
Additions	-	395	11	102	508
Transfers	49	(865)	580	236	-
Written off	-	-	-	(986)	(986)
At the end of the year	81,318	1,012	8,576	9,040	99,946
Depreciation					
At beginning of year	1,355	-	3,501	5,664	10,520
Charge for the year	260	-	353	855	1,468
Written off	-	-	-	(986)	(986)
At the end of the year	1,615	-	3,854	5,533	11,002
Net book value					
At 31 December 2006	79,703	1,012	4,722	3,507	88,944
At 31 December 2005	79,914	1,482	4,484	4,024	89,904

A total of £192,000 of interest has been capitalised within land and buildings (2005 £192,000)

7 Stocks

	2006 £000	2005 £000
Consumables and supplies	60	56

The replacement cost of stocks is not significantly different from their balance sheet values

Notes (continued)

8 Debtors

	2006 £000	2005 £000
Amounts falling due within one year		
Trade debtors	271	169
Other debtors	117	68
Prepayments and accrued income	406	401
	<u>794</u>	<u>638</u>

The company's trade debtors at the current and prior year end were principally accounted for within the central sales ledger of Copthorne Hotels Limited

9 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts due to parent and fellow subsidiary undertakings	1,274	1,516
Other creditors	515	10
Accruals and deferred income	1,073	1,724
	<u>2,862</u>	<u>3,250</u>

The company's trade creditors at the current and prior year end were accounted for within the central purchase ledger of Copthorne Hotels Limited

10 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts due to parent and fellow subsidiary undertakings	7,115	7,437

Notes (continued)

11 Provision for liabilities and charges

	2006	2005
	£000	£000
Deferred taxation provision		
At beginning of year	4,224	3,886
(Utilised)/provided in the year	(12)	338
	<hr/>	<hr/>
At end of year	4,212	4,224
	<hr/>	<hr/>

The amounts provided for deferred taxation in respect of timing differences are analysed below All timing differences have been provided for

	2006	2005
	£000	£000
Difference between accumulated depreciation and capital allowances	4,384	4,237
Other timing differences	(172)	(13)
	<hr/>	<hr/>
	4,212	4,224
	<hr/>	<hr/>

12 Called up share capital

	2006	2005
	£	£
<i>Authorised, allotted, called up, and fully paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

All of the share capital is equity share capital

Notes (continued)

13 Capital and reserves

	Share capital £000	Share premium account £000	Special reserve £000	Profit and loss account £000	Total £000
At the beginning of year	1	62,629	12,244	898	75,772
Profit for the financial year	-	-	-	3,723	3,723
Dividends on shares classified in shareholders' funds	-	-	-	(3,800)	(3,800)
Balance at the end of year	1	62,629	12,244	821	75,695

14 Reconciliation of movement in equity shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	3,723	3,161
Dividends on shares classified in shareholders' funds	(3,800)	(3,800)
Net reduction to shareholders' funds	(77)	(639)
At beginning of year as previously reported	75,772	83,663
Prior year adjustment -- revaluations	-	(7,252)
At the beginning of year as restated	75,772	76,411
Balance at end of year	75,695	75,772

Notes (continued)

15 Commitments

Capital commitments at the end of the year for which no provisions have been made were £nil (2005 £nil)

Annual commitments under other non-cancellable operating leases for plant and machinery are as follows

	2006 £000	2005 £000
Operating leases which expire		
In the second to fifth year inclusive	83	101
Over five years	11	-
	<hr/> 94	<hr/> 101
	<hr/> <hr/>	<hr/> <hr/>

16 Pension scheme

The Group operates a pension scheme (the Millennium & Copthorne Pension Plan) for its UK employees which was set up in 1993. The scheme is a funded defined benefit arrangement with different categories of membership. The Trustees of the Plan have appointed The Frank Russell Company and Legal and General Investment Management Limited as the investment managers of the Plan. The assets of the Plan are held separately from those of the Group.

Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis the scheme has been accounted for as if a defined contribution scheme, as permitted by FRS 17 'Retirement benefits'.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2005 and updated on an approximate basis to 31 December 2006. At the December 2006 valuation date the market value of the Plan's deficit was £10.2m (2005 £10.6m).

The contributions of the Group were 20.6% of pensionable salary until April 2006 when the contribution rate reduced to 20.5% of pensionable salary (2005 20.6%). In addition, during the year the Group agreed an enhanced contribution to address the plan's deficit that resulted in an additional £1.1m per annum to be paid commencing April 2006. The contributions of employees were from 3% to 5% (2005 3% to 5%) of pensionable earnings.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and rate of increase in salaries.

The total annual pension cost for the company was £50,000 (2005 £41,000).

The Group also operates a defined contribution scheme for its UK employees.

Notes (continued)

17 Related party transactions

As the company is a wholly owned subsidiary undertaking of Millennium & Copthorne Hotels plc, the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group headed by Millennium & Copthorne Hotels plc

18 Ultimate parent and controlling company and parent undertaking of the smallest and largest group of which the company is a member

The directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Limited incorporated in the Republic of Singapore. The accounts of the ultimate holding company, which heads the largest group in which the results of the company are consolidated, are available to the public at The Registrar of Companies and Businesses, 10 Anson Road # 05 - 10/15, International Plaza, Singapore 079903.

The immediate holding and controlling company is Millennium Hotels Limited, a company registered in England and Wales. The smallest group in which the results of the company are consolidated is that headed by Millennium & Copthorne Hotels plc, a company registered in England and Wales. The consolidated accounts are available to the public and may be obtained from Victoria House, Victoria Road, Horley, Surrey, RH6 7AF.