

## **Copthorne Hotel (Gatwick) Limited**

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

31 December 1998

Registered number 994968



## **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 the auditors' report thereon, for the year ended 31 December 1998.

### **Principal activities and business review**

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

### **Results and dividends**

Turnover for the year was £7,658,000 (1997: £7,206,000) and the profit before tax was £3,438,000 (1997: £2,206,000).

The directors paid a dividend of £2,000,000 for the year (1997: £700,000).

### **Fixed assets**

Changes in fixed assets are set out in note 5 to the financial statements.

Following the revaluation of a number of hotels for Millennium & Copthorne Hotels plc group purposes, the market value of the hotel at 31 December 1997 was £21,250,000 compared to a book value at depreciated historical cost of £13,697,000.

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

The directors who served during the year are listed below:

PJ Taylor (Chairman)  
DAH Cook  
FJA Brown

The interests of the directors in the shares of group companies are disclosed in the directors' report of Millennium & Copthorne Hotels plc.

### **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.

## **Directors' report**

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



**DAH Cook**  
*Director*

Victoria House  
Victoria Road  
Horley  
Surrey  
RH6 7AF

8 June 1999

## **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 keeping 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

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

We have audited the financial statements on pages 5 to 17.

### *Respective responsibilities of directors and auditors*

As described on page 3 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'KPMG Audit Plc'.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

18 June 1999

## **Profit and loss account**

*for the year ended 31 December 1998*

	<i>Note</i>	<b>1998</b> <b>£000</b>	1997 £000
<b>Turnover</b>	<i>1</i>	<b>7,658</b>	7,206
Cost of sales		<b>(2,963)</b>	(2,910)
<b>Gross profit</b>		<b>4,695</b>	4,296
Administrative expenses		<b>(1,762)</b>	(2,102)
<b>Operating profit</b>		<b>2,933</b>	2,194
Profit on disposal of investment in associated undertaking	<i>6</i>	<b>502</b>	-
		<b>3,435</b>	2,194
Interest receivable and similar income		<b>3</b>	12
<b>Profit on ordinary activities before taxation</b>	<i>2</i>	<b>3,438</b>	2,206
Tax on profit on ordinary activities	<i>4</i>	<b>(695)</b>	(672)
<b>Profit for the financial year</b>		<b>2,743</b>	1,534
Dividend paid/proposed		<b>(2,000)</b>	(700)
<b>Retained profit for the year</b>		<b>743</b>	834
Profit and loss account brought forward		<b>864</b>	30
<b>Profit and loss account carried forward</b>		<b>1,607</b>	864

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.

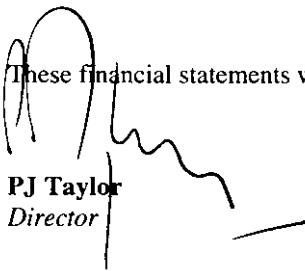
The company's historical cost results are the same as its reported results.

## Balance sheet

at 31 December 1998

	Note	1998 £000	1997 £000
<b>Fixed assets</b>			
Tangible assets	5	14,484	13,712
Investments	6	-	19
		<u>14,484</u>	<u>13,731</u>
<b>Current assets</b>			
Stocks	7	35	31
Debtors	8	307	434
Cash at bank and in hand		261	179
		<u>603</u>	<u>644</u>
<b>Creditors: amounts falling due within one year</b>	9	(6,615)	(6,646)
<b>Net current liabilities</b>		<u>(6,012)</u>	<u>(6,002)</u>
<b>Net assets</b>		<u>8,472</u>	<u>7,729</u>
<b>Capital and reserves</b>			
Called up share capital	11	425	425
Revaluation reserve	5	6,440	6,440
Profit and loss account		1,607	864
<b>Shareholders' funds (including non-equity interests)</b>	12	<u>8,472</u>	<u>7,729</u>

These financial statements were approved by the board of directors on 8 June 1999 and were signed on its behalf by:

  
**PJ Taylor**  
 Director

  
**DAH Cook**  
 Director



## Notes

(forming part of the financial statements)

### 1 Accounting policies

The company's principal accounting policies, 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.

