

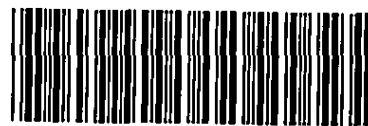
Copthorne Hotel (Gatwick) Limited

Directors' report and financial statements

31 December 2006

Registered number 0994968

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Directors' report and financial statements

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Directors' report

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

Business review and principal activities

The principal activities of the company are the ownership and operation of the Copthorne Hotel London Gatwick

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

Turnover for the year was £7,224,000 (2005 £7,269,000) and the profit before tax was £1,595,000 (2005 £1,653,000)

A dividend was paid during the year of £1,100,000 (2005 £1,300,000) No final dividend is proposed (2005 £nil)

Principal risks and uncertainties

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

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

Key performance indicators (KPIs)

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

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

	2006		Definition, Method of calculation
RevPAR	£51	£51	Occupancy multiplied by Average room rate
Average Room Rate	£64	£65	Room revenue divided by Rooms sold
Occupancy	79	77	Rooms sold divided by Rooms available
Gross Operating Profit Margin	33	33	Hotel gross operating profit divided by Hotel revenue

Fixed assets

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

Based on the most recent valuation undertaken, the Directors estimate that the market value of tangible fixed assets is approximately £19,000,000 higher than the historic cost book value of tangible fixed assets (2005 £17,000,000)

Directors' report *(continued)*

Directors

The directors who held office during the year are listed below

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

Employee consultation

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

Disabled employees

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

Creditor payment policy

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

Disclosure of information to auditors

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

Auditor

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

By order of the Board



For and on Behalf of Copthorne Hotels Limited
Company Secretary

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

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

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

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

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB

Independent auditor's report to the members of Copthorne Hotel (Gatwick) Limited

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

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 October 2007

Profit and loss account

for the year ended 31 December 2006

	<i>Note</i>	2006 £000	
Turnover	<i>1</i>	7,224	7
Cost of sales		(3,294)	(3)
		<hr/>	<hr/>
Gross profit		3,930	3
Administrative expenses		(2,335)	(2)
		<hr/>	<hr/>
Operating profit and profit on ordinary activities before taxation	<i>2</i>	1,595	1
Tax on profit on ordinary activities	<i>4</i>	(404)	(472)
		<hr/>	<hr/>
Profit for the financial year		1,191	1
		<hr/>	<hr/>

All activities relate to continuing operations

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

Statement of total recognised gains and losses

for the year ended 31 December 2006

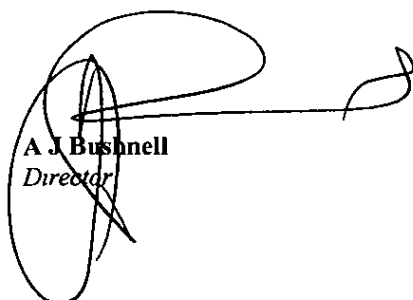
	2006	2005
	£000	£000
Profit for the financial year	1,191	1,181
	<hr/>	<hr/>
Total gains and losses recognised relating to the financial year	1,191	1,181
Prior year adjustment	-	(16,884)
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	1,191	(15,703)
	<hr/>	<hr/>

Balance sheet

at 31 December 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Fixed assets					
Tangible assets	5		8,496		8,224
Current assets					
Stocks	6	31		39	
Debtors	7	180		153	
Cash at bank and in hand		124		80	
		<hr/>		<hr/>	
		335		272	
Creditors: amounts falling due within one year	8	(624)		(784)	
		<hr/>		<hr/>	
Net current liabilities			(289)		(512)
			<hr/>		<hr/>
Total assets less current liabilities			8,207		7,712
Creditors: amounts falling due after more than one year	9		(5,316)		(4,987)
Provisions for liabilities and charges	10		(1,295)		(1,220)
			<hr/>		<hr/>
Net assets			1,596		1,505
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		425		425
Profit and loss account	12		1,171		1,080
			<hr/>		<hr/>
Shareholders' funds	13		1,596		1,505
			<hr/>		<hr/>

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


A J Bushnell
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of freehold land and buildings

Under FRS 1 'Cash flow statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £289,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Millennium & Copthorne Hotels plc, the company's intermediate holding undertaking. Millennium & Copthorne Hotels plc has indicated to the company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

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

Fixed assets and depreciation

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

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

Freehold land is not depreciated.

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

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

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

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

Notes (continued)

Operating leases

Rentals under operating leases are charged as incurred

Stocks

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

Turnover

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

Taxation

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

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

Dividends

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

Foreign exchange

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

Pension costs

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

Notes (continued)

2 Profit on ordinary activities before taxation

	2006 £000	2005 £000
<i>Profit on ordinary activities before taxation is stated after charging.</i>		
Auditor's remuneration		
Audit services	13	13
Depreciation of tangible fixed assets	382	401
Rentals payable under operating leases		
Plant and machinery	112	62
	<u> </u>	<u> </u>

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

	2006 Number	2005 Number
Operating staff	115	121
Administration staff	7	7
Repairs & maintenance staff	9	8
Sales & marketing staff	3	3
	<u> </u>	<u> </u>
	134	139
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	2,098	2,110
Social security costs	164	166
Other pension costs	37	36
	<u> </u>	<u> </u>
	2,299	2,312
	<u> </u>	<u> </u>

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

Notes (continued)

