

## **London Britannia Hotel Limited**

### **Directors' report and financial statements**

31 December 2003

Registered number 744379



## **Directors' report and financial statements**

### **Contents**

Directors' report	1
Statement of directors' responsibilities	3
Independent Auditor's Report to the members of London Britannia Hotel Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Note of historical cost profits and losses	6
Balance Sheet	7
Notes	7

## **Directors' report**

The directors have pleasure in submitting their report on the affairs of the company together with the financial statements and auditor's report thereon, for the year ended 31 December 2003.

### **Principal activities**

The principal activity of the company is the ownership and operation of the Millennium Mayfair Hotel, London. During the year, the company has outsourced the hotel's food and beverage operation to a third party operator.

### **Results and dividend**

Turnover for the year was £14,115,000 (2002: £14,665,000) and the profit before taxation was £3,760,000 (2002: £4,447,000).

A dividend was paid during the year of £3,500,000 (2002: £nil). No final dividend is proposed (2002: £nil).

### **Fixed assets**

Changes in tangible fixed assets are set out in note 8 to the financial statements.

### **Directors and directors' interests**

The directors who served during the year are listed below:

Kwek Leng Beng  
Wong Hong Ren  
AG Potter  
DF Thomas (resigned 05/03/04)  
Copthorne Hotels Limited (appointed 05/03/04)

None of the directors held any disclosable interest in the shares of the company.

The directors, with the exception of Copthorne Hotels Limited, are also directors of the ultimate parent company, Millennium & Copthorne Hotels plc. Their interest in the shares and share options in Millennium & Copthorne Hotels plc are disclosed in the financial statements of that company. Copthorne Hotels Limited held no interest in the shares or share options of Millennium and Copthorne plc.

## **Directors' report**

### **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.

### **Auditor**

The company has elected to dispense with the obligation to appoint auditors annually, in accordance with S386 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

05 October 2004

## **Statement of directors' responsibilities**

Company law requires 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 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 maintaining 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 Auditor's Report to the members of London Britannia Hotel Limited

We have audited the financial statements on pages 5 to 18.

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 auditor*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, 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 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

05 October 2004

## **Profit and loss account**

*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>14,115</b>	14,665
Cost of sales		<b>(5,859)</b>	(5,142)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>8,256</b>	9,523
Administrative expenses		<b>(4,537)</b>	(5,079)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>3,719</b>	4,444
Interest receivable and similar income	<i>3</i>	<b>47</b>	3
Interest payable and similar charges	<i>4</i>	<b>(6)</b>	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>3,760</b>	4,447
Tax on profit on ordinary activities	<i>6</i>	<b>(1,297)</b>	(1,059)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>2,463</b>	3,388
Dividends paid	<i>7</i>	<b>(3,500)</b>	-
		<hr/>	<hr/>
<b>Retained (loss)/profit for the year</b>		<b>(1,037)</b>	3,388
Profit and loss account brought forward		<b>4,709</b>	1,321
		<hr/>	<hr/>
<b>Profit and loss account carried forward</b>	<i>14</i>	<b>3,672</b>	4,709
		<hr/>	<hr/>

All turnover and operating profit in the current and prior years derive from continuing operations.

## **Statement of total recognised gains and losses**

*for the year ended 31 December 2003*

	<b>2003</b> <b>£000</b>	2002 £000
Profit for the financial year	<b>2,463</b>	3,388
Total gains and losses recognised since last financial statements	<b>2,463</b>	3,388

## **Note of historical cost profits and losses**

*for the year ended 31 December 2003*

	<b>2003</b> <b>£000</b>	2002 £000
Reported profit on ordinary activities before taxation	<b>3,760</b>	4,447
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<b>4</b>	8
Historical cost profit on ordinary activities before taxation	<b>3,764</b>	4,455
Historical cost (loss)/profit for the year retained after taxation and dividends	<b>(1,033)</b>	3,396



