Registered number: 0994968

Copthorne Hotel (Gatwick) Limited

Strategic report, Directors' report and financial statements

for the year ended 31 December 2013

Copthorne Hotel (Gatwick) Limited

Company Information

Directors	Copthorne Hotels Limited C A Harrington A G Scott (resigned 7 October 2013) J M Grech (appointed 7 October 2013)
Company secretary	Copthorne Hotels Limited
Company number	0994968
Registered office	Victoria House Victoria Road Horley Surrey RH6 7AF
Auditor	KPMG Audit Plc 15 Canada Square London E14 5GL

Contents

Strategic report
for the year ended 31 December 2013

Business review

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

The directors consider that the Company has access to sufficient funding to meet its needs for the reasons set out in note 1 to the financial statements. Accordingly the directors have prepared the financial statements on a going concern basis.

Turnover for the year was £4,042,000 *(2012: loss £4,584,000)* and the loss on ordinary activities before taxation for the year was £631,000 *(2012: £194,000).*

No dividend was paid during the year *(2012: £Nil).* No final dividend is proposed *(2012: £Nil).*

The loss for the year after taxation amounted to £411,000 *(2012: loss £109,000).*

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 Millennium & Copthorne Hotels plc group ('the Group') as a whole, is provided on pages 26-30 of the Group's annual report for the year ended 31 December 2013 which does not form part of this report.

Financial key performance indicators

The directors of the Group manage its operations on a geographical basis and the Company's results are included in the 'Regional UK' geographical segment of the Group's consolidated annual report and accounts. The KPIs and the development, performance or position of the 'Regional UK' geographical segment of the Group, which includes the Company, is discussed on page 16 of the Group's annual report for the year ended 31 December 2013 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.

	2013	*2012*
RevPAR	**£27.56**	*£31.43*
Average Room Rate	**£50.88**	*£53.18*
Occupancy %	**54.2%**	*59.1%*
Gross Operating Profit	**£1.7m**	*£2.2m*

Method of calculating KPIs

RevPAR is Occupancy multiplied by Average room rate.
Average Room Rate is Room Revenue divided by Rooms sold.
Occupancy is Rooms sold divided by Rooms available.

This report was approved by the board on 5 September 2014 and signed on its behalf.

J M Grech
Director

Directors' report
for the year ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

Principal activities

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

Directors

The directors who served during the year were:

Copthorne Hotels Limited
C A Harrington
A G Scott (resigned 7 October 2013)
J M Grech (appointed 7 October 2013)

Disclosure of information to Auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

This report was approved by the board and signed on its behalf.

J M Grech
Director

Date: 5 September 2014

Victoria House
Victoria Road
Horley
Surrey
RH6 7AF

Directors' responsibilities statement
for the year ended 31 December 2013 in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

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 2013, set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' responsibilities statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sarah Styant (Senior statutory auditor)
for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

8 September 2014

Profit and loss account
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	1	**4,042**	*4,584*
Cost of sales		**(2,366)**	*(2,365)*
Gross profit		**1,676**	*2,219*
Administrative expenses		**(2,307)**	*(2,413)*
Operating loss	2	**(631)**	*(194)*
Loss on ordinary activities before taxation		**(631)**	*(194)*
Tax on loss on ordinary activities	6	**220**	*85*
Loss for the financial year	14	**(411)**	*(109)*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

The notes on pages 9 to 23 form part of these financial statements.

Copthorne Hotel (Gatwick) Limited
Registered number: 0994968

Balance sheet
as at 31 December 2013

	Notes	£000	2013 £000	*£000*	*2012 £000*
Fixed assets					
Tangible assets	7		**7,575**		*7,351*
Current assets					
Stocks	8	**22**		*23*	
Debtors	9	**135**		*125*	
Cash at bank and in hand		**98**		*121*	
		255		*269*	
Creditors: amounts falling due within one year	10	**(623)**		*(317)*	
Net current liabilities			**(368)**		*(48)*
Total assets less current liabilities			**7,207**		*7,303*
Creditors: amounts falling due after more than one year	11		**-**		*(5,231)*
Provisions for liabilities					
Deferred tax	12		**(385)**		*(456)*
Net assets			**6,822**		*1,616*
Capital and reserves					
Called up share capital	13		**482**		*425*
Share premium account	14		**5,557**		*-*
Profit and loss account	14		**783**		*1,191*
Shareholders' funds	15		**6,822**		*1,616*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J M Grech
Director

Date: 5 September 2014

The notes on pages 9 to 23 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The financial statements have been prepared in accordance with UK GAAP and under the historical cost convention.

The financial statements have been prepared on the going concern basis. The Company is dependent for its working capital on funds provided to it by Millennium & Copthorne Hotels plc, the Company's intermediate parent 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 the going concern basis.