4 Tax on profit on ordinary activities

(i) Analysis of tax charge in the year

	2006 £000	2005 £000
UK corporation tax		
Payment for group relief	380	472
Tax credit relating to prior years	(51)	(7)
	<hr/>	<hr/>
Total current tax	329	465
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences		
- Current year	24	(4)
- Adjustment relating to prior years	51	11
	<hr/>	<hr/>
	75	7
	<hr/>	<hr/>
	<hr/>	<hr/>
Total tax on profit on ordinary activities	404	472
	<hr/>	<hr/>

(ii) Factors affecting the current tax charge for year

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

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,595	1,653
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	479	496
Effect of		
Capital allowances for year less than/(in excess of) depreciation	(22)	4
Other timing differences	(2)	-
Permanent taxation differences	-	43
Transfer pricing imputed credit	(75)	(71)
Prior year adjustment	(51)	(7)
	<hr/>	<hr/>
Total current tax	329	465
	<hr/>	<hr/>

In 2006 a credit of £75,000 (2005 £71,000) has been recorded for taxation imputed on intra-group interest and management charges for the period, in accordance with UK transfer pricing regulations

Notes (continued)

5 Tangible fixed assets

	Freehold land & buildings £000	Construction in progress £000	Plant & machinery £000	Fixtures, fittings, equipment & vehicles £000	Total £000
<i>Cost or valuation</i>					
At beginning of year	5,615	321	4,540	2,082	12,558
Additions	66	538	25	25	654
Transfers	25	(316)	288	3	-
Written off	-	-	-	(150)	(150)
At end of year	5,706	543	4,853	1,960	13,062
<i>Depreciation</i>					
At beginning of year	166	-	2,885	1,283	4,334
Charge for the year	30	-	171	181	382
Written off	-	-	-	(150)	(150)
At end of year	196	-	3,056	1,314	4,566
<i>Net book value</i>					
At 31 December 2006	5,510	543	1,797	646	8,496
At 31 December 2005	5,449	321	1,655	799	8,224

Freehold land and buildings includes £131,200 (2005 £131,200) of capitalised interest

6 Stocks

	2006 £000	2005 £000
Consumables and supplies	31	39

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

Notes (continued)

7 Debtors

	2006	2005
	£000	£000
Trade debtors	35	17
Other debtors	53	39
Prepayments and accrued income	92	97
	<hr/>	<hr/>
	180	153
	<hr/>	<hr/>

In the current and prior year, the company's trade debtors are principally accounted for within the central sales ledger of Copthorne Hotels Limited

8 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Amounts owed to parent and fellow subsidiary undertakings	197	571
Other creditors including taxation and social security		
Other creditors	105	23
Accruals and deferred income	322	190
	<hr/>	<hr/>
	624	784
	<hr/>	<hr/>

The amounts owed to parent and fellow subsidiary undertakings are non-interest bearing

In the current and prior year, the company's trade creditors are accounted for within the central purchase ledger of Copthorne Hotels Limited

9 Creditors: amounts falling due after more than one year

	2005	2005
	£000	£000
Amounts owed to parent undertaking	5,316	4,987
	<hr/>	<hr/>

The amounts owed to the parent undertaking are non-interest bearing during the year and are due for repayment after more than one year

Notes (continued)

10 Provision for liabilities and charges

	2006 £000	2005 £000
Deferred taxation provision		
At beginning of year	1,220	1,213
Provided in the year	75	7
	<hr/>	<hr/>
At end of year	1,295	1,220
	<hr/>	<hr/>

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

	2006 £000	2005 £000
Difference between accumulated depreciation and capital allowances	1,296	1,220
Other timing differences	(1)	-
	<hr/>	<hr/>
	1,295	1,220
	<hr/>	<hr/>

11 Called up share capital

	2006 £000	2005 £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

Notes (continued)

12 Capital and reserves

	Share capital £000	Profit and loss account £000	Total £000
At the beginning of year	425	1,080	1,505
Profit for the financial year	-	1,191	1,191
Dividends on shares classified in shareholders' funds	-	(1,100)	(1,100)
	<hr/>	<hr/>	<hr/>
Balance at the end of year	425	1,171	1,596
	<hr/>	<hr/>	<hr/>

13 Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	1,191	1,181
Dividends on shares classified in shareholders' funds	(1,100)	(1,300)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	91	(119)
	<hr/>	<hr/>
At beginning of year as previously reported	1,505	18,508
Prior year adjustment – revaluations	-	(16,884)
	<hr/>	<hr/>
	1,505	1,624
	<hr/>	<hr/>
	<hr/>	<hr/>
Balance at end of year	1,596	1,505
	<hr/>	<hr/>

Shareholders' funds comprise

	2006 £000	2005 £000
Non-equity share capital	425	425
Equity shareholders' funds	1,171	1,080
	<hr/>	<hr/>
	1,596	1,505
	<hr/>	<hr/>

Notes (continued)

14 Commitments

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

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

	2006 £000	2005 £000
Operating leases which expire		
Within one year	6	9
In the second to fifth years inclusive	343	134
Over five years	59	44
	<hr/> 408 <hr/>	<hr/> 187 <hr/>

15 Pension scheme

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

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

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

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

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

The total annual pension cost for the company was £37,000 (2005 £36,000).

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

Notes (continued)

16 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 FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group headed by Millennium & Copthorne Hotels plc

17 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 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