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 undertaking of Millennium & Copthorne Hotels plc and its cashflows are included within the published consolidated cashflow statement of that company.

At 31 December 1998 the company had net current liabilities. The directors of the immediate parent company, Copthorne Hotel Holdings Limited, have confirmed their intention to make continued financial support available to enable the company to meet liabilities as they fall due. As a result the financial statements have been prepared on a going concern basis.

#### *Fixed assets and depreciation*

Land and buildings are stated at cost or subsequent valuation as set out in note 5. 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 freehold 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 provision for permanent diminution 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.

Initial purchases of china and plateware have been treated as a 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 and added to the cost of the hotel.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Operating leases***

Rentals under operating leases are charged to the profit and loss account on a straight line basis 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 calculated on an accruals basis. Turnover is stated net of value added tax.

#### ***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.

#### ***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 year 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 amounts 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. 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 money purchase schemes are charged to the profit and loss account as incurred.

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

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	11	10
Other services	7	7
Depreciation of tangible fixed assets	136	504
Rentals payable under operating leases:		
Plant and machinery	97	98
Profit on disposal of fixed assets	(2)	-
	<hr/> <hr/>	<hr/> <hr/>

### 3 Staff numbers and costs

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

	Number of employees	
	1998	1997
Operating staff	135	125
Administration staff	13	9
Sales & marketing staff	6	5
Repairs & maintenance staff	9	10
	<hr/> <hr/>	<hr/> <hr/>
	163	149

## Notes (continued)

### 3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	<b>1998</b>	1997
	<b>£000</b>	£000
Wages and salaries	<b>1,829</b>	1,757
Social security costs	<b>127</b>	118
Other pension costs	<b>48</b>	41
	<hr/> <b>2,004</b> <hr/>	<hr/> 1,916 <hr/>

No emoluments were paid to any director for services to the company during the year (1997: £nil).

### 4 Tax on profit on ordinary activities

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

	<b>1998</b>	1997
	<b>£000</b>	£000
Corporation tax charge at 31% (1997: 31.5%)	<b>695</b>	672
	<hr/> <b>695</b> <hr/>	<hr/> 672 <hr/>

The tax charge for the current year has been reduced as a result of capital allowances available on assets not depreciated for accounts purposes.

## Notes (continued)

### 5 Tangible fixed assets

	Freehold Land & Buildings	Plant & Machinery	Fixture, Fittings, Equipment and vehicles	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At beginning of year	11,493	2,998	3,522	18,013
Additions	130	490	309	929
Disposals	-	-	(1,889)	(1,889)
Transfers		(30)	30	-
At end of year	11,623	3,458	1,972	17,053
<b>Depreciation</b>				
At beginning of year	-	1,509	2,792	4,301
Charge for the year	-	214	(78)	136
Disposals	-	-	(1,868)	(1,868)
At end of year	-	1,723	846	2,569
<b>Net book value</b>				
At 31 December 1998	11,623	1,735	1,126	14,484
At 31 December 1997	11,493	1,489	730	13,712

The freehold hotel and related equipment were last 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:

	1998 £000	1997 £000
Valuation	6,440	6,440
Cost	5,183	5,053
	11,623	11,493

## Notes (continued)

### 5 Tangible fixed assets (continued)

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

	<b>1998</b>	1997
	<b>£000</b>	£000
Net book value	<b>5,183</b>	5,053

Freehold land and buildings includes £131,200 (1997: £131,200) of interest capitalised subsequent to the revaluation.