## Balance sheet

at 31 December 2003

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		95,341		96,010
<b>Current assets</b>					
Stocks	9	-		47	
Debtors	10	812		910	
Cash at bank and in hand		372		42	
		<u>1,184</u>		<u>999</u>	
<b>Creditors: amounts falling due within one year</b>	11	<b>(6,923)</b>		<b>(6,205)</b>	
<b>Net current liabilities</b>			<b>(5,739)</b>		<b>(5,206)</b>
<b>Total assets less current liabilities</b>			<b>89,602</b>		<b>90,804</b>
<b>Provisions for liabilities and charges</b>	12		<b>(3,767)</b>		<b>(3,932)</b>
<b>Net assets</b>			<b>85,835</b>		<b>86,872</b>
<b>Capital and reserves</b>					
Called up share capital	13		1		1
Share premium account	14		62,629		62,629
Special reserve	14		12,244		12,244
Revaluation reserve	14		7,289		7,289
Profit and loss account	14		3,672		4,709
<b>Equity shareholders' funds</b>	15		<b>85,835</b>		<b>86,872</b>

These financial statements were approved by the board of directors on 05 October 2004 and were signed on its behalf by:

  
AG Potter  
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 under the historical cost convention, modified to include the revaluation of leasehold land and buildings.

Under Financial Reporting Standard No 1 (revised), the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Millennium & Copthorne Hotels plc and its cash flows are included within the published consolidated cash flow statement of that company.

At 31 December 2003 the company had net current liabilities. The directors of the parent company, Millennium & Copthorne Hotels plc, have confirmed their intention to make continued financial support available to enable the company to meet liabilities as they fall due, for at least 12 months from the date of approval of these financial statements and thereafter, for as long as the company remains a part of the group. As a result the financial statements have been prepared on a going concern basis.

#### *Fixed assets and depreciation*

Land and buildings are stated at valuation less depreciation and any provision for impairment as set out in note 8. Any impairment of such properties below depreciated historical cost is charged to the profit and loss account as appropriate. Other fixed assets are shown at cost less depreciation and any provision for permanent diminution in value.

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 are treated as base stock and 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.

### ***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 amount charged to the profit and loss account in respect of defined benefit schemes is the estimated cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost in accordance with SSAP 24: Accounting for Pension Costs. The cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from these regular costs are charged or credited to the profit and loss account over the average remaining service lives of employees.

Contributions to money purchase schemes are charged to the profit and loss account as incurred.

The company has adopted the transitional arrangements of FRS 17: Retirement Benefits and has therefore provided additional disclosure for defined benefit pension schemes (note 17).

**Notes (continued)**

**2 Profit on ordinary activities before taxation**

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditor's remuneration:		
Audit services	16	16
Non audit services provided by auditors and their associates	-	5
Depreciation of tangible fixed assets	1,394	1,389
Rentals under operating leases:		
Land and buildings	-	2
Plant and machinery	83	89
Profit on disposal of fixed assets	(6)	-
	<u>          </u>	<u>          </u>

**3 Interest receivable and similar income**

	2003 £000	2002 £000
Other interest receivable	47	3
	<u>          </u>	<u>          </u>

**4 Interest payable and similar charges**

	2003 £000	2002 £000
Other interest payable	6	-
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Staff numbers and costs

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

	2003 Number	2002 Number
Operating staff	172	153
Administration staff	9	11
Repairs and maintenance staff	11	10
	<hr/> 192	<hr/> 174
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	3,800	3,242
Social security costs	137	178
Other pension costs	42	70
	<hr/> 3,979	<hr/> 3,490
	<hr/> <hr/>	<hr/> <hr/>

No emoluments were paid to any director for services to the company during the year (2002: £nil).

