

Copthorne Hotel (Gatwick) Limited

Directors' report and financial statements

31 December 1995

Registered number 994968



Copthorne Hotel (Gatwick) Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes	6-15

Copthorne Hotel (Gatwick) Limited

Directors' report

The directors have pleasure in submitting their report on the affairs of the company together with the financial statements and the auditors' report thereon, for the year ended 31 December 1995.

Principal activities and business review

The principal activity of the company is the ownership and operation of the Copthorne Gatwick Hotel.

On 9 October 1995 Copthorne Hotel Holdings Limited, Copthorne Hotel (Gatwick) Limited's immediate parent company, was acquired by Millennium & Copthorne Hotels Limited (now Millennium & Copthorne Hotels plc).

Results and dividends

Turnover for the year was £5,264,000 (*nine months ended 31 December 1994: £3,801,000*) and the profit before taxation was £301,000 (*nine months ended 31 December 1994: £124,000*).

The directors do not propose a dividend for the year (*nine months ended 31 December 1994: £nil*).

Directors

The directors who served during the year are listed below:

D Jackson	(resigned 9 October 1995)
PJ Taylor	
DAH Cook	
F Brown	(appointed 9 October 1995)

None of the directors had any beneficial interests in the ordinary shares of the group companies.

Fixed assets

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

By order of the Board


DAH Cook
Director

Victoria House
Victoria Road
Horley
Surrey
RH6 7AF

29 OCTOBER 1996

Copthorne Hotel (Gatwick) Limited

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.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Copthorne Hotel (Gatwick) Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

29th October, 1996

Copthorne Hotel (Gatwick) Limited

Profit and loss account for the year ended 31 December 1995

	<i>Note</i>	1995 £000	9 months ended 31 December 1994 £000
Turnover	<i>1</i>	5,264	3,801
Cost of sales		(2,615)	(1,919)
		<hr/>	<hr/>
Gross profit		2,649	1,882
Administrative expenses		(1,965)	(1,516)
		<hr/>	<hr/>
Operating profit		684	366
Interest receivable and similar income		6	3
Interest payable and similar charges	<i>4</i>	(389)	(245)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	301	124
Tax charge/(credit) on profit on ordinary activities	<i>5</i>	(73)	52
		<hr/>	<hr/>
Retained profit for the year		228	176
		<hr/> <hr/>	<hr/> <hr/>

The company's results have been derived solely from continuing operations.

There are no recognised gains or losses for the year other than those reported above.

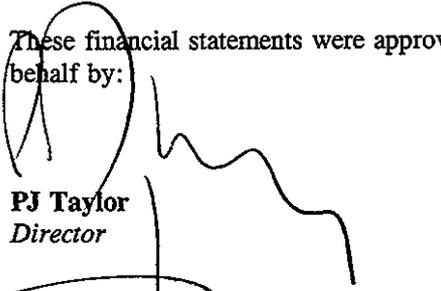
The company's historical cost results are the same as its reported results.

Copthorne Hotel (Gatwick) Limited

Balance sheet
at 31 December 1995

	Note	1995		1994	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		13,914		14,183
Investments	7		19		19
			<u>13,933</u>		<u>14,202</u>
Current assets					
Stocks	8	36		39	
Debtors	9	3,321		3,296	
Cash at bank and in hand		116		77	
		<u>3,473</u>		<u>3,412</u>	
Creditors: amounts falling due within one year	10	(506)		(942)	
Net current assets			<u>2,967</u>		<u>2,470</u>
Total assets less current liabilities			<u>16,900</u>		<u>16,672</u>
Creditors: amounts falling due after more than one year	11		(5,350)		(5,350)
Net assets			<u>11,550</u>		<u>11,322</u>
Capital and reserves					
Called up share capital	13		425		425
Revaluation reserve	6		6,440		6,440
Profit and loss account			4,685		4,457
Shareholders' funds	14		<u>11,550</u>		<u>11,322</u>

These financial statements were approved by the board of directors on 24 October 1996 and were signed on its behalf by:


PJ Taylor
Director


DAH Cook
Director

Copthorne Hotel (Gatwick) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The company's principal accounting policies, all of which have been applied consistently throughout the year, are set out below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules, modified to include the revaluation of the hotel property.

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Copthorne Hotel Holdings Limited and its cashflows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Land and buildings are stated at cost or subsequent valuation as set out in note 6. Other fixed assets are shown at cost less depreciation and any provision for permanent diminution in value.