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 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group (or investees of the group qualifying as related parties).

The consolidated financial statements of Millennium & Copthorne Hotels plc, within which this Company is included, can be obtained from the address given in note 18.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 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 the provision of the related goods and services.

1. Accounting policies (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Building core	-	50 years or lease term if shorter
Building surface, finishes and services	-	30 years or lease term if shorter
Plant & machinery	-	20 years
Motor vehicles	-	4 years
Fixtures & fittings	-	10 years
Office equipment	-	10 years
Computer equipment	-	5 years

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 completed 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 stated at their deemed cost as at 1 January 2008 and subsumed into the cost of the hotel buildings. Subsequent renewals and replacements of such stocks are written off to the profit and loss account as incurred.

Where applicable interest attributable to funds used to finance the construction or major extension to the hotel is capitalised gross of tax relief and added to the cost of the hotel core.

1.5 Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

Reversal of impairment

Where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. Accounting policies (continued)

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.8 Share-based payments

The share-based incentive schemes allow the Company's employees to acquire shares of Millennium & Copthorne Hotels plc.

The cost of equity-settled transaction with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing method, further details of which are given in Note 5.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or services conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction awards are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

1. **Accounting policies (continued)**

1.9 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.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'.

1.10 Pensions

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.

1.11 Dividends

Dividends are only recognised as a liability at the date to the extent that they are declared prior to the year-end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.12 Accounting estimates and judgements

The preparation of financial statements under UK GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies and the reported amount of revenue and expenses during the year. The Company evaluates its estimates and assumptions on an ongoing basis. Such estimates and judgements are based upon historical experience and other factors it believes to be reasonable under the circumstances, which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

Key estimates and judgements have been made in the following area:

Asset carrying values

Management performs an assessment at each balance sheet date of assets where risk of impairment has been identified. Key judgement areas include the carrying values of property, plant and equipment. The recovery of these assets is dependent on future cash flows receivable and the provision of future services or goods by third parties.

Where risk of impairment has been identified an impairment review has been performed and where appropriate, external evaluations have been undertaken.

The impairment review is performed on a "value in use" basis which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and appropriate growth rates. The discount rate used of 11.5% *(2012: 10.5%)* reflects appropriate sensitivities involved in the assessment.

Notes to the financial statements
for the year ended 31 December 2013

2. Operating loss

The operating loss is stated after charging:

	2013	2012
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the Company	332	329
Operating lease rentals:		
- plant and machinery	28	42

During the year, no director received any emoluments *(2012 - £NIL)*.

3. Auditor's remuneration

	2013	2012
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	15	14

There are no other fees paid to the Company's auditor and its associates.

4. Staff costs

Staff costs were as follows:

	2013	*2012*
	£000	*£000*
Wages and salaries	**1,813**	*1,841*
Social security costs	**122**	*113*
Other pension costs	**91**	*236*
	2,026	*2,190*

The average monthly number of employees, excluding the directors, during the year was as follows:

	2013	*2012*
	No.	*No.*
Operating staff	**92**	*86*
Administration staff	**5**	*8*
Maintenance staff	**8**	*8*
Sales staff	**2**	*2*
	107	*104*

Other pension costs above include £70,000 *(2012: £214,000)* in respect of the Company's proportion of enhanced contributions to the defined benefit pension scheme to remove the plan's deficit.

Wages and salaries above include £3,391 *(2012: £3,901)* in respect of share-based payments.

During the year, no director received any emoluments *(2012: £Nil)*.

5. Share-based payments

The Company operated one scheme during the year known as the Millennium & Copthorne Hotels plc Sharesave Scheme.

Share options under this scheme are granted to UK based directors and employees.

The Company applied FRS 20 to its active employee share-based payment arrangements. In accordance with the Company's accounting policy in Note 1 on share-based payment transactions, the fair value of share options are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options.

The charge to the profit and loss account for the year was £3,391 *(2012: £3,901)*.

5. Share-based payments (continued)

Date of Grant	Exercise Price	Exercise Period
01.04.10	£3.30	01.08.2013-31.01.2014
19.04.11	£4.18	01.08.2014-31.01.2015
19.04.12	£3.88	01.08.2015-31.01.2016
19.04.13	£4.48	01.08.2016-31.01.2017

The outstanding options relating to the above grants are:

	Options outstanding 1 Jan 2013	Granted during the year	Forfeited during the year	Exercised during the year	**Options outstanding 31 Dec 2013**
01.04.10	2,090	-	(1,100)	(990)	**-**
19.04.11	3,712	-	(577)	(718)	**2,417**
19.04.12	5,098	-	(1,390)	-	**3,708**
19.04.13	-	8,753	(321)	-	**8,432**
Total	10,900	8,753	(3,388)	(1,708)	**14,557**

The weighted average share price at the date of exercise of share options in the year was £5.54 *(2012: £4.73)*.

