

London Britannia Hotel Limited

Directors' report and financial statements

31 December 2004

Registered number 744379



Directors' report and financial statements

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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 2004.

Principal activities

The principal activity of the company is the ownership and operation of the Millennium Mayfair Hotel, London.

Results and dividend

Turnover for the year was £16,313,000 (2003: £14,115,000) and the profit before taxation was £4,376,000 (2003: £3,760,000).

A dividend was paid during the year of £5,300,000 (2003: £3,500,000). No final dividend is proposed (2003: £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 *(continued)*

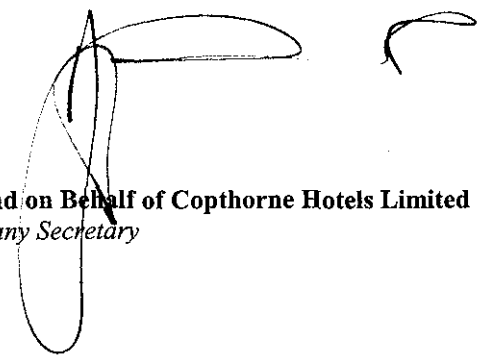
Creditor payment policy

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

18 October 2005

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 audit 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 affairs of the company as at 31 December 2004, and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

21 October 2005

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 31 December 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover	<i>1</i>	16,313	14,115
Cost of sales		(6,639)	(5,859)
		<hr/>	<hr/>
Gross profit		9,674	8,256
Administrative expenses		(5,301)	(4,537)
		<hr/>	<hr/>
Operating profit		4,373	3,719
Interest receivable and similar income	<i>3</i>	3	47
Interest payable and similar charges	<i>4</i>	-	(6)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	4,376	3,760
Tax on profit on ordinary activities	<i>6</i>	(1,248)	(1,297)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		3,128	2,463
Dividends paid	<i>7</i>	(5,300)	(3,500)
		<hr/>	<hr/>
Retained loss for the year		(2,172)	(1,037)
Profit and loss account brought forward		3,672	4,709
		<hr/>	<hr/>
Profit and loss account carried forward	<i>15</i>	1,500	3,672
		<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 2004

	2004 £000	2003 £000
Profit for the financial year	3,128	2,463
Total gains and losses recognised since last financial statements	3,128	2,463

Note of historical cost profits and losses

for the year ended 31 December 2004

	2004 £000	2003 £000
Reported profit on ordinary activities before taxation	4,376	3,760
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	4	4
Historical cost profit on ordinary activities before taxation	4,380	3,764
Historical cost loss for the year retained after taxation and dividends	(2,168)	(1,033)

Balance sheet

at 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	8		95,062		95,341
Current assets					
Stocks	9	49		-	
Debtors	10	562		812	
Cash at bank and in hand		97		372	
		<u>708</u>		<u>1,184</u>	
Creditors: amounts falling due within one year	11	<u>(2,924)</u>		<u>(6,923)</u>	
Net current liabilities			<u>(2,216)</u>		<u>(5,739)</u>
Total assets less current liabilities			<u>92,846</u>		<u>89,602</u>
Creditors: amounts falling due after more than one year	12		<u>(5,297)</u>		<u>-</u>
Provisions for liabilities and charges	13		<u>(3,886)</u>		<u>(3,767)</u>
Net assets			<u>83,663</u>		<u>85,835</u>
Capital and reserves					
Called up share capital	14		1		1
Share premium account	15		62,629		62,629
Special reserve	15		12,244		12,244
Revaluation reserve	15		7,289		7,289
Profit and loss account	15		1,500		3,672
Equity shareholders' funds	16		<u>83,663</u>		<u>85,835</u>

These financial statements were approved by the board of directors on 18 October 2005 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 2004 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, 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.

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 18). FRS 17 will be adopted in full in the year ended 31 December 2005.

Notes (continued)

2 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditor's remuneration:		
Audit services	16	16
Depreciation of tangible fixed assets	1,395	1,394
Rentals under operating leases:		
Plant and machinery	83	83
Profit on disposal of fixed assets	-	(6)
	<hr/> <hr/>	<hr/> <hr/>

3 Interest receivable and similar income

	2004 £000	2003 £000
Other interest receivable	3	47
	<hr/> <hr/>	<hr/> <hr/>

4 Interest payable and similar charges

	2004 £000	2003 £000
Other interest payable	-	6
	<hr/> <hr/>	<hr/> <hr/>

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:

	2004	2003
	Number	Number
Operating staff	218	172
Administration staff	12	9
Repairs and maintenance staff	11	11
Sales and marketing staff	8	-
	<hr/> 249 <hr/>	<hr/> 192 <hr/>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	4,527	3,800
Social security costs	213	137
Other pension costs	40	42
	<hr/> 4,780 <hr/>	<hr/> 3,979 <hr/>

No emoluments were paid to any director for services to the company during the year (2003: £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:

	2004	2003
	£000	£000
Current tax:		
Payment for group relief	1,160	1,434
Tax (credit)/charge relating to prior years	(31)	28
	<hr/> 1,129 <hr/>	<hr/> 1,462 <hr/>

Notes (continued)

	2004 £000	2003 £000
Deferred tax:		
Origination and reversal of timing differences		
- Current year	77	(284)
- Adjustment relating to prior years	42	119
	<u>119</u>	<u>(165)</u>
Total tax on profit on ordinary activities	<u>1,248</u>	<u>1,297</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:

	2004 £000	2003 £000
Profit on ordinary activities before tax	4,376	3,760
	<u>1,313</u>	<u>1,128</u>
Profit on ordinary activities at the standard rate of UK tax of 30%	(9)	-
Other timing differences		
Effect of capital allowances for year (in excess of) / less than depreciation	(68)	284
Permanent taxation differences	(40)	22
Transfer pricing imputed credit	(36)	-
Prior year adjustment	(31)	28
	<u>1,129</u>	<u>1,462</u>

A credit of £36,000 has been recorded for taxation imputed on intra-group interest and management charges for the period from 1 April 2004 to 31 December 2004, in accordance with new UK transfer pricing regulations.