The company's practice is to maintain hotel properties in a continual state of sound repair and to extend and improve such properties from time to time. Accordingly, the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are so high that any depreciation is insignificant. Accordingly, no depreciation is provided on hotel properties. Any permanent diminution in value of such properties is charged to the profit and loss account as appropriate.

In the company's accounts, investments in associated undertakings are stated at cost less provisions for permanent diminutions in value. Dividends received and receivable are credited to the company's profit and loss account when they are declared.

All other assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and machinery	-	15 years
Furniture and equipment	-	10 years
Computer equipment	-	5 years
Soft furnishings	-	5 years
Motor vehicles	-	4 years

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.

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

Cophorne Hotel (Gatwick) Limited

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

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

Initial purchases of china and plateware are treated as a base stock and renewals and replacements of such stocks are written off to the profit and loss account as incurred.

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.

Provision for deferred taxation is calculated using the liability method on timing differences and is made only to the extent that it is probable that liabilities will crystallise within the foreseeable future.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis as incurred.

Pension costs

The company participates in The CDL Hotels (UK) Pension Scheme which provides both final salary and money purchase benefits.

The amounts charged to the profit and loss account in respect of the defined benefit section is the estimated cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from these costs are charged or credited to the profit and loss account over the average remaining service lives of employees.

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

Any difference between amounts charged to the profit and loss account and contributions paid the pension schemes is included in debtors or creditors in the balance sheet.

Copthorne Hotel (Gatwick) Limited

Notes (continued)

1 Accounting policies (continued)

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.

Turnover

Turnover represents amounts derived in the United Kingdom from the ownership and operation of the hotel calculated on an accruals basis. Turnover is stated net of value added tax.

2 Profit on ordinary activities before taxation

	9 months ended 31 December	
	1995	1994
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation	536	405
Rentals payable under operating leases:		
Plant and machinery	100	70
Auditors' remuneration:		
Audit	13	18
Other services	9	7
	<u> </u>	<u> </u>

3 Staff numbers and costs

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

	Number of employees	
	1995	1994
Hotel operating staff	123	122
Administration	14	14
	<u> </u>	<u> </u>
	<u>137</u>	<u>136</u>

Copthorne Hotel (Gatwick) Limited

Notes (continued)

3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1995 £000	1994 £000
Wages and salaries	1,682	1,216
Social security costs	124	93
Other pension costs (see note 16)	22	15
	<u>1,828</u>	<u>1,324</u>

No emoluments were paid to any director for services to the company during the year (*nine months ended 31 December 1994: £nil*).

4 Interest payable and similar charges

	9 months ended 31 December	
	1995 £000	1994 £000
On loans from parent and fellow subsidiary undertakings	<u>389</u>	<u>245</u>

5 Tax charge/(credit) on profit on ordinary activities

The tax charge/(credit) is based on profit for the year and comprises:

	9 months ended 31 December	
	1995 £000	1994 £000
Tax credit for group relief surrendered	(17)	-
Adjustment relating to earlier periods	90	(52)
	<u>73</u>	<u>(52)</u>

There is no UK corporation tax charge for the year as a result of capital allowances available on assets which are not depreciated for accounts purposes and group relief from fellow subsidiaries.

Copthorne Hotel (Gatwick) Limited

Notes (continued)

6 Tangible fixed assets

	Freehold hotel	Plant & machinery	Fixture, fittings, equipment and vehicles	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
At beginning of year	11,449	2,734	3,205	17,388
Additions	13	100	155	268
Disposals	-	-	(187)	(187)
At end of year	<u>11,462</u>	<u>2,834</u>	<u>3,173</u>	<u>17,469</u>
<i>Depreciation</i>				
At beginning of year	-	935	2,270	3,205
Charge for the year	-	187	349	536
Disposals	-	-	(186)	(186)
At end of year	<u>-</u>	<u>1,122</u>	<u>2,433</u>	<u>3,555</u>
<i>Net book value</i>				
At 31 December 1995	<u>11,462</u>	<u>1,712</u>	<u>740</u>	<u>13,914</u>
At 31 December 1994	<u>11,449</u>	<u>1,799</u>	<u>935</u>	<u>14,183</u>

The freehold hotel and related equipment were valued on 31 October 1986, by a professional valuer on the basis of their open market value for the existing use in the business.

Cost or valuation for the freehold hotel comprises:

	1995 £000	1994 £000
Valuation	6,440	6,440
Cost	5,022	5,009
	<u>11,462</u>	<u>11,449</u>

Copthorne Hotel (Gatwick) Limited

Notes (continued)

6 Tangible fixed assets (continued)

If stated at historical net book value, the comparable amount for the freehold hotel would be:

	1995 £000	1994 £000
Net book value	<u>5,022</u>	<u>5,009</u>

Freehold land and buildings includes £131,200 (1994: £131,200) of interest capitalised subsequent to the revaluation.