### 6 Fixed asset investments

During the year the company disposed of its investment in its associated undertaking, comprising 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 disposal are as follows:

	<b>£000</b>
Net sales proceeds	<b>521</b>
Less cost of investment	<b>(19)</b>
Profit before taxation	<b>502</b>

### 7 Stocks

	<b>1998</b>	1997
	<b>£000</b>	£000
Consumables and supplies	<b>35</b>	31

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

**Notes** *(continued)*

**8 Debtors**

	1998 £000	1997 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	220	374
Prepayments and accrued income	80	57
Other debtors	7	3
	<hr/>	<hr/>
	307	434
	<hr/> <hr/>	<hr/> <hr/>

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

	1998 £000	1997 £000
Trade creditors	229	282
Amounts owed to parent and fellow subsidiary undertakings (non-interest bearing)	3,292	5,282
Dividends payable	2,000	-
Other creditors including taxation and social security:		
Corporation tax	695	672
Value added tax	231	233
Social security and PAYE	36	32
Other creditors	2	39
Accruals and deferred income	130	106
	<hr/>	<hr/>
	6,615	6,646
	<hr/> <hr/>	<hr/> <hr/>

The amounts owed to parent and fellow subsidiary undertakings are interest free.

**Notes** *(continued)*

**10 Provision for liabilities and charges**

A tax charge estimated at approximately £964,000 (*1997:£696,000*) would crystallise if the hotel were sold at its book carrying value. No provision for deferred taxation has been made since there is no intention to sell the hotel.

**11 Called up share capital**

	<b>1998</b>	1997
	<b>£000</b>	£000
<i>Authorised</i>		
57,500,000 ordinary shares of 1p each	<b>575</b>	575
425,000 deferred shares of £1 each	<b>425</b>	425
	<hr/>	<hr/>
	<b>1,000</b>	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	<b>425</b>	425
	<hr/>	<hr/>
	<b>425</b>	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.

All of the ordinary share capital is equity share capital.



## Notes (continued)

### 12 Reconciliation of movements in shareholders' funds

	<b>1998</b>	1997
	<b>£000</b>	£000
Opening shareholders' funds	<b>7,729</b>	6,895
Profit for the financial year	<b>2,743</b>	1,534
Dividend paid/proposed	<b>(2,000)</b>	(700)
	<hr/>	<hr/>
Closing shareholders' funds	<b>8,472</b>	7,729
	<hr/>	<hr/>
Shareholders' funds comprise:		
Non-equity share capital	<b>425</b>	425
Equity shareholders' funds	<b>7,545</b>	7,304
	<hr/>	<hr/>
Closing shareholders' funds	<b>7,970</b>	7,729
	<hr/>	<hr/>

### 13 Commitments

Capital commitments at the end of the financial year for which no provisions have been made:

	<b>1998</b>	1997
	<b>£000</b>	£000
Contracted	<b>-</b>	53
	<hr/>	<hr/>

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

	<b>Plant and machinery</b>	
	<b>1998</b>	1997
	<b>£000</b>	£000
Operating leases which expire		
In the second to fifth years inclusive	<b>56</b>	107
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## **Notes (continued)**

### **14 Pension scheme**

The company participates in the Millennium & Copthorne Pension Plan which was set up in 1993. Staff employed by the company contribute to either the defined benefit section or the defined contribution section, both of which are funded. The assets of the plan are held separately from those of the company, being invested with Morgan Grenfell Asset Management and Nationwide Building Society.

For the defined contribution schemes, contributions are charged to the profit and loss account as incurred.

For the defined benefit 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 attained age method. The most recent valuation was carried out as at 6 April 1996. At the valuation date the value of the Plan's assets was £5,180,693 giving a funding level of 100%. The contributions of the company were set at 10% until April 1997 and those after at 12.5%, (1997: 12.5%) of earnings and those of employees at 5% (1997: 5%) of earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that pensions will increase at 3% per annum until April 1997 and at the annual rate of Limited Price Indexation thereafter (currently 4.5%), in compliance with statutory requirements.

The next valuation of the scheme is due at 6 April 1999.

The total annual pension cost for the company was £48,000 (1997: £41,000).

### **15 Related parties transactions**

As the company is a wholly owned subsidiary 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.

**Notes** *(continued)*

**16 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 0207.

The immediate holding and controlling company is Copthorne Hotel Holdings Limited, a company registered in England and Wales. The smallest group in which the results of the company are consolidated is 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.

## **Advisors**

Bankers: National Westminster Bank  
16 The Boulevard  
Crawley  
RH10 1XU

Solicitors: Paul Davidson Taylor  
Chancery Court  
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RH13 5AD

Auditors: KPMG Audit Plc  
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