### 6 Tax on profit on ordinary activities

#### (i) Analysis of tax charge in the year

The tax charge is based on profit for the year and comprises:

	2003 £000	2002 £000
Current tax:		
Payment for group relief	1,434	1,077
Tax charge/(credit) relating to prior years	28	(37)
	<hr/> 1,462	<hr/> 1,040
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

	2003 £000	2002 £000
Deferred tax:		
Origination and reversal of timing differences		
- Current year	(284)	261
- Adjustment relating to prior years	119	(242)
	<u>(165)</u>	<u>19</u>
Total tax on profit on ordinary activities	<u>1,297</u>	<u>1,059</u>

### (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:

	2003 £000	2002 £000
Profit on ordinary activities before tax	3,760	4,447
Profit on ordinary activities at the standard rate of UK tax of 30%	1,128	1,334
Effect of capital allowances for year less than / (in excess of) depreciation	284	(261)
Permanent taxation differences	22	4
Prior year adjustment	28	(37)
	<u>1,462</u>	<u>1,040</u>
Current taxation	<u>1,462</u>	<u>1,040</u>

### (iii) Factors affecting future tax charges

The total tax charge in future years is anticipated to approximate to the statutory rate of UK corporate taxation.

## 7 Dividends

	2003 £000	2002 £000
Final - Paid	3,500	-

**Notes (continued)**

**8 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
<b>Cost or valuation</b>					
At the beginning of the year	86,805	703	6,760	8,571	102,839
Additions	80	430	12	214	736
Transfers	390	(681)	21	270	-
Disposals	-	-	-	(17)	(17)
Written off	-	-	-	(281)	(281)
At the end of the year	87,275	452	6,793	8,757	103,277
<b>Depreciation</b>					
At the beginning of the year	665	-	2,169	3,995	6,829
Charge for the year	233	-	287	874	1,394
Disposals	-	-	-	(6)	(6)
Written off	-	-	-	(281)	(281)
At the end of the year	898	-	2,456	4,582	7,936
<b>Net book value</b>					
At 31 December 2003	86,377	452	4,337	4,175	95,341
At 31 December 2002	86,140	703	4,591	4,576	96,010

A total of £192,000 of interest has been capitalised within land and buildings (2002: £192,000).

Hotel leasehold land and buildings were revalued in 1995 by Pannell Kerr Forster Associates and in 1999 and 2002 by Insignia Richard Ellis. On these occasions, valuation was on an open-market existing use basis, in accordance with The Practice Statements of the Royal Institute of Chartered Surveyors and the Recommended Practice for the Valuation of Hotels published by the British Association of Hospitality Accountants.

The valuation at 31 December 2002 resulted in no movement to fixed assets or the revaluation reserve.

	2003 £000	2002 £000
<b>Land and buildings valuation comprises:</b>		
Historical cost	79,986	79,516
Revaluation reserve	7,289	7,289
Valuation	87,275	86,805

**Notes (continued)**

**9 Stocks**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Consumables and supplies	-	47
	<u>          </u>	<u>          </u>

During the year, the company outsourced the hotel's food and beverage operation to a third party operator. No stocks were consequently held at 31 December 2003. The replacement cost of stocks is not significantly different from their balance sheet values.

**10 Debtors**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	263	161
Other debtors	36	4
VAT	278	-
Prepayments and accrued income	235	745
	<u>          </u>	<u>          </u>
	<b>812</b>	<b>910</b>
	<u>          </u>	<u>          </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.

**11 Creditors: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Amounts due to parent and fellow subsidiary undertakings	4,493	4,402
Other creditors including taxation and social security:		
Other creditors	69	184
Accruals and deferred income	2,361	1,619
	<u>          </u>	<u>          </u>
	<b>6,923</b>	<b>6,205</b>
	<u>          </u>	<u>          </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.