(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

	2004 £000	2003 £000
Final - Paid	<u>5,300</u>	<u>3,500</u>

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
Cost or valuation					
At the beginning of the year	87,275	452	6,793	8,757	103,277
Reclassification	470	-	(105)	107	472
Additions	32	1,053	5	26	1,116
Transfers	112	(308)	80	116	-
Written off	-	-	-	(285)	(285)
At the end of the year	87,889	1,197	6,773	8,721	104,580
Depreciation					
At the beginning of the year	898	-	2,456	4,582	7,936
Reclassification	-	-	432	40	472
Charge for the year	244	-	291	860	1,395
Written off	-	-	-	(285)	(285)
At the end of the year	1,142	-	3,179	5,197	9,518
Net book value					
At 31 December 2004	86,747	1,197	3,594	3,524	95,062
At 31 December 2003	86,377	452	4,337	4,175	95,341

The statutory classification of certain fixed assets has been adjusted better reflect the underlying accounting records. There is no impact on the profit and loss depreciation charge recorded in the current or prior years.

A total of £192,000 of interest has been capitalised within land and buildings (2003: £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.

	2004 £000	2003 £000
Leasehold land and buildings valuation comprises:		
Historical cost	80,600	79,986
Revaluation reserve	7,289	7,289
Valuation	87,889	87,275

Notes (continued)

9 Stocks

	2004 £000	2003 £000
Consumables and supplies	49	-
	<hr/>	<hr/>

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

From 30th September 2004, the company ended its outsourcing, to a third party operator, of the provision of hotel food and beverage operations. The fulfilment of these operations is now being undertaken by the company and its employees.

10 Debtors

	2004 £000	2003 £000
Amounts falling due within one year:		
Trade debtors	171	263
Other debtors	39	36
VAT	-	278
Prepayments and accrued income	352	235
	<hr/>	<hr/>
	562	812
	<hr/>	<hr/>

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

	2004 £000	2003 £000
Amounts due to parent and fellow subsidiary undertakings	943	4,493
Other creditors including taxation and social security:		
Other creditors	50	69
Accruals and deferred income	1,931	2,361
	<hr/>	<hr/>
	2,924	6,923
	<hr/>	<hr/>

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 Creditors: amounts falling due after more than one year

	2004	2003
	£000	£000
Amounts due to parent and fellow subsidiary undertakings	5,297	-
	<u>5,297</u>	<u>-</u>

13 Provision for liabilities and charges

	2004	2003
	£000	£000
Deferred taxation provision		
At beginning of year	3,767	3,932
Provided/(utilised) in the year	119	(165)
	<u>3,886</u>	<u>3,767</u>
At end of year	3,886	3,767
	<u>3,886</u>	<u>3,767</u>

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

	2004	2003
	£000	£000
Difference between accumulated depreciation and capital allowances	3,890	3,780
Other timing differences	(4)	(13)
	<u>3,886</u>	<u>3,767</u>
	<u>3,886</u>	<u>3,767</u>

A tax charge estimated at approximately £nil (2003: £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.

14 Called up share capital

	2004	2003
	£	£
<i>Authorised, allotted, called up, and fully paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

All of the share capital is equity share capital.

Notes (continued)

15 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	3,672	85,835
Retained loss for the financial year	-	-	-	-	(2,172)	(2,172)
Balance at the end of year	1	62,629	12,244	7,289	1,500	83,663

16 Reconciliation of movement in equity shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	3,128	2,463
Dividends paid	(5,300)	(3,500)
Net reduction to shareholders' funds	(2,172)	(1,037)
At beginning of year	85,835	86,872
Balance at end of year	83,663	85,835

Notes (continued)

17 Commitments

Capital commitments at the end of the year for which no provisions have been made were £nil (2003: £nil).

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

	2004 £000	2003 £000
Operating leases which expire:		
Within one year	-	21
In the second to fifth year inclusive	85	6
Over five years	-	33
	<hr/> 85	<hr/> 60
	<hr/> <hr/>	<hr/> <hr/>

18 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 assets of the Plan are held separately from those of the Group, being invested with The Frank Russell Company and Legal and General Investment Management Limited.

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 an approximate basis to 31 December 2004. At the April 2002 valuation date the market value of the Plan's assets was £14.3m, giving a funding level of 84%. At 31 December 2004, the market value of scheme assets was estimated at £17.3m, giving a funding level of 97%. The contributions of the Group were 20.6% of pensionable pay (2003: 20.6%). The contributions of employees were from 3% to 5% (2003: 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 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 total annual pension cost for the company was £40,000 (2003: £42,000).

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, in the year ended 31 December 2005, 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 £6.3 million as at 31 December 2004 (2003: £4.1m).

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

19 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.

20 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.