The options outstanding at the year end have a weighted average contractual life of 2.50 years *(2012: 2.36 years)*.

5. Share-based payments (continued)

Measurement of fair value

The Sharesave awards were valued using the Black-Scholes valuation method.

The options pricing model involves six variables, as detailed below:

	2013	**2013**
	3 year scheme	**5 year scheme**
Fair value at measurement date	**£1.34**	**£2.01**
Variables:		
Exercise price	**£4.48**	**£4.48**
Share price at grant	**£5.60**	**£5.60**
Expected term (years)	**3.25**	**5.25**
Expected volatility of share price	**27.1 %**	**41.3 %**
Risk free interest rate	**0.36 %**	**0.78 %**
Expected dividend yield	**2.43 %**	**2.43 %**

	2012	*2012*
	3 year scheme	5 year scheme
Fair value at measurement date	£1.47	£1.76
Variables:		
Exercise price	£3.88	£3.88
Share price at grant	£4.81	£4.81
Expected term (years)	3.25	5.25
Expected volatility of share price	39.0 %	42.7 %
Risk free interest rate	0.68 %	1.18 %
Expected dividend yield	2.59 %	2.59 %

6. Taxation

Analysis of tax (credit)/charge in the year	**2013**	*2012*
	£000	*£000*
Receipt for Group relief	**(124)**	*(22)*
Adjustment relating to prior years	**(25)**	*1*
Total current tax	**(149)**	*(21)*

6. Taxation (continued)

	2013 £000	*2012 £000*
Current tax (see note below)		
UK corporation tax credit on loss for the year	(149)	*(21)*
Deferred tax		
Origination and reversal of timing differences	(14)	*(16)*
Adjustment arising from change in tax rate	(57)	*(42)*
Other adjustment relating to prior year	-	*(6)*
Total deferred tax credit (see note 12)	(71)	*(64)*
Tax credit on profit on ordinary activities	(220)	*(85)*

Factors affecting current tax charge for the year

The current tax credit for the year is higher than *(2012 - lower than)* the standard rate of corporation tax in the UK of 23.25% *(2012 - 24.5%)*. The differences are explained below:

	2013 £000	*2012 £000*
Loss on ordinary activities before tax	(631)	*(194)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% *(2012 - 24.5%)*	(147)	*(48)*
Effects of:		
Capital allowances for year less than depreciation	14	*23*
Timing difference re employee share scheme	-	*(6)*
Other timing differences	-	*(1)*
Permanent differences relating to depreciation of building assets	22	*23*
Other permanent taxation differences	2	*3*
Transfer pricing imputed credit	(15)	*(16)*
Tax (credit)/charge relating to prior years	(25)	*1*
Current tax credit for the year (see note above)	(149)	*(21)*

Factors that may affect future tax charges

Reduction in UK corporation tax rate from 23% to 21% applicable from 1 April 2014, and a further reduction to 20% in the rate applicable from 1 April 2015 were substantively enacted during the year and this has an effect on the deferred tax liability as at 31 December 2013, now calculated at 20%.

7. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Fixtures & fittings £000	Capital Work in progress £000	Total £000
Cost					
At 1 January 2013	6,189	2,647	1,860	52	10,748
Additions	197	11	354	-	562
Reversal of accruals	-	-	-	(6)	(6)
Transfer between classes	39	-	-	(39)	-
At 31 December 2013	6,425	2,658	2,214	7	11,304
Depreciation					
At 1 January 2013	447	1,694	1,256	-	3,397
Charge for the year	47	125	160	-	332
At 31 December 2013	494	1,819	1,416	-	3,729
Net book value					
At 31 December 2013	5,931	839	798	7	7,575
At 31 December 2012	*5,742*	*953*	*604*	*52*	*7,351*

8. Stocks

	2013 £000	*2012 £000*
Consumables and supplies	22	*23*

9. Debtors

	2013 £000	*2012 £000*
Trade debtors	9	*9*
Other debtors	17	*9*
Prepayments and accrued income	109	*107*
	135	*125*

In the current and prior year, the Company's trade debtors are principally accounted for within the central sales ledger of Copthorne Hotels Limited and therefore included within the amount owed by Group undertaking.

10. Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	70	70
Amounts owed to Group undertakings	309	-
Other creditors	69	44
Accruals and deferred income	175	203
	623	317

In the current and prior year, the Company's trade creditors are principally accounted for within the central purchase ledger of Copthorne Hotels Limited and therefore included within the amount due to Group undertaking.