## Notes (continued)

### 12 Provision for liabilities and charges

	2003 £000	2002 £000
Deferred taxation provision		
At beginning of year	3,932	3,913
(Utilised)/provided in the year	(165)	19
	<hr/>	<hr/>
At end of year	3,767	3,932
	<hr/>	<hr/>

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

	2003 £000	2002 £000
Difference between accumulated depreciation and capital allowances	3,780	3,932
Other timing differences	(13)	-
	<hr/>	<hr/>
	3,767	3,932
	<hr/>	<hr/>

A tax charge estimated at approximately £nil (2002: £nil) would crystallise if the hotel were sold at its book carrying value. No provision for deferred taxation has been made since there is currently no intention to sell the hotel.

### 13 Called up share capital

	2003 £	2002 £
Authorised, allotted, called up, and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

All of the share capital is equity share capital.

## Notes (continued)

### 14 Reserves

	Share capital £000	Share premium account £000	Special reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At the beginning of year	1	62,629	12,244	7,289	4,709	86,872
Retained loss for the financial year	-	-	-	-	(1,037)	(1,037)
Balance at the end of year	1	62,629	12,244	7,289	3,672	85,835

### 15 Reconciliation of movement in equity shareholders' funds

	2003 £000	2002 £000
Profit for the financial year	2,463	3,388
Dividends paid	(3,500)	-
Net (reduction)/addition to shareholders' funds	(1,037)	3,388
At beginning of year	86,872	83,484
Balance at end of year	85,835	86,872

## Notes (continued)

### 16 Commitments

Capital commitments at the end of the year for which no provisions have been made were £nil (2002: £nil).

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

	2003 £000	2002 £000
Operating leases which expire:		
Within one year	21	88
In the second to fifth year inclusive	6	22
Over five years	33	-
	<hr/> 60	<hr/> 110
	<hr/> <hr/>	<hr/> <hr/>

### 17 Pension scheme

The Millennium & Copthorne Hotels Group provides a pension scheme for its employees, the Millennium & Copthorne Pension Plan ('the Plan'), which was set up in 1993. The assets of the Plan are held separately from those of the Group, being invested with Frank Russell Company Limited and Legal and General Investment Management.

The scheme contains a funded defined benefit arrangement with different categories of membership. Scheme costs are charged so as to spread the cost of providing the guaranteed benefits over the average remaining service lives of the employees concerned. 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 2002 and updated on a approximate basis to 31 December 2003. At the April 2002 valuation date the market value of the defined benefit section's assets was £14.3m, giving a funding level of 84%. At 31 December 2003, the market value of scheme assets was estimated at £15.7m, giving a funding level of 96%. The contributions of the Group were 17.3% of pensionable pay until 31 March 2003, when it was increased to 20.6% of pensionable pay (2002: 17.3%). The contribution of employees were 3% to 5% (2002: 3.5% to 5%) of pensionable earnings.

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 in April 2002 that investment returns would be between 5% and 7% per annum, that salary increases would average 5% per annum and that pensions would increase at rates varying between 2.7% and 3.5%. The expected average working lifetime of the members was calculated to be 8 years.

The next valuation of the Scheme is due as at 6 April 2005. The scheme was closed to new members from 31 March 2002.

The total annual pension cost for the company was £42,000 (2002: £70,000).

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

## **Notes (continued)**

FRS 17: Retirement benefits will change the method by which pension information is calculated and presented in the financial statements. On full adoption of FRS 17, the company will take advantage of the provisions included within FRS 17 and account for the plan as if it were a defined contribution scheme. This is because it is not possible to identify the share of the underlying assets and liabilities of the scheme relating to the company on a consistent and reliable basis. The pension charge under FRS 17 will therefore represent the contributions payable in the year. These contributions will reflect the current deficit in the scheme and accordingly will be higher than the regular cost. The pension deficit of the plan in which the company had a share was £4.1 million as at 31 December 2003 (2002: £5.6m).

Additional disclosure under the transitional rules of FRS 17 is provided in the group financial statements of Millennium & Copthorne Hotels plc.

### **18 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 Financial Reporting Standard No. 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Millennium & Copthorne Hotels plc.

The directors confirm that there were no related party transactions other than those disclosed in these financial statements.

### **19 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.