7 Fixed asset investments

The company's investment in its associated undertaking comprises 40% of the ordinary £1 shares in Copthorne Squash Club Limited, a company registered in England and Wales. Copthorne Squash Club Limited's principal activity is the operation of a squash club in the United Kingdom. Details of the investment are as follows:

	Unlisted shares £000
At beginning and end of year	<u>19</u>

8 Stocks

	1995 £000	1994 £000
Raw materials and consumables	<u>36</u>	<u>39</u>

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

Copthorne Hotel (Gatwick) Limited

Notes (continued)

9	Debtors	1995	1994
		£000	£000
	Amounts falling due within one year:		
	Trade debtors	315	253
	Amounts owed by parent and fellow subsidiary undertakings	2,936	2,956
	Prepayments and accrued income	70	87
		<u>3,321</u>	<u>3,296</u>
10	Creditors: amounts falling due within one year	1995	1994
		£000	£000
	Trade creditors	233	256
	Other creditors including taxation and social security:		
	Value added tax	72	89
	Social security and PAYE	34	35
	Other creditors	41	45
	Accruals and deferred income	126	517
		<u>506</u>	<u>942</u>
11	Creditors: amounts falling due after more than one year	1995	1994
		£000	£000
	Amounts owed to parent and fellow subsidiary undertakings	<u>5,350</u>	<u>5,350</u>

The amounts owed to parent and fellow subsidiary undertakings carry a commercial rate of interest, and are repayable on 31 December 1998.

Copthorne Hotel (Gatwick) Limited

Notes (continued)

12 Provision for liabilities and charges

Potential deferred tax which would arise were the hotel sold at its current carrying value is estimated at £2,104,000. This has not been provided as there is no intention to sell the hotel.

13 Called up share capital

	1995	1994
	£000	£000
<i>Authorised</i>		
57,500,000 ordinary shares of 1p each	575	575
425,000 deferred shares of £1 each	425	425
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called-up and fully paid</i>		
42,500 ordinary shares of 1p each	-	-
425,000 deferred shares of £1 each	425	425
	<hr/>	<hr/>
	425	425
	<hr/>	<hr/>

The holders of the deferred shares are not entitled to participate in the company's profits nor have voting rights. On liquidation the deferred shares are subordinated to the ordinary shares. Both the ordinary and deferred shares are classified as equity interests.

Copthorne Hotel (Gatwick) Limited

Notes (continued)

14 Reconciliation of movements in shareholders' funds

	1995 £000	9 months ended 31 December 1994 £000
Opening shareholders' funds	11,322	11,146
Profit for the financial year/period	228	176
	<u>11,550</u>	<u>11,322</u>
Closing shareholders' funds		

15 Commitments

Capital commitments at the end of the financial year for which no provision has been made:

	1995 £000	1994 £000
Contracted	6	13
Authorised but not contracted	-	-
	<u>-</u>	<u>-</u>

Annual commitments under non-cancellable operating leases are as follows:

	1995 £000	1994 £000
Operating leases which expire		
Within one year	23	-
In the second to fifth years inclusive	21	20
Over five years	68	38
	<u>112</u>	<u>58</u>

Copthorne Hotel (Gatwick) Limited

Notes *(continued)*

16 Pension scheme

The company participated in the Aer Lingus UK Holdings Pension and Life Assurance Scheme until its parent company, Copthorne Hotel Holdings Limited was acquired by Millennium & Copthorne Hotels Limited. Arrangements were subsequently made to transfer the benefits of members to the CDL Hotels (UK) Pension scheme which was established in April 1993. The scheme has both a defined benefits section and a defined contribution scheme. The assets of the scheme are held separately from those of the company, being invested both with Scottish Equitable and Nationwide Building Society.

For the defined contributions section, contributions are charged to the profit and loss account as incurred. For the defined benefits section, 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 valuation using the attained age method. The most recent valuation was carried out as at 6 April 1993. The next formal valuation of the scheme is due as at 6 April 1996. Further information relating to the actuarial valuation is detailed in the group accounts of the immediate parent company Copthorne Hotel Holdings Limited.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17 Ultimate parent company

The directors consider the ultimate holding 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 0207.

The immediate holding company is Copthorne Hotel Holdings Limited, a company registered in England and Wales which heads the smallest group in which the results of the company are consolidated. The consolidated accounts are available to the public and may be obtained from Victoria House, Victoria Road, Horley, Surrey, RH6 7AF.