11. Creditors: Amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to Group undertakings	-	5,231

Creditors include amounts not wholly repayable within 5 years as follows:

	2013 £000	2012 £000
Repayable other than by instalments	-	5,231

The amount owed to the Company's parent undertaking of £5,613,488 was offset against the subscription price due to the Company in respect of its allotment of share capital during the year, following which the loan facility was cancelled.

12. Deferred taxation

	2013 £000	2012 £000
At beginning of year	456	520
Credit to profit and loss for the year	(71)	(64)
At end of year	385	456

12. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2013	*2012*
	£000	*£000*
Difference between accumulated depreciation and capital allowances	388	*459*
Other timing differences	(1)	*(1)*
Share-based incentive schemes	(2)	*(2)*
	385	*456*

13. Share capital

	2013	*2012*
	£000	*£000*
Allotted, called up and fully paid		
425,000 *(2012: 425,000)* deferred shares of £1 each	425	*425*
5,655,988 *(2012:42,500)* ordinary shares of £0.01 each	57	-
	482	*425*

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

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.

The Company issued 5,613,488 ordinary shares of £0.01 each during the year which were fully paid.

14. Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2013		1,191
Loss for the financial year		(411)
Premium on shares issued during the year	5,557	
Share options		3
At 31 December 2013	5,557	783

15. Reconciliation of movement in shareholders' funds

	2013	2012
	£000	£000
Opening shareholders' funds	1,616	1,721
Loss for the financial year	(411)	(109)
Shares issued during the year	57	-
Share premium on shares issued	5,557	-
Share options	3	4
Closing shareholders' funds	6,822	1,616

16. Operating lease commitments

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£000	£000
Expiry date:		
Within 1 year	4	-
Between 2 and 5 years	1	2

The aggregated cashflow commitments in respect of operating leases are £26,000 *(2012: £10,000).*

17. Pension

The Company, in conjunction with other Group members, operates a multi-employer defined benefit pension scheme designed to provide retirement benefits for employees based upon final pensionable earnings. The assets of the scheme are held separately from those of the Company in a trustee administered fund. The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method. The expected cost of pensions is charged to the profit and loss account, so as to spread the cost of pensions over the remaining service lives of the employees in the scheme. In accordance with FRS 17, the Company accounts for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the Company's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

Discussions between the Company, other Group employers and the trustees took place in 2012 to consider the valuation deficit of the plan and the underlying assumptions. Having taken professional advice the Company and other Group employers agreed an estimated deficit and a recovery proposal to close the deficit on a recovery period of three years commencing 6 April 2011. This entailed making a one-off payment of £3 million in July 2012 and continues with enhanced contributions of £1.4 million per annum up to April 2014. At the same time, the monthly employer contributions were reduced from 21.6% to 20.8% with effect from July 2012.

The latest Section 179 (Pensions Act 2004) actuarial valuation of the scheme was at 5 April 2011 and this has been updated to 31 December 2013 by an independent qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

A triennial valuation of the scheme was completed on 6 April 2014.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	2013	2012	2011	2010	2009
	%	%	%	%	%
Inflation rate	**3.6**	2.9	3.1	3.6	3.7
Discount rate	**4.5**	4.4	4.7	5.4	5.7
Rate of salary increase	**4.1**	3.4	3.6	4.1	4.2
Rate of pension increases	**3.6**	2.9	3.1	3.6	3.7
Annual expected return on plan assets	**4.5**	5.1	5.1	6.4	6.7

17. Pension (continued)

The fair value of assets in the scheme and the present value of the liabilities in the scheme at 31 December were:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Total fair value of assets	**44.7**	41.8	35.5	26.1	22.2
Present value of scheme liabilities	**(54.7)**	(50.6)	(46.5)	(35.9)	(34.7)
Net pension liability	**(10.0)**	(8.8)	(11.0)	(9.8)	(12.5)

The contributions of the Company during the year were 20.8% *(2012: 20.8%)* of pensionable salary, plus a share of the enhanced contribution, totalling £70,000 *(2012: £214,000)*. The contributions of the employees were from 3% to 5% *(2012: 3% to 5%)* of pensionable earnings.

This scheme was closed to new employees with effect from 31 March 2002. Employees starting after this date are offered membership of a defined contribution scheme to which the Company makes a contribution.

18. Ultimate parent undertaking and controlling party

The directors consider the ultimate holding and controlling company to be Hong Leong Investment Holdings Pte Ltd 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 Accounting and Corporate Regulatory Authority, 10 Anson Road # 05 - 01/15, 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 of Millennium & Copthorne Hotels plc are available at www.millenniumhotels.